

# Commercial Realities Shape the Interpretation of Tax Treaties

September 13, 2018

In a recent decision, the Tax Court of Canada considered CRA's own prior statements as well as the commercial realities of resource companies in finding that treaty benefits applied to a Luxembourg corporation.

Tax treaty benefits, like many other tax incentives, are often designed to encourage foreign investment in Canadian industry. However, gaps between the original intent of a policy and CRA's subsequent interpretations can result in uncertainty (and unwelcome tax bills) well after initial investment by a foreign company. The decision of the Tax Court of Canada in

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