

Highlights of the 2007 Canada-U.S. Tax Treaty Protocol

On September 21, Canada's Minister of Finance and the U.S. Treasury Secretary signed a new protocol to the Canada-U.S. tax treaty. The changes agreed upon:

- elimination of withholding taxes on cross-border interest payments
- extending treaty benefits to U.S. owners of limited liability companies
- relaxing the permanent establishment rules and relieve double taxation related to cross-border commuters and short-term employee transfers
- giving mutual tax recognition of pension contributions
- elimination of double taxation on emigrants' capital gains
- clarification of how stock options are taxed
- taxpayers now allowed settle certain key double tax issues, such as transfer pricing, be through arbitration.