

# SLFI Group — Federal Court of Appeal confirms that funds may unbundle and outsource fund managers' exempt financial services

27 septembre 2019

**SLFI Group v. Canada** <sup>1</sup>(SLFI Group) is an important decision from the Federal Court of Appeal (FCA) with respect to the application of GST/HST to fund management activities. The FCA overruled the Tax Court of Canada (TCC) to hold that payments made by a group of investment funds (the Funds) to a U.S. subsidiary of Citibank for financing services was GST/HST exempt. This was the case even though this financing function was originally within the purview of the fund manager (the Manager) and would have been GST/HST taxable if rendered directly by the Manager. By outsourcing the financing function to a third party, the Funds were able to save approximately \$45M in otherwise unrecoverable GST/HST.

The FCA reasons are instructive and provide guidance on how to successfully unbundle, outsource and re-characterize certain activities performed by the fund manager so that they can be treated as GST/HST-exempt financial services.

## Key Takeaways

- The Court's comments in SLFI Group present an opportunity for Funds and other taxpayers that incur unrecoverable GST/HST to revisit their current arrangements to restructure and save unrecoverable GST/HST.
- SLFI Group also highlights the risk of investment fund arrangements where a portion of the fees paid to a third party may be construed as a payment "for the benefit" of the fund manager. If this were the case, the payments could potentially have been treated as consideration for taxable services.

## Overview of the Facts

The Manager provided management and administrative services to the Funds. As part of its duties, the Manager financed the upfront payment of brokerage selling commissions so that the Funds could offer their investors a deferral or complete

elimination of these commissions. The Manager no longer wanted to finance these selling commissions for business reasons and, as trustee of the Funds, outsourced this function to a U.S. special-purpose subsidiary of Citibank (the Funding Corp.).

The Canada Revenue Agency reassessed the Funds and the Manager to impute GST/HST on those services, for approximately \$45M in unremitted GST/HST. The taxpayers appealed the reassessment to the TCC, where the TCC held that the services **were taxable because the services were part of the Manager's duties and would have otherwise been taxable if rendered by the Manager rather than outsourced to the Funding Corp.** The FCA disagreed with the TCC and held that Funding Corp.'s services were GST/HST-exempt financial services.

For further information on how SLFI Group may affect your GST/HST obligations, feel free to [contact the authors below or any members of our Commodity Tax group](#).

<sup>1</sup> 2019 FCA 217.

**Par**

[Braek Urquhart](#)

**Services**

[Fiscalité, Taxes à la consommation, Plaidoirie en appel](#)

---

## **BLG | Vos avocats au Canada**

Borden Ladner Gervais S.E.N.C.R.L., S.R.L. (BLG) est le plus grand cabinet d'avocats canadien véritablement multiservices. À ce titre, il offre des conseils juridiques pratiques à des clients d'ici et d'ailleurs dans plus de domaines et de secteurs que tout autre cabinet canadien. Comptant plus de 725 avocats, agents de propriété intellectuelle et autres professionnels, BLG répond aux besoins juridiques d'entreprises et d'institutions au pays comme à l'étranger pour ce qui touche les fusions et acquisitions, les marchés financiers, les différends et le financement ou encore l'enregistrement de brevets et de marques de commerce.

[blg.com](#)

## **Bureaux BLG**

### **Calgary**

Centennial Place, East Tower  
520 3rd Avenue S.W.  
Calgary, AB, Canada  
T2P 0R3  
  
T 403.232.9500  
F 403.266.1395

### **Ottawa**

World Exchange Plaza  
100 Queen Street  
Ottawa, ON, Canada  
K1P 1J9  
  
T 613.237.5160  
F 613.230.8842

### **Vancouver**

1200 Waterfront Centre  
200 Burrard Street  
Vancouver, BC, Canada  
V7X 1T2  
  
T 604.687.5744  
F 604.687.1415

**Montréal**

1000, rue De La Gauchetière Ouest  
Suite 900  
Montréal, QC, Canada  
H3B 5H4  
  
T 514.954.2555  
F 514.879.9015

**Toronto**

Bay Adelaide Centre, East Tower  
22 Adelaide Street West  
Toronto, ON, Canada  
M5H 4E3  
  
T 416.367.6000  
F 416.367.6749

Les présents renseignements sont de nature générale et ne sauraient constituer un avis juridique, ni un énoncé complet de la législation pertinente, ni un avis sur un quelconque sujet. Personne ne devrait agir ou s'abstenir d'agir sur la foi de ceux-ci sans procéder à un examen approfondi du droit après avoir souposé les faits d'une situation précise. Nous vous recommandons de consulter votre conseiller juridique si vous avez des questions ou des préoccupations particulières. BLG ne garantit aucunement que la teneur de cette publication est exacte, à jour ou complète. Aucune partie de cette publication ne peut être reproduite sans l'autorisation écrite de Borden Ladner Gervais S.E.N.C.R.L., S.R.L. Si BLG vous a envoyé cette publication et que vous ne souhaitez plus la recevoir, vous pouvez demander à faire supprimer vos coordonnées de nos listes d'envoi en communiquant avec nous par courriel à [desabonnement@blg.com](mailto:desabonnement@blg.com) ou en modifiant vos préférences d'abonnement dans [blg.com/fr/about-us/subscribe](http://blg.com/fr/about-us/subscribe). Si vous pensez avoir reçu le présent message par erreur, veuillez nous écrire à [communications@blg.com](mailto:communications@blg.com). Pour consulter la politique de confidentialité de BLG relativement aux publications, rendez-vous sur [blg.com/fr/ProtectionDesRenseignementsPersonnels](http://blg.com/fr/ProtectionDesRenseignementsPersonnels).

© 2025 Borden Ladner Gervais S.E.N.C.R.L., S.R.L. Borden Ladner Gervais est une société à responsabilité limitée de l'Ontario.