

LANGIND E

DOCNUM 2014-0528361E5

REFDATE 140825

SUBJECT premium on redemption of foreign affiliate shares

SECTION 84(3), 93(1)

Please note that the following document, although believed to be correct at the time of issue, may not represent the current position of the CRA. Prenez note que ce document, bien qu'exact au moment émis, peut ne pas représenter la position actuelle de l'ARC.

PRINCIPAL ISSUES: Whether a premium on the redemption of foreign affiliate shares is a dividend

POSITION: In the absence of an election under paragraph 93(1) of the Income Tax Act, the redemption proceeds are treated as proceeds of disposition.

REASONS: Application of the law related to proceeds of disposition.

XXXXXXXXXX

2014-052836

L. Friedlander

August 25, 2014

Dear XXXXXXXXXXXX:

Re: Mandatory Redeemable Preference Shares

This is in response to your email of January 27, 2014 concerning Rulings

document 2012-0439741I7 dated April 30, 2013, relating to mandatory redeemable preference shares ("MRPS") issued by a non-resident.

In the above-mentioned document, we indicate that upon redemption of MRPS, the redemption premium would be characterized as a dividend. This statement does not reflect the views of the CRA. In the absence of an election under subsection 93(1) of the Act, redemption proceeds are treated as proceeds of disposition. Accordingly, Rulings document 2012-0439741I7 will be removed from our database. Thank you for bringing this matter to our attention.

We trust that these comments will be of assistance.

Yours truly,

G. Moore

for Director

International Division

Income Tax Rulings Directorate

Legislative Policy and Regulatory Affairs Branch