



30 Eglinton Avenue West, Suite 306  
Mississauga ON L5R 3E7  
Tel: (905) 279-2727  
Website: [www.ifbc.ca](http://www.ifbc.ca)

March 25, 2010

Ms. Louise Levonian  
ADM, Tax Policy  
Finance Canada  
140 O'Connor Street  
Ottawa ON K1A 0G5

Sent by email: [louise.levonian@fin.gc.ca](mailto:louise.levonian@fin.gc.ca)

Dear Ms Levonian:

Independent Financial Brokers of Canada (IFB) is writing to add our voice to those of others in the financial services industry who have expressed concern about the lack of clarity that is arising as a result of legislation drafted by the Finance Department and the CRA GST/HST Notice No. 250 "Proposed Changes to the Definition of Financial Services".

Members of IFB, and their clients, stand to be significantly affected by changes in the interpretation of what constitutes a financial service for the purpose of assessing the GST portion of the HST, since many of the services provided by our members were previously exempt under the GST provisions of the *Excise Tax Act*. It now appears that commissions, deferred sales charges and redemption fees paid by investors will no longer be considered exempt, under the supply of a financial service provision, and will be subject to the GST.

IFB has some 4,000 individual members most of whom are licensed to sell life/health insurance and mutual funds/securities. Our members are self-employed, small business men and women who provide financial advice and products to consumers, in their local communities. They have made a career choice to be an 'independent' advisor because they believe their access to a variety of financial products from a variety of providers greatly enhances their ability to ensure their clients receive the most suitable products to meet their need. Ultimately, this choice leads to a greater level of consumer protection. Disadvantaging these brokers - and their clients - because they earn commission based income is not sound tax policy. Furthermore, it will undermine consumer choice if products and advice offered through independent brokers is viewed to be more expensive than through other sales channels.

The primary form of compensation from the insurance and mutual fund companies our members do business with is commission-based. This is a well-accepted method of payment and one which has been in place in the financial services industry for a long time. We are concerned, then, that the government appears to be widening the GST tax base to include such payments, without proper and full discussion of its potential impacts and public disclosure of the same.

The changes implied in CRA Notice 250 would retroactively require commissions, trailing commissions and other fees to be subject to GST, dating back to December 14, 2009. This is additionally troublesome because this period would include the past RRSP season during which a larger than average number of transactions occur. The impact on advisors and their customers is significant and further compounded because IFB has no ability to advise them on what, if any, changes they need to make in their business practices to accommodate the new rules.

It is our sincere hope that the Federal Finance Department and CRA will take our concerns, and the opinions expressed by other financial services professionals, under serious consideration and act promptly to resolve the situation by clarifying that the government does not intend to widen the application of the GST and confirming that the above-noted financial services will continue to be exempt.

IFB would welcome the opportunity to contribute further to this discussion at any time.

Yours truly,

A handwritten signature in black ink, appearing to read 'John Whaley', written in a cursive style.

John Whaley  
IFB Executive Director  
Email: [jaw@ifbc.ca](mailto:jaw@ifbc.ca)