



January 20, 2017

Income Tax Rulings Directorate
Canada Revenue Agency
112 Kent Street
Ottawa, Ontario
K1A 0L5

Attn: Michael Cooke, Manager, Business Income and Capital Transactions Section

Dear Mr. Cooke:

Re: Request for Updated Technical Interpretation – S. 19.1 of the *Income Tax Act*

Pursuant to the procedures outlined in Information Income Tax Information Circular No.: IC70-6R7, dated April 22, 2016 (Advance Income Tax Rulings and Technical Interpretations), please accept this request for an updated technical interpretation of Section 19.1 of the *Income Tax Act (ITA)*. This request is filed on behalf of Friends of Canadian Broadcasting (FCB), a non-profit, non-partisan broadcasting watchdog organization. A detailed analysis of the issue is provided in the Submission attached. Also enclosed is a completed Appendix F (Standard Authorization).

The Requestor

FCB is an independent, Canada-wide, non-partisan, non-profit organization that was formed in 1985, incorporated in 1987, and is currently supported by more than 200,000 households. Our mission is to defend and enhance the quality and quantity of Canadian programming in the audio-visual system. FCB is not affiliated with any broadcaster or political party.

FCB relies entirely upon individual Canadians for after-tax donations to finance its watchdog role, public policy initiatives, public opinion leadership and research activities directed toward our priorities.

As a taxpayer, Friends values and supports the relatively modest but important contributions the Canadian government makes to the audio-visual sector, through grants, subsidies, structural and tax measures.

This ruling request is intended to initiate a thorough re-examination of a tax measure

historically considered to be vital to the support of local broadcasters, but that has yet to be re-interpreted for today's digital broadband and mobile internet age.

The Tax Issue

The subject of this request for an updated technical interpretation is the broadcast advertising tax deductibility provision of the *ITA*, section 19.1. This provision precludes deductions for “an advertisement directed primarily to a market in Canada and broadcast by a foreign broadcasting undertaking”.

A 1996 CRA Interpretation (No. 9618735, dated October 24, 1996) determined that advertising on foreign “web sites” was deductible, based on the conclusion that a web site “is not a broadcast by a “foreign broadcasting undertaking””.

It is FCB's contention that this interpretation, while valid for “web sites” as they existed in 1996, no longer conforms to the current reality of internet media and the rich audio-visual broadcasting now common on broadband. We note that analogous arguments could be made in respect of sections 19(1) and 19.01 of the *ITA* as they apply to internet delivery of newspapers and or periodicals. FCB does not make such arguments in this request, and leaves that matter to other parties with greater knowledge of print media and/or future interpretation requests.

To the best of FCB's knowledge, section 19.1 of the *ITA* has not been re-interpreted since the 1996 ruling.

As further outlined in our submission, attached, it is our respectful view that an appropriate and contemporary interpretation of section 19.1 of the *ITA* would lead CRA to conclude that a significant percentage of advertising expenses currently being deducted for advertisements placed on foreign internet sites do not qualify for such deduction.

We appreciate the CRA's consideration of this request, and would be pleased to provide any further information or clarification that you may require. Please do not hesitate to contact me at 200/238 – 131 Bloor Street West, Toronto, ON, M5S 1R8, at 416-923-8201 or ian@friends.ca.

Sincerely,

A handwritten signature in blue ink that reads "Ian Morrison". The signature is written in a cursive, flowing style.

Ian Morrison
Spokesperson

Encl.