



In light of a new CRA administrative policy we are providing information to our clients to help with making a sound financial decision.

This new practice highlights filings of Florida and Delaware LLPs and LLLPs and underlines the importance of utilizing this policy in accordance with proper tax facilitation. Please take a moment to read through the information below thoroughly and note that we are available to answer any of your questions.

The CRA will be adopting the administrative practice of allowing Florida and Delaware LLPs and LLLPs formed before April 26, 2017 to file as a partnership for all prior and future tax years, provided none of the following conditions applies:

- * One or more members of the entity and/or the entity itself take inconsistent positions from one taxation year to another, or for the same taxation year, between partnership and corporate treatment;
- * There is a significant change in the membership and/or the activities of the entity; or
- * The entity is being used to facilitate abusive tax avoidance.

Where any of these conditions is met in respect of any such entities formed before April 26, 2017, the CRA may issue assessments to the members and/or the entity, for one or more taxation years, on the basis that the entity is a corporation.

For these purposes, the CRA will consider any such entity to have been formed on the day on which the appropriate governmental organization accepts the filing of the required documentation in respect of the establishment of the entity as an LLP or LLLP, as the case may be.

Notwithstanding the above, any such entity that has consistently filed as a corporation for Canadian income tax purposes may continue to file on that basis.

Delaware and Florida LLPs and LLLPs formed after April 25, 2017 will be assessed as corporations for all purposes of Canadian income tax law.

To the extent LLPs or LLLPs of other jurisdictions of the U.S. have similar attributes to those of Florida and Delaware and the CRA views them as corporations for the purposes of Canadian income tax law, the CRA's administrative policy outlined above will be applied to them as well.

Sincerely,

Prasad & Company LLP