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Is My IFA Life Insurance Policy An Unregistered Tax Shelter?

Application of subsection 237.1(1), section 143.2, and Regulation 3100 to financed life insurance structures

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This memorandum provides a comprehensive framework for analyzing whether an Immediate Financing Arrangement (IFA) qualifies as a tax shelter under the Income Tax Act (ITA). It systematically examines the statutory definition of a tax shelter, the identification of the relevant property, the connection between the loan and that property, and the classification of the financing as a limited-recourse amount. Furthermore, it outlines the resulting prescribed-benefit calculation, details the consequences of operating an unregistered tax shelter, and addresses common objections from lenders and promoters. Ultimately, the objective of this document is to equip readers with the objective statutory questions required to make that determination themselves.

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Background: The IFA Structure and Why Deductibility Matters

In a standard IFA structure, a client purchases a permanent life insurance policy and pays the premium out of pocket. Immediately afterward, a bank lends the client money against the policy's cash value, as typically illustrated. The loan proceeds are then invested. In a typical illustration, the net cash outlay in the year of the transaction is shown as $0. The debt is generally intended to remain outstanding for life and to be repaid from the tax-free proceeds of the policy on death, so the illustration typically shows the projected loan subtracted from the death benefit to arrive at a "net benefit" figure. While an IFA renders the client cash neutral in the year of the transaction, it does not make the life insurance free. Instead, it replaces a known, finite premium obligation with a lifelong debt that must be serviced annually.

The cost of carrying that debt is the annual interest charge, which is maintained for the life of the insured. The arrangement's economics depend heavily on whether this interest charge can be rendered tax-deductible under the Income Tax Act. If the loan were used directly to pay for the insurance premium, that deduction would not be a possibility, as paragraph 20(1)(c) explicitly excludes interest on money borrowed to acquire a life insurance policy.

Without a tax deduction, this lifelong interest burden is highly problematic. If the interest is capitalized and re-collateralized annually, the compounding debt could eventually outrun the policy's cash value, leaving the client with little or no insurance net of the debt. Alternatively, if the interest is paid out-of-pocket annually, the client is exposed to interest rate variability; over a lifetime, this cumulative after-tax cost could easily exceed what it would have cost to purchase the target net death benefit outright using standard, unfinanced insurance products.

To render the interest deductible and thus the plan financially competitive, the IFA relies on specific sequencing and the deliberate, represented use of funds. The premium is deposited and an amount equal to it is borrowed against the policy, typically at the same time, with the proceeds directed to an income-producing investment. The interest is represented as deductible, and the illustrated tax savings are integrated directly into the arrangement's stated financial quantum. The policy and the loan are connected at every step: the policy secures the loan, the advances track the premiums, and the loan is repaid from the death benefit.

This sequencing dictates the financial outcome of the overall plan. The illustration presents the policy, the loan, the investment, and the tax-deductible interest together to demonstrate a calculated net cost. Because the loan is secured by the policy and sized to its premiums, and the illustration represents deductions flowing from that structure, the tax-shelter question under the ITA's definition arises, as set out below.

The Statutory Definition of a Tax Shelter

Subsection 237.1(1) of the Income Tax Act defines a tax shelter, in relevant part, as a property in respect of which it can reasonably be considered, having regard to statements or representations made or proposed to be made in connection with it, that if a person acquired an interest in the property, the amounts represented to be deductible within the first four years would equal or exceed the person's net cost. Net cost is the cost of the property, determined without reference to s. 143.2, minus any prescribed benefit expected to be received or enjoyed, directly or indirectly, in respect of the property.

This produces three variables that must be established before the test can be applied:

Variable	Question	Statutory Basis
A	What is the cost of the property acquired?	ITA s. 237.1(1)(b)(ii)(A) — cost determined without reference to s. 143.2
B	What prescribed benefit — including any limited-recourse financing — is expected in respect of that property?	ITA s. 237.1(1)(b)(ii)(B); ITR Reg. 3100(3); ITA ss. 143.2(7) and 143.2(12)
C	What deductions, losses, or credits are represented in the first four years?	ITA s. 237.1(1)(b)(i)

The statutory test under subsection 237.1(1) resolves to a simple equation:

If C ⩾ (A − B), the arrangement crosses the tax-shelter threshold and registration is required.

This test is triggered by representations made or proposed to be made — through sales meetings, promotional materials, or financial illustrations — rather than by the arrangement's actual commercial outcome. The phrase "proposed to be made" is significant: the tax-shelter analysis can be engaged before the representations are actually made to a purchaser, based on what is intended to be represented. Subsection 237.1(4) requires a Tax Shelter ID Number before the arrangement may be sold or issued, regardless of whether the represented deductions are ultimately sustained on audit.

In an IFA, the design directly sets up a potential zero net cost. In that context, this statutory calculation is not peripheral; overlooking it exposes the arrangement and its participants to severe penalties, regardless of intent.

The sections that follow walk through this three-part statutory cascade as applied to a standard IFA: first, 1) identifying the **relevant property (A)**, then 2) establishing whether the loan constitutes a **prescribed benefit (B)** in respect of that property, and finally 3) applying the arithmetic to the **represented deductions (C)**.

1. Identifying the Relevant Property (A)

For tax shelter purposes, a life insurance policy is property, and it is not among the exceptions to the definition. The test turns on what the representations, read objectively, communicate (*Canada v. Baxter, 2007 FCA 172*). A standard IFA illustration presents the purchase of the policy as the foundation of the arrangement and states its cost. Variable A is therefore the cost of the policy, determined without reference to s. 143.2.

The investment acquired with the borrowed funds may also be tested, as a separate property, concurrently with the policy. Because the interest is represented as deductible only if the loan is used to acquire the investment, the illustration itself represents the loan as financing it. An IFA may therefore involve two tax shelters at once.

It may be tempting to treat the policy and the investment as a single package, but they are separate properties and cannot be merged into one composite property. The policy is underwritten and priced as insurance, the investment is acquired and held for its own income, and each stands on its own merits. **This memo tests the policy.**

2. Establishing the Prescribed Benefit (B)

Net cost under s. 237.1(1) is the cost of the interest in the property minus any prescribed benefit "expected to be received or enjoyed, directly or indirectly, in respect of" that interest. Reg. 3100(3) provides that a prescribed benefit, "in respect of an interest in a property," includes a limited-recourse amount under s. 143.2(7), subject to exceptions that do not apply here. Unlike Reg. 3100(1), it has no loss-reduction test: the amount is included outright.

Section 143.2(7) deems a debt a limited-recourse amount unless bona fide written arrangements, made when the debt arose, provide for repayment within 10 years. A typical IFA illustration shows the loan outstanding for life and repaid from the death benefit. A lender's right to demand payment is not a borrower's arrangement to repay, and renewals do not cure it (*s. 143.2(12); Cassan v. The Queen, 2017 TCC 174*). The CRA has accepted that a demand loan could be a limited-recourse amount (2006-0196251C6).

The loan is "in respect of" the client's interest in the policy. That phrase requires only some real connection (*Nowegijick v. The Queen, [1983] 1 S.C.R. 29; Markevich v. Canada, 2003 SCC 9*). Some may try to argue that because the loan proceeds were used to acquire an investment other than the policy, the loan is in respect of that investment rather than the policy. But the connection need not be exclusive: a loan can be in respect of both the investment it funds and the policy that secures it.

The IFA illustration itself confirms this. It shows the collateral insurance deduction under paragraph 20(1)(e.2), which the Act describes as an amount "in respect of a life insurance policy," yet which is available only if the interest on the loan is deductible, meaning the loan proceeds were used to earn income, not to buy the policy. The same language appears in the rules introduced for 10/8 arrangements to deny the interest expense (subs. 20(2.01), cited strictly for its wording; an IFA is not a 10/8 arrangement). They deny the deduction of interest "paid … in respect of a life insurance policy," which can only be interest on money not used to buy the policy, since subparagraph 20(1)(c)(i) already denies that. In both provisions, a loan whose proceeds went elsewhere is still "in respect of" the policy. Section 237.1(1) and Reg. 3100(3) likewise ask only if the loan and the policy are connected, not what the loan funded.

In an IFA, the connection runs both ways. The loan is sized by the policy, advanced because of it, secured by an assignment of the client's interest in it, and repaid from it on death. The policy is sized by the loan: the illustration subtracts the loan from the death benefit to arrive at the net benefit, so the face amount is set to cover both the debt and the coverage the client needs. Remove the loan and the representation is no longer the same: the illustrated net cost, the deductions and the net death benefit all change. Because the representation makes the policy and the loan inseparable, the connection would be met even under a much narrower test than "in respect of." The CRA asks promoters to disclose investor financing "where such financings are to be used to promote the sale of the tax shelter, or forms part of the arrangement" (*T5001-INSTR, Section E*). The IFA loan does both.

B therefore equals the loan advance matched to each premium. Only a bona fide written arrangement, made at inception, to repay all principal within 10 years would change this, and that should be confirmed against the actual loan agreement.

3. Identifying the Represented Deductions (C)

Variable C is the total of amounts represented to be deductible in computing income in respect of the interest in the property, for the particular year or any preceding year within the first four years (s. 237.1(1), cl. (b)(i)(A)). A typical IFA illustration represents two such amounts as line items, both as part of the same plan as the policy. The collateral insurance deduction under para. 20(1)(e.2) is, by its terms, in respect of a life insurance policy, and alone meets the test. The interest deduction under para. 20(1)(c) is on a loan that is itself in respect of the policy (Section 2). C therefore includes both.

The Tax-Shelter Calculation

With A, B and C established, the test is arithmetic. At the end of any taxation year ending within four years of acquisition, the property is a tax shelter if the deductions represented for that year and all preceding years (C) equal or exceed the cost of the interest at that year-end (A), minus the prescribed benefits expected in respect of it (B). **I.e., is $C \geqslant (A - B)$?**

Where each premium is fully matched by a loan advance, A and B are equal, and (A − B) = $0 from Year 1. Any represented deduction then satisfies the test, and its amount is irrelevant. Illustrations commonly show a full advance against each premium, so this is a typical case. Where the loan covers only part of the premium, A − B is the unfinanced portion, and the test is met if the cumulative represented deductions reach that amount by the end of any of the first four years.

Consequences of Unregistered Tax-Shelter Status

A promoter of a tax shelter must apply for an identification number (s. 237.1(2)), may not sell, issue or accept consideration for it before the number is issued (s. 237.1(4)), and must provide the number to investors and file annual information returns listing them (s. 237.1(5), (7)). If an IFA is a tax shelter and is sold without a number:

- **Deductions denied (s. 237.1(6)).** No amount may be deducted or claimed in respect of a tax shelter unless the person files the prescribed form containing the identification number. This applies to every represented deduction, including the interest and collateral insurance deductions, regardless of their merits. While a s. 237.1(7.4) penalty on the shelter remains unpaid, no deduction may be claimed for any year (s. 237.1(6.1)).
- **Cost reduced (s. 143.2(6)).** The cost of a tax shelter investment is reduced by the limited-recourse amounts that relate to it.
- **Penalty (s. 237.1(7.4)).** Any person who sells, issues or accepts consideration for an unregistered tax shelter is liable to a penalty of the greater of $500 and 25% of the consideration received or receivable. More than one person may be a promoter of the same tax shelter. Third-party penalties under s. 163.2 may also apply separately.
- **Extended reassessment.** Assessments may be made beyond the normal reassessment period as necessary to give effect to s. 143.2 (s. 143.2(15)) and to s. 237.1(6.1) (s. 237.1(6.2)).

A Diagnostic Test for Advisors

An advisor or promoter who disagrees with this analysis does not need to debate it in the abstract. The following questions can be applied directly to the illustration and any loan documentation at issue:

1. What property does the illustration represent as being acquired? If it is an insurance policy, with its cost shown as the premium deposit, the property has been identified.
2. Does the illustration represent a bona fide written arrangement to repay all principal within 10 years? If it shows the loan repaid from the death benefit, it does not, and s. 143.2(7) deems the loan a limited-recourse amount. If such an arrangement is said to exist, it should be produced.

3. If the loan is a limited-recourse amount, and the policy and loan are presented as parts of a single plan, on what basis is the loan not a prescribed benefit in respect of the policy under Reg. 3100(3)?
4. If it is a prescribed benefit, what is the resulting net cost (A – B)?
5. If the net cost is nil and any deduction is represented in the first four years, including the collateral insurance deduction, which is by its terms in respect of a life insurance policy, how does the arrangement avoid meeting the test in s. 237.1(1)?

Where the test is met, the promoter of a proposed IFA should obtain a tax shelter identification number before the arrangement is sold, and should provide that number to the client. For an existing IFA, the policyholder should ask the promoter for the identification number. If there is none, the policyholder should obtain independent tax and legal advice before claiming further deductions, and should review deductions claimed.

The stakes are not proportionate to the omission. Where the test is met and no number is obtained, skipping an administrative filing can cost the denial of every deduction the plan relies on, and possibly years of litigation to contest it.

Conclusion

Tax-shelter status does not decide whether an arrangement is substantively acceptable, and it does not assess economic substance in the way the General Anti-Avoidance Rule (GAAR) does. An IFA may separately face GAAR scrutiny, but meeting the tax-shelter definition carries no finding of abusive planning. It is an objective disclosure threshold.

The denial of deductions under s. 237.1(6) is therefore not a penalty for improper planning. It is the statutory consequence of a compliance omission: selling without an identification number. The test can be run before an arrangement is sold, using the illustration and the loan terms. Where it is met, registration before sale lets any later inquiry turn on the merits of the deductions rather than on the missing number. Registration does not, however, address the cost reduction under s. 143.2(6) or confirm entitlement to any deduction.

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Characteristics of an Immediate Financing Arrangement (IFA) Life Insurance Plan

Income Tax Rate: 50.17%

Loan Interest Rate: 5.00%

Deposits as Scheduled

Dividend Scale Rate 5.35% (For Information Purposes Only)

		Policy Information			Loan Details			Annual Deductions				Benefits
		#1	#2	#3	#4	#5	#6	#8	#9	#10	#11	#12
		Deposit	Cash Value	Death Benefit	Annual Loan Amount	Cumulative Loan Amount	Loan Security Collateral (#5 - #2)	Tax Deductible Interest	Tax Deductible Premium	Total Annual Tax Deductions (#8 + #9)	Total Annual Tax Savings (#10xTx%)	Net Death Benefit (#3 - #5)
1	60	$100,000	$61,091	$1,446,039	$100,000	$100,000	$38,909	$5,000	$175	$5,175	$2,596	1,346,039
2	61	100,000	127,089	1,586,368	100,000	200,000	72,911	10,000	486	10,486	5,261	1,386,368
3	62	100,000	197,740	1,728,112	100,000	300,000	102,260	15,000	896	15,896	7,975	1,428,112
4	63	100,000	272,084	1,868,904	100,000	400,000	127,916	20,000	1,417	21,417	10,745	1,468,904
5	**64**	**100,000**	**349,913**	**2,008,261**	**100,000**	**500,000**	**150,087**	**25,000**	**2,060**	**27,060**	**13,576**	**1,508,261**
6	65	100,000	447,235	2,146,651	100,000	600,000	152,765	30,000	2,845	32,845	16,478	1,546,651
7	66	100,000	554,921	2,284,685	100,000	700,000	145,079	35,000	3,790	38,790	19,461	1,584,685
8	67	100,000	673,270	2,422,740	100,000	800,000	126,730	40,000	4,915	44,915	22,534	1,622,740
9	68	100,000	802,556	2,561,174	100,000	900,000	97,444	45,000	6,243	51,243	25,709	1,661,174
10	**69**	**100,000**	**943,038**	**2,700,334**	**100,000**	**1,000,000**	**56,962**	**50,000**	**7,789**	**57,789**	**28,993**	**1,700,334**
11	70	0	995,100	2,666,002	0	1,000,000	4,900	50,000	8,874	58,874	29,537	1,666,002
12	71	0	1,054,681	2,634,855	0	1,000,000	0	50,000	10,053	60,053	30,128	1,634,855
13	72	0	1,121,971	2,606,979	0	1,000,000	0	50,000	11,348	61,348	30,778	1,606,979
14	73	0	1,197,165	2,582,453	0	1,000,000	0	50,000	12,739	62,739	31,476	1,582,453
15	**74**	**0**	**1,280,453**	**2,561,357**	**0**	**1,000,000**	**0**	**50,000**	**14,229**	**64,229**	**32,224**	**1,561,357**
16	75	0	1,323,698	2,543,051	0	1,000,000	0	50,000	15,829	65,829	33,027	1,543,051
17	76	0	1,368,098	2,526,713	0	1,000,000	0	50,000	16,133	66,133	33,179	1,526,713
18	77	0	1,414,037	2,512,257	0	1,000,000	0	50,000	16,226	66,226	33,225	1,512,257
19	78	0	1,461,654	2,499,626	0	1,000,000	0	50,000	16,308	66,308	33,266	1,499,626
20	**79**	**0**	**1,511,107**	**2,488,774**	**0**	**1,000,000**	**0**	**50,000**	**16,379**	**66,379**	**33,302**	**1,488,774**
21	80	0	1,562,582	2,479,661	0	1,000,000	0	50,000	16,439	66,439	33,332	1,479,661
22	81	0	1,616,301	2,472,255	0	1,000,000	0	50,000	16,488	66,488	33,357	1,472,255
23	82	0	1,672,174	2,466,528	0	1,000,000	0	50,000	16,526	66,526	33,376	1,466,528
24	83	0	1,729,676	2,462,467	0	1,000,000	0	50,000	16,554	66,554	33,390	1,462,467
25	**84**	**0**	**1,788,435**	**2,460,038**	**0**	**1,000,000**	**0**	**50,000**	**16,570**	**66,570**	**33,398**	**1,460,038**
26	85	0	1,848,331	2,459,189	0	1,000,000	0	50,000	16,576	66,576	33,401	1,459,189
27	86	0	1,909,255	2,459,866	0	1,000,000	0	50,000	16,571	66,571	33,399	1,459,866
28	87	0	1,971,085	2,462,024	0	1,000,000	0	50,000	16,557	66,557	33,391	1,462,024
29	88	0	2,033,645	2,465,619	0	1,000,000	0	50,000	16,532	66,532	33,379	1,465,619
30	**89**	**0**	**2,096,731**	**2,470,612**	**0**	**1,000,000**	**0**	**50,000**	**16,499**	**66,499**	**33,363**	**1,470,612**
31	90	0	2,159,535	2,476,217	0	1,000,000	0	50,000	16,462	66,462	33,344	1,476,217
32	91	0	2,229,555	2,530,229	0	1,000,000	0	50,000	0	50,000	25,085	1,530,229
33	92	0	2,298,778	2,584,179	0	1,000,000	0	50,000	0	50,000	25,085	1,584,179
34	93	0	2,368,072	2,638,095	0	1,000,000	0	50,000	0	50,000	25,085	1,638,095
35	**94**	**0**	**2,438,237**	**2,691,999**	**0**	**1,000,000**	**0**	**50,000**	**0**	**50,000**	**25,085**	**1,691,999**
36	95	0	2,509,972	2,745,912	0	1,000,000	0	50,000	0	50,000	25,085	1,745,912
37	96	0	2,584,750	2,799,844	0	1,000,000	0	50,000	0	50,000	25,085	1,799,844
38	97	0	2,665,320	2,853,789	0	1,000,000	0	50,000	0	50,000	25,085	1,853,789
39	98	0	2,756,593	2,907,715	0	1,000,000	0	50,000	0	50,000	25,085	1,907,715
40	**99**	**0**	**2,867,532**	**2,961,547**	**0**	**1,000,000**	**0**	**50,000**	**0**	**50,000**	**25,085**	**1,961,547**
41	100	0	3,015,145	3,015,145	0	1,000,000	0	50,000	0	50,000	25,085	2,015,145

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Appendix A: Anticipating the Objections

The objections most often raised by lenders and promoters, with the statutory answer to each.

This would make every investment loan a tax shelter.
It would not. An ordinary investment loan stands alone: it is not sized to the premiums on a separate property, advanced only once those premiums are paid, or presented with that property and its deductions as one plan with a nil net cost. An IFA loan is all three, by design. Any loan structured that way meets the same test, so the result is not absurd. It follows from clear words applied as written.

The bank treats the loan as fully recourse.
Commercial recourse is not the statutory question. Section 143.2(7) deems the debt a limited-recourse amount unless bona fide written arrangements, made at inception, provide for repayment of all principal within 10 years. Personal covenants, guarantees, demand clauses and additional collateral do not by themselves supply that arrangement.

The loan does not reduce the purchaser's risk; the borrower is fully liable.
That is the Reg. 3100(1) test. Reg. 3100(3) includes limited-recourse amounts outright, with no loss-reduction test.

The lender requires us to requalify annually or before the 10-year mark.
A right to call the loan, or a periodic credit review, is not an obligation of the borrower to repay principal within 10 years. Where a facility has a stated term of 10 years or less, s. 143.2(12) asks whether it can reasonably be considered part of a series of loans and repayments extending beyond 10 years (*Cassan, 2017 TCC 174*). An illustration showing the loan outstanding until death is strong evidence on that question.

The loan funded an income-producing investment, not the policy.
The question is whether the loan is "in respect of" the policy, not whether it purchased the policy. That phrase requires only some real connection (*Nowegijick v. The Queen, [1983] 1 S.C.R. 29; Markevich v. Canada, 2003 SCC 9*), and the connection need not be exclusive. The policy and the loan are presented as parts of a single plan, and the loan would not exist without the policy (Section 2). The investment may be a separate property as well (Section 1), but that does not change the analysis of the policy.

The arrangement is an integrated package, so its combined cost exceeds the loan.
Section 237.1(1) is applied property by property. Where the promoter's own documents price, describe and tax items separately, they are distinct properties (*Seica v. ARQ, 2021 QCCA 1401, paras. 46–49*). An IFA illustration does exactly that. Hexalog (*2005 TCC 67*) treated a whole as one property only because its parts were interdependent; a policy and an investment are completely independent: each can be bought, held and surrendered without the other.

Appendix B: IFA Tax Shelter Checklist

Each statutory element, in the order it applies, and how a typical IFA illustration represents it.

Step 1: Is the loan a limited-recourse amount? (s. 143.2(7))

The debt is deemed limited-recourse unless both (a) and (b) are met. Failing either is enough.

Element	Exception condition	Typical IFA
(a) Bona fide arrangements	A genuine repayment arrangement	None represented
(a) Evidenced in writing	The arrangement is in writing	None. The facility is a demand loan with interest-only payments
(a) Made when the debt arose	The arrangement exists at inception	None at inception
(a) Repayment by the debtor of principal and all interest	An obligation on the borrower, not a right of the lender	Only the lender's demand right, and repayment at death
(a) Within a reasonable period not exceeding 10 years	Repayment within 10 years	Outstanding for life. A renewable short term is treated as no arrangement (s. 143.2(12))
(b) Interest payable annually, paid within 60 days of year-end	Minimum interest terms are met, and interest is paid	Usually met, but irrelevant once (a) fails
Result		**Deemed a limited-recourse amount**

Step 2: Is the loan a prescribed benefit in respect of the policy? (Reg. 3100(3))

Element	Requirement	Typical IFA
An interest in a property	The purchaser acquires an identifiable property	The corporation acquires the life insurance policy
An amount	A specific amount	The unpaid loan principal
A limited-recourse amount because of s. 143.2(7)	Established in Step 1	Yes
In respect of the interest	Some real connection between loan and policy (*Nowegijick*)	Presented as one plan: the policy secures the loan and repays it on death
Exceptions in (3)(a)–(d)	None applies	Corporate borrower, no partnership, no government program loan or excluded loan
Result		**The loan is a prescribed benefit (B) in respect of the policy**

Step 3: Does the property meet the tax shelter definition? (s. 237.1(1))

Element	Requirement	Typical IFA
Statements or representations made or proposed	The test is applied to what is represented	The illustration and sales materials
A: cost of the property	Determined without reference to s. 143.2	The premium deposit
B: prescribed benefit expected, directly or indirectly	From Step 2	The loan advance matched to the premium
C: represented deductions	Amounts represented as deductible in respect of the interest, to the end of each of the first four years	Collateral insurance deduction (para. 20(1)(e.2)) and interest (para. 20(1)(c))
The test	C ⩾ A − B at the end of any of the first four years	A − B = $0, so any represented deduction meets it
Result		**The definition is met.**

Appendix C: The Statutory Chain

ITA s. 143.2(7): Limited-recourse amount. Deems unpaid principal a limited-recourse amount unless bona fide written arrangements, made when the debt arose, provide for repayment within 10 years.

ITA s. 143.2(12): Series of loans. A repayment arrangement that is part of a series of loans and repayments extending beyond 10 years is not an arrangement to repay within 10 years.

ITR Reg. 3100(3): Prescribed benefit (Variable B). A prescribed benefit includes a limited-recourse amount under s. 143.2(1), (7) or (13), subject to exceptions that do not apply.

ITA paras. 20(1)(c) and 20(1)(e.2): Deductions (Variable C). The interest deduction and the collateral insurance deduction.

ITA s. 237.1(1): Tax shelter. Applies the test C ⩾ A − B at the end of each of the first four years.

ITA s. 237.1(4): Sale prohibited. No sale, issuance or acceptance of consideration before an identification number is issued.

ITA s. 237.1(6) and (6.1): Deductions denied. No deduction unless the prescribed form with the identification number is filed, and none for any year while a s. 237.1(7.4) penalty is unpaid.

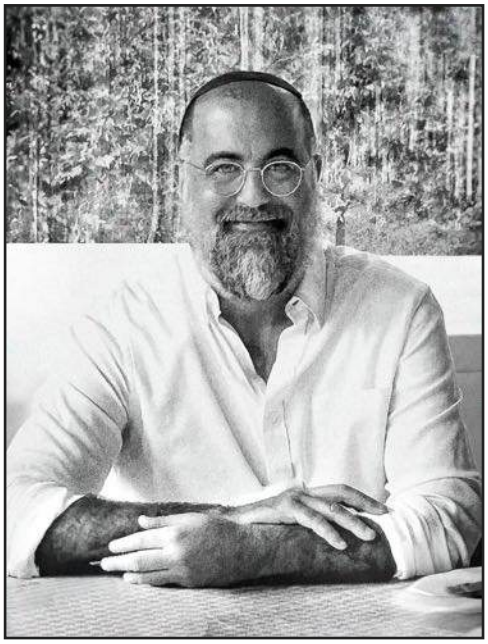
ITA s. 237.1(7.4): Penalty. The greater of $500 and 25% of the consideration, payable by any person who sells, issues or accepts consideration. More than one person may be a promoter.

ITA s. 143.2(6): Cost reduced. The cost of a tax shelter investment is reduced by related limited-recourse amounts.

ITA ss. 143.2(15) and 237.1(6.2): Reassessment. Assessments may be made beyond the normal period as necessary to give effect to s. 143.2 and s. 237.1(6.1).

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