

Introduction

For many years, Canada has been a favourite choice for international investors. Its free market economy, stable social and political environment, solid currency and close relations with the United States make Canada a perfect choice for investors looking for secure investments, good returns and the potential for capital appreciation. German investors have been among some of the most enthusiastic, with German investment in Canada now forming a significant force in the economy.

BDO Dunwoody LLP is proud of the long-standing relationships it has developed over the years with a wide range of German investors in Canada. Through close contact and thorough knowledge of their German clients' businesses, our German speaking partners are able to provide them the same high level of personal service that our Canadian clients value so much. This book, prepared in both German and English, is part of our commitment to you and your colleagues, to assist you in understanding the impact of Canadian taxes on your investments.

As with any developed country, taxation is a major factor in determining profitability of investments. The commentary in this book explains the basic elements of Canada's tax system and some of the more important considerations applicable to German investors. When reading it, there are three important points to remember.

First, our objective here is to provide you with information of a general nature only - an overview of the tax issues you should consider in deciding on your investment in Canada. It is not intended to make you an expert on Canadian taxation. Canada's tax system is extremely complex, with many detailed technical provisions that have evolved over the years. We could not hope to explain all tax considerations that may impact your situation. Therefore, when planning your investment, consult your BDO Canada tax advisor at an early stage, to ensure all important issues are examined and any potential planning is considered before you make your investment.

Secondly, you should bear in mind that the overall tax results of the transactions you enter into will depend on the interaction of both the Canadian and German tax systems, and the effects of the Canada-Germany Tax Treaty. In cross-border situations, the primary responsibility for ensuring both sides are taken into account usually rests with the investor's home country advisor, that is your German tax advisor, who will be more familiar with your overall personal financial situation. At BDO Dunwoody LLP, we have years

of experience in advising German investors and working closely with their German advisors to ensure the best possible overall results for our clients.

And finally, any investor must be aware that regardless of the country involved, tax laws are constantly changing. This book is based on Canadian laws that will be in effect as at January 1, 2001, to the extent announced to December 31, 2000 including 2000 federal and provincial budget announcements. Any budgets, legislation or press releases announced subsequent to this date could change the rules we've outlined here. Also, the Canada-Germany Tax Treaty is currently being renegotiated. Canadian government officials have indicated that the treaty may be ratified in 2001. It is expected that changes to this treaty will be similar to changes that have resulted from other recent treaty negotiations with reductions to certain withholding tax rates. Unless otherwise stated, references to the treaty refer to the Canada-Germany Tax Treaty.

We hope you find this book useful. If you have any questions about its contents or would like additional copies, please don't hesitate to contact your BDO representative. We look forward to assisting in making your investment in Canada a profitable one.