

PRESCRIBED INTEREST RATE EXPECTED TO RISE:

FINALIZE PLANNING BY SEPTEMBER 30, 2013

The prescribed interest rate applicable to non-arm's length loans which is set quarterly for income tax purposes is expected to rise effective October 1, 2013. The current prescribed interest rate has been set at 1% since April 1, 2009. The rate is based on the average yield of Government of Canada 90-day Treasury Bills. As a result of recent information released by the Bank of Canada, it is anticipated that the prescribed rate will increase to 2% for the last quarter of 2013.

The relevant prescribed interest rate is the rate in effect at the time a loan is made. Accordingly, any planning which takes advantage of the current 1% prescribed rate should be implemented by September 30, 2013. Planning that may be affected includes income-splitting arrangements that avoid attribution provisions through the use of prescribed rate loans with low-income family members. CRA's announcement of the increased prescribed interest rate is expected in the coming weeks.

About STEP Canada:

The Society of Trust and Estate Practitioners is the leading international organization for trust and estates professionals. Headquartered in London, England, it has more than 16,500 members worldwide in 66 countries. **STEP Canada**, founded in 1998, has almost 2,000 members with branches in the following cities and regions: Atlantic, Montreal, Ottawa, Toronto, Winnipeg, Calgary, Edmonton and Vancouver. STEP is a multi-disciplinary organization with the most experienced and senior practitioners in the field, including: lawyers, accountants, financial planners, insurance advisors and trust professionals. They provide domestic and international advice on trust and estates, including planning, administration and related taxes.

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