



Canada Revenue  
Agency

Agence du revenu  
du Canada

# MUTUAL AGREEMENT PROCEDURE

PROGRAM REPORT

2021

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2023

ISSN: 2817-271X

Rv1-43E-PDF

**Competent Authority Services Division**

International and Large Business Directorate  
Compliance Programs Branch  
Canada Revenue Agency

[canada.ca/en/revenue-agency/services/tax/international-non-residents/competent-authority-services.html](https://canada.ca/en/revenue-agency/services/tax/international-non-residents/competent-authority-services.html)

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## EXECUTIVE SUMMARY

This is the annual report issued by the Canada Revenue Agency (CRA) on its Mutual Agreement Procedure (MAP) Program. This report provides a summary of the MAP program for the period from January 1, 2021 to December 31, 2021.

This report describes the purpose, history, and current events that are shaping the future of the MAP program. The publication of statistical information makes the MAP program more transparent and provides some insight to the types of issues addressed by the CRA and its treaty partners. A summary of the key findings presented in this calendar year report is provided here:

- The CRA had 167 negotiable MAP cases on January 1, 2021.
- During 2021, the CRA accepted 109 new MAP cases, closed 81 MAP cases including 74 post-2015 and 7 pre-2016 files.
- The average time to complete a negotiable MAP case was 20.61 months.
- Of the 74 post-2015 MAP cases closed in 2021, 36 cases (48.65%) resulted in full relief from double taxation upon negotiation, 11 cases (14.86%) were resolved through unilateral relief, 2 (2.70%) cases resulted in partial relief of double taxation upon negotiation, 3 (4.05%) cases were resolved without relief, and 3 cases (4.05%) had objections not justified. The remaining 19 cases (25.68%) were either withdrawn by the taxpayer, resolved via domestic remedy, resulted in no agreement or were denied MAP access.
- Of the 74 MAP cases closed in 2021, 57 (77%) were initiated by Canada and 17 (23%) were initiated by other countries.
- As of December 31, 2021, the CRA was engaged in negotiable MAP cases involving taxpayers from 30 different jurisdictions. The United States represents 39.27% of these MAP cases.

The CRA encourages taxpayers subject to double taxation or taxation not in accordance with an income tax convention to consider the MAP program.

For more information, see Information Circular (IC) 71-17, [Competent Authority Assistance Under Canada's Tax Conventions](#) or contact a [MAP manager in the Competent Authority Services Division \(CASD\)](#).

The [IC 71-17](#) provides interpretation to taxpayers on how to preserve and exercise their treaty rights and explains the roles and responsibilities of both the taxpayer and the Canadian competent authority. It also addresses recent peer review feedback by the Organisation for Economic Co-operation and Development (OECD) which sought more clarity in Canada's published guidance on the Mutual Agreement Procedure process.

## INTRODUCTION

The MAP program is a service provided by the CRA to assist taxpayers in resolving cases of double taxation or taxation not in accordance with the provisions of a tax convention. The process requires co-operation from taxpayers to achieve the goal of resolving such cases.

## WHAT IS THE MUTUAL AGREEMENT PROCEDURE?

The MAP article in Canada's conventions is a dispute resolution mechanism that allows authorized CRA officials to interact with foreign tax administrations to resolve issues of double taxation and taxation not in accordance with a convention. Under the article, residents in either country may request assistance resolving an issue covered by their convention. In Canada, the Minister of National Revenue authorizes senior CRA officials to try to resolve tax disputes under tax conventions that Canada has with other countries. These senior officials are referred to as the competent authority. A similar authorization usually takes place in Canada's treaty partner countries.

## WHO IS INVOLVED IN THE MAP?

The Competent Authority Services Division (CASD), which has responsibility for the MAP program, is part of the International and Large Business Directorate (ILBD) in the Compliance Programs Branch of the CRA. The Director of the CASD is an authorized competent authority for Canada and is responsible for cases involving double taxation and taxation not in accordance with a convention, as well as for the overall administration of the MAP program. For information on access to and the use of the MAP, see [IC 71-17](#).

The CASD is responsible for:

- the negotiation and resolution of disputes with foreign tax administrations regarding double taxation or taxation not in accordance with a convention under MAP articles of our tax treaties; and
- the negotiation of Advance Pricing Arrangements (APAs) with foreign tax administrations to determine appropriate transfer pricing methodologies for complex cross-border transactions undertaken between related parties and to determine methodologies for the attribution of profits to a permanent establishment.

When a MAP request is received, the request is tracked and assigned to the appropriate team. The lead analyst assigned is responsible for the review, analysis, negotiation and resolution of the MAP case. If needed the analyst may seek support from other areas of the CRA including ILBD's International Tax Division, the Income Tax Rulings and Legislative Policy Directorate of the Legislative Policy and Regulatory Affairs Branch, or from legal counsel with the Department of Justice Canada.

Taxpayers may choose to represent themselves or authorize a representative to pursue a MAP request on their behalf. Taxpayers, or their representatives, work co-operatively with the CRA during the MAP process to ensure an accurate and timely resolution to the case.

For more information on barriers to resolving double taxation, how the competent authority achieves resolution through the MAP and benefits of the MAP, please see appendix A.

## THE MAP PROGRAM IN CANADA

Canada's MAP program dates back to 1942, when it signed its first tax treaty with the United States, which contained a MAP provision. Published taxpayer guidance dates back to 1971, with the release of Information Circular 71-17. This information circular has been revised several times, and the CRA now operates under Information Circular 71-17, [Competent Authority Assistance Under Canada's Tax Conventions](#).

The number of MAP requests in Canada has grown over the years. The CASD has continued reorganizing and implementing a number of initiatives to improve the quality and timeliness of services to taxpayers. These service improvements include the introduction of case management techniques to ensure that MAP requests are progressing on schedule, as well as ongoing efforts to improve the bilateral process with other tax administrations.

According to the publication of OECD 2021 MAP [statistics](#), Canada is in the top five placements for two categories: average time to close the transfer pricing MAP cases and age of inventory. This demonstrates Canada's commitment to the MAP program as noted above.

### Recent developments

As of October 2021, almost half of Canada's 94 tax treaties currently in force have been modified by the [Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting \("Multilateral Instrument" or "MLI"\)](#). The MLI may affect treaty time limits and other MAP-related treaty provisions. A common change is an increase in the amount of time to submit a request for MAP assistance from two years to three years. The MLI also introduces mandatory binding arbitration to resolve certain classes of MAP disputes into some treaties. More of Canada's tax treaties will be modified by the MLI as additional countries sign and ratify this Convention.

Canada remains an active member of the OECD's Forum on Tax Administration (FTA ) MAP Forum in Making Dispute Resolution Mechanisms More Effective (BEPS Action 14) and a participant in its [peer review process](#). Canada is also an active member of the MLI Conference of Parties where parties to the MLI work towards common understandings as to the interpretation and application of the MLI, including modifications as they relate to MAP and arbitration.

On June 1, 2021, the CRA published an updated version of Information Circular 71-17, [Competent Authority Assistance under Canada's Tax Conventions](#).

## TIMELINE: GENERAL

When a MAP case involves negotiation with another tax administration (“negotiable case”), every effort is made to resolve the tax issue as quickly as possible.

The target for resolving a MAP case (including non-negotiable cases) is 24 months; however, there are many factors beyond the CRA’s control, which may result in this target not being met. Factors include the co-operation and timely receipt of information from the taxpayer, the complexity of an issue, the time that the other competent authority needs to review and respond to a position paper, and the willingness of both competent authorities to adopt reasonable negotiating positions.

The CRA’s in-house case management system allows CASD management and staff to monitor the status of MAP cases and report statistics on a number of performance measures, including the average time taken to:

- issue letters after a request is received,
- develop a position paper, and
- negotiate and conclude a case.

The CRA continues to enhance its case management system to be in line with the OECD’s [MAP statistic reporting framework](#) (framework) and to fulfill its commitment to resolve MAP cases in a timely, efficient and effective manner.

### Timeline: negotiable MAP case completions

Beginning in 2016, MAP reporting has been done on a calendar year basis instead of on a fiscal year basis. This is in line with the framework for reporting purposes.

As a result of requirements under the framework, MAP results were categorized as either pre-2016 (cases with a start date prior to January 1, 2016) or post-2015 (cases with a start date after December 31, 2015). The framework requires time reporting by the following stages:

**Start to end:** Time elapsed between the start date and the end date

**Received to start:** Time from receipt of a request until the start date

**Start to position paper:** Time between the start date and the date position papers were sent by the CRA or received from a treaty partner

**Position paper to end:** Time between the date position papers were sent by the CRA (or received from a treaty partner) and the end date.

Under the [framework](#), the start date is generally expected to be five weeks or less from the receipt of a taxpayer’s MAP request. The end date is the date of an official communication (typically in the form of a letter) from the competent authority to advise the taxpayer of the outcome of their request or in the case of a withdrawal, the date the competent authority receives the withdrawal.

## MAP RESULTS<sup>1</sup>

The OECD publishes the [MAP statistics](#) on an annual basis and further breaks the MAP [caseload down by jurisdiction](#). Specific to [Canada](#), at the start of the period there were 167 pending MAP cases and at the end of the period there were 195 cases. During this period, 109 cases were started and 81 cases were closed.

Of the 81 MAP cases closed during 2021, 7 had a start date before 2016 and 74 after December 31, 2015. To calculate the average time taken to resolve pre-2016 MAP cases, the date of filing of the MAP request was used as the start date and the date of the closing letter sent to the taxpayer was considered the end date.

**Table 1: 2021 MAP cases (pre-2016 and post-2015) closed and average time to complete**

	<i>Starting inventory</i>	<i>Cases started</i>	<i>Cases closed</i>	<i>2021 ending inventory</i>	<i>Average time to complete in months</i>
<b>Transfer pricing</b>	<b>129</b>	<b>57</b>	<b>54</b>	<b>132</b>	
<i>Pre-2016</i>	6	0	4	2	84.86
<i>Post 2015</i>	123	57	50	130	20.61
<b>Other</b>	<b>38</b>	<b>52</b>	<b>27</b>	<b>63</b>	
<i>Pre-2016</i>	5	0	3	2	69.28
<i>Post 2015</i>	33	52	24	61	12.96
<b>Total</b>	<b>167</b>	<b>109</b>	<b>81</b>	<b>195</b>	

\* Opening cases - attribution file not accounted for at the end of December 2021.

Of the 74 post-2015 MAP cases closed in 2021, 36 cases (48.65%) resulted in full relief from double taxation upon negotiation, 11 cases (14.86%) were resolved through unilateral relief, 2 (2.70%) cases resulted in partial relief of double taxation upon negotiation, 3 (4.05%) cases were resolved without relief, and 3 cases (4.05%) had objections not justified. The remaining 19 cases (25.68%) were either withdrawn by the taxpayer, resolved via domestic remedy, resulted in no agreement or were denied MAP access.

<sup>1</sup> Please consult the OECD's 2021 MAP breakdown for [Canada](#) for more details.



**Table 2: 2021 MAP cases (pre-2016 and post-2015) closed by outcome**

<i>Category of cases</i>	<i>Denied MAP access</i>	<i>Objection is not justified</i>	<i>Withdrawn by taxpayer</i>	<i>Unilateral relief granted</i>	<i>Resolved via domestic remedy</i>	<i>Agreement fully eliminating double taxation / fully resolving taxation not in accordance with tax treaty</i>	<i>Agreement partially eliminating double taxation / partially resolving taxation not in accordance with tax</i>	<i>Agreement that there is no taxation not in accordance with tax treaty</i>	<i>No agreement including agreement to disagree</i>	<i>Any other outcome</i>	<i>Total</i>
<b><i>Transfer pricing cases</i></b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>6</b>	<b>4</b>	<b>31</b>	<b>2</b>	<b>1</b>	<b>4</b>	<b>3</b>	<b>54</b>
<i>Pre-2016</i>	0	0	0	0	2	0	0	0	2	0	4
<i>Post 2015</i>	0	0	3	6	2	31	2	1	2	3	50
<b><i>Other cases</i></b>	<b>6</b>	<b>3</b>	<b>0</b>	<b>5</b>	<b>6</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>27</b>
<i>Pre-2016</i>	0	0	0	0	3	0	0	0	0	0	3
<i>Post 2015</i>	6	3	0	5	3	5	0	0	1	1	24
<b><i>Total</i></b>	<b>6</b>	<b>3</b>	<b>3</b>	<b>11</b>	<b>10</b>	<b>36</b>	<b>2</b>	<b>1</b>	<b>5</b>	<b>4</b>	<b>81</b>
<b><i>Percentage</i></b>	<b>7.4</b>	<b>3.7</b>	<b>3.7</b>	<b>13.6</b>	<b>12.3</b>	<b>44.5</b>	<b>2.5</b>	<b>1.2</b>	<b>6.2</b>	<b>4.9</b>	<b>100.0</b>

According to the framework, an attribution/allocation case is a MAP case where the request relates to the attribution of profits to a permanent establishment or the determination of profits between associated enterprises. This is also known as a **transfer pricing** MAP case.

Any MAP case that is not defined as an attribution/allocation MAP case is defined as **other**. This may include requests involving juridical double taxation. This is taxation contrary to a convention where either the mutual agreement procedure is required to resolve an issue (for example the taxation of pension and annuities or other income) or a permanent establishment determination is required.

## Negotiable MAP cases completed: Canadian-initiated and foreign-initiated

In 2021, the majority of the cases closed (79%) were initiated by Canada, which has been the trend over the past several years. Overall in 2021, for cases starting after January 1, 2016, it took an average of 20.61 months to resolve a MAP case. Canadian-initiated cases took 19.39 months and foreign-initiated cases 25.48 months. The following table shows a breakdown of completed cases resulting from Canadian-initiated and foreign-initiated audit adjustments and further breaks down the data to show the number of cases for both pre-2016 and post-2015.

**Table 3: Negotiable MAP cases completed: Canadian-initiated and foreign-initiated**

Category of cases	Total	CDN initiated	%	Foreign initiated	%	Average time (in months) to complete Canadian cases	Average time (in months) to complete foreign cases	Average
<b>Pre-2016</b>	<b>7</b>	<b>3</b>	<b>42.9%</b>	<b>4</b>	<b>57.1%</b>	<b>81.10</b>	<b>76.00</b>	<b>78.18</b>
Transfer pricing	4	2	50%	2	50%	86.01	83.71	<b>84.86</b>
Other	3	1	33.3%	2	67.6%	71.28	68.28	<b>69.28</b>
<b>Post-2015</b>	<b>74</b>	<b>61</b>	<b>82.4%</b>	<b>13</b>	<b>17.6%</b>	<b>17.31</b>	<b>21.98</b>	<b>18.13</b>
Transfer pricing	50	40	80%	10	20%	19.39	25.48	<b>20.61</b>
Other	24	21	87.5%	3	12.5%	13.34	10.32	<b>12.96</b>
<b>Total</b>	<b>81</b>	<b>64</b>	<b>79.0%</b>	<b>17</b>	<b>21.0%</b>	<b>20.30</b>	<b>34.69</b>	<b>23.32</b>

## PROGRAM STATISTICS

The table below shows the number of cases, including non-negotiable cases, that were accepted and completed for the 2017 to 2021 period.

**Table 4: Total MAP cases accepted, completed and outstanding**

Period	Beginning inventory	Accepted	Completed	Ending inventory
2021	485 <sup>2</sup>	765	399	851
2020	242 <sup>3</sup>	467	228	481
2019	265 <sup>4</sup>	431	456	240
2018	583	415	732	266
2017	570	331	318	583

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<sup>2</sup> Beginning inventory for 2021 updated to account for four additional cases accepted in 2020.

<sup>3</sup> Ending inventory for 2019 was corrected due to misclassification.

<sup>4</sup> Ending inventory for 2018 non-negotiable decreased by one.

## MAP cases by type

The following table shows the acceptance and completion of MAP cases by type (negotiable and non-negotiable) and by year, for the period 2016 to 2021.

Negotiable cases generally require negotiations between Canada's competent authority and another tax administration to resolve double taxation or taxation not in accordance with an income tax convention.

Non-negotiable cases are resolved by an agreement between Canada's competent authority and taxpayers. These cases do not involve another tax administration.

**Table 5: Acceptance and completion of MAP cases**

Period	Negotiable		Non-negotiable		Total Accepted	
	Negotiable Accepted	Negotiable Completed	Non-Negotiable Accepted	Non-Negotiable Completed	Total Accepted	Total Completed
2021	109	81	656 <sup>5</sup>	318	765	399
2020	72	74	395	154 <sup>6</sup>	467	228
2019	75	60	356	396	431	456
2018	97	126	318	606 <sup>7</sup>	415	732
2017	93	141	238	177	331	318
2016	124	160	164	121	288	281

## Non-negotiable MAP cases by category

**Table 6: Non-negotiable 2021 MAP cases by category**

2021	Opening inventory	Accepted	Completed	Ending inventory
Pensions <sup>8</sup>	287	645	292	640
Gains	4	2	4	2
Other	27	9	22	14
<b>Total</b>	<b>318</b>	<b>656</b>	<b>318</b>	<b>656</b>

<sup>5</sup> The number of Pensions cases significantly increased after Income Tax Folio S5-F3-C1, Taxation of a Roth IRA, was published on January 9, 2021 and stated that retroactive elections are accepted.

<sup>6</sup> Delays in the reception and treatment of cases due to the COVID-19 pandemic.

<sup>7</sup> This number is reflective of an increase in staff and a push to close off aging files.

<sup>8</sup> Delays in the reception and treatment of cases due to the COVID-19 pandemic.

The **Pensions** category involves elections under the [Canada – United States Convention with Respect to Taxes on Income and Capital](#) to defer the taxing of undistributed accrued pension income.

The **Gains** category includes deferred-gains agreements for all treaties and the application of the transitional rule in the [Canada – United States Convention with Respect to Taxes on Income and Capital](#).

The **Other** category generally includes matters relating to estate rollovers, United States “S” corporations, and other issues.

CASD’s workload also includes the analysis of treaty time limits for withholding tax requests received from the Sudbury Tax Centre (NR7 forms). More specifically, CASD’s mandate consists of identifying if the requests for a refund of Part XIII tax are received within the treaty time limit prescribed under the relevant tax conventions and if refunds can consequently be issued beyond the domestic time limit. The Tax Centre is responsible for verifying if the refunds are warranted and for involving the audit functions. In 2021, CASD closed 5,230 NR7 forms and provided a response to the Sudbury Tax Centre.

### **Participation by foreign jurisdiction**

The CRA is currently engaged in negotiable MAP cases involving taxpayers from 30 jurisdictions: Argentina, Australia, Austria, Chile, China, Colombia, Denmark, Finland, France, Germany, India, Indonesia, Israel, Italy, Jamaica, Japan, Korea, Kuwait, Luxembourg, Malaysia, Mexico, Netherlands, Poland, Romania, Singapore, Spain, Sweden, Switzerland, the United Kingdom, and the United States. The breakdown of negotiable MAPs by country continues to reflect the significant flow of goods and services exchanged between Canada and the United States, representing 39.27% of MAP cases.

### **Participation by sector**

The completed MAP cases cover a wide variety of sectors including: accommodations and restaurants (hospitality), agricultural, auto and other transportation equipment, chemical and allied products, clothing and textiles, computer and electronics, construction equipment and materials, e-commerce, finance and insurance, food and beverages, health including pharmaceuticals, information and publishing services, machinery, management and administrative services, metals and minerals, petroleum, retail trade and T1 personal tax.

## HOW TO CONTACT THE CASD

If you have comments or questions about this report or the services offered by the Competent Authority Services Division, please contact the division:

- by phone: consult the [CASD webpage](#) for CASD managers' phone numbers;
- by fax: 613-990-7370;
- by email: [CPMAPAPAG@cra-arc.gc.ca](mailto:CPMAPAPAG@cra-arc.gc.ca);
- by post or courier:

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## APPENDIX A

### Barriers to resolving double taxation

The CRA maintains effective dispute resolution procedures with all of its treaty partners where ever possible. This requires that tax administrations try to resolve cases in a timely, effective, and efficient manner. Although existing procedures generally work to provide full relief from double taxation, sometimes an agreement cannot be reached on a case.

Examples of situations for which there may be partial relief or no relief of double taxation:

- when notification is not given on a timely basis, or a tax year is statute-barred or becomes statute-barred during negotiations in either jurisdiction;
- refusal of another tax administration to give full relief of a Canadian-initiated adjustment that has been settled through the Canadian domestic tax appeals process;
- inability of another tax administration to vary an adjustment, due to its domestic tax rules;
- the Canadian and foreign administrations cannot agree on the interpretation of an issue involving the convention or a bilateral APA;
- a foreign adjustment that is not recognized for Canadian tax purposes such as a notional charge, or a Canadian adjustment not recognized by a foreign tax administration;
- no response received from another tax administration with respect to Canada's request for a MAP;
- residency issues where the Canadian and foreign administrations cannot agree on how to apply the tie-breaker rules; or
- refusal of a taxpayer to provide information requested by one or both tax administrations.

## How does the Canadian competent authority achieve resolution through the MAP?

- A taxpayer who seeks a MAP resolution generally has to formally request assistance from the competent authority of the country in which the taxpayer is resident.
- After a taxpayer's request is submitted, the competent authority of the country in which the taxpayer submitted the request issues an acknowledgement letter to the taxpayer.
- A request submitted to the Canadian competent authority is reviewed to determine whether it is justified under the applicable income tax convention.
- If the request is rejected by the Canadian competent authority, the taxpayer and the other country's competent authority are advised in writing, citing reasons.
- If the request is accepted by the Canadian competent authority, a letter is issued to the taxpayer and the other country's competent authority agreeing to pursue the case.  
**Note:** Some requests may be resolved without the involvement of the other country's competent authority.
- If the request results from a Canadian-initiated adjustment, the Canadian competent authority makes sure that the necessary facts are available (from both the taxpayer and the tax services office (TSO) that generated the adjustment) in order to prepare a position paper.
- For Canadian-initiated adjustments, the Canadian competent authority sends a formal position paper to the other country's competent authority.
- The other country's competent authority reviews the position paper, asks for more information if necessary, and advises the Canadian competent authority of its findings.
- If the other country's competent authority does not agree with the position of the Canadian competent authority, it may be necessary to negotiate the case.
- Negotiation usually resolves the tax issue in question to the satisfaction of the two competent authorities.
- The competent authorities exchange correspondence to confirm the details of a resolution.
- The CRA sends the details of the resolution to the taxpayer for acceptance or rejection.
- If the taxpayer accepts the resolution, the Canadian competent authority advises the TSO (and the Appeals Branch, if an objection was filed), providing all necessary details of the resolution.
- The TSO or Appeals processes the results of the resolution.
- If the taxpayer rejects the resolution, the taxpayer may pursue any other domestic recourses.



## Benefits of the MAP

- The MAP process is the only mechanism under Canada’s network of tax treaties to relieve double taxation or taxation not in accordance with a convention.
- The resolution of double taxation or taxation not in accordance with a convention is a service offered by the CRA at no charge to the taxpayer.
- The MAP process requires co-operation from the taxpayer and regular communication between tax administrations. The views of the taxpayer, as presented in a MAP request, are given due consideration.
- After a MAP request has been accepted and all the facts reviewed, the resolution process is strictly between the two tax administrations, requires no further taxpayer time and expense.
- With the experience of having negotiated hundreds of double tax cases, the CRA’s highly skilled staff (accountants, financial analysts, economists and lawyers) are able to prepare a quality position paper and achieve timely case resolution.
- The MAP process can resolve matters for one or more audited tax years. In addition, taxpayers may ask for an accelerated competent authority procedure (ACAP). This procedure is intended to provide assistance for subsequent assessed tax years on the same issues included in a MAP. Advice on ACAPs may be found in the CRA’s Information Circular, [71-17R6, Competent Authority Assistance Under Canada's Tax Conventions](#), and its Transfer Pricing Memorandum 12, [Accelerated Competent Authority Procedure \(ACAP\)](#).
- If a tax issue concerns transfer pricing, taxpayers may find it appropriate to ask for an APA to cover future tax years (generally up to five years). Further guidance from the CRA on APAs may be found in the current version of Information Circular 94-4 [International Transfer Pricing: Advance Pricing Arrangements](#).
- As the number of international audits increase and the issues become more complex, the MAP process continues to be the most effective and efficient mechanism to resolve international tax disputes.
- The CRA is committed to making taxpayers aware of the MAP program. The CRA expects that its commitment to the improvement of the program, combined with steadily increasing international audit activity, will result in more taxpayers seeking assistance through the MAP process.