



## Information Notice for Public Office Holders

# Reimbursement of Costs Associated with Divestment of Assets and Withdrawal from Activities

*This document is intended to provide general information about your obligations under the Conflict of Interest Act and lists the acceptable administrative costs that may be reimbursed under the Act and the process that public office holders must follow to request reimbursement. It must be read in conjunction with other relevant information notices such as [divestment and blind trusts](#), [complying with the Act](#) and [categories of assets](#). Public office holders are encouraged to contact the Office for confidential advice about their individual situation. Please call 613-995-0721 or email [info@cie.parl.gc.ca](mailto:info@cie.parl.gc.ca).*

Source: [Section 31](#) of the [Conflict of Interest Act](#)

### 1. Which costs are eligible for reimbursement under the *Conflict of Interest Act*?

The Commissioner may [order the reimbursement](#) of certain reasonable administrative costs associated with establishing, maintaining, administering and terminating blind trusts determined to be necessary by the Commissioner, as well as the costs of removing one's name from a corporate registry to meet their obligations under the Act.

### 2. Are commissions eligible for reimbursement when divesting assets by way of sale?

Commissions for transferring, converting, or selling assets are eligible for reimbursement where determined necessary by the Commissioner. It is important to note, however, that such commissions may only be eligible for reimbursement if there are no provisions for a tax deduction under the *Income Tax Act*.

When seeking reimbursement, all requests must be accompanied by a copy of a confirmation of sale statement that clearly identifies the fees that were incurred as well as confirmation, where applicable, that the commissions cannot and will not be subject to a tax deduction under the *Income Tax Act*.

### 3. Which costs are eligible for reimbursement when divesting assets through a blind trust?

Reasonable legal, accounting and administrative costs associated with establishing, maintaining and terminating a blind trust determined to be necessary by the Commissioner may be reimbursed.

Administrative costs to establish or terminate a trust may include costs for services rendered by a trustee, lawyer, accountant, notary, investment broker or financial advisor. If the complexity of the arrangements for your assets is such that it requires additional financial, legal or accounting services, the Commissioner may consider reimbursing such costs on a case-by-case basis. Prior approval by the Commissioner should be obtained before incurring such costs. A copy of the service agreement or the service proposal must be provided with the request.

Requests for reimbursement of costs must be accompanied by a [copy of any contract or instrument establishing the blind trust](#).

Annual costs to maintain and administer the trust including administration fees invoiced by the trustee as well as other reasonable fees incurred to manage the trust, such as the preparation of tax returns or fees of a financial advisor or of an investment management firm may also be reimbursed. Only the costs related directly to a trust will be considered for reimbursement of reasonable costs.

#### 4. How are costs associated with divestment of assets through a blind trust reimbursed?

Costs reimbursed by your organization or department are calculated based on the fair market value of each trust at the end of the period invoiced and up to the following annual maximum rates for each trust. The maximum amount is calculated before applicable taxes.

Total fair market value		Applicable maximum annual rate	
		End date of the period invoiced before January 1, 2023	End date of the period invoiced after January 1, 2023
<b>\$35,000 or less</b>		\$500	\$700
<b>More than \$35,000</b>	on first \$500,000	1.50%	2.00%
	on next \$500,000	1.25%	1.50%
	on next \$1,000,000	1.00%	1.25%
	on next \$1,000,000	0.75%	1.00%
	on next \$2,000,000	0.50%	0.50%
	on balance over \$5,000,000	0.25%	0.25%

**Example:** On January 31, 2023, the fair market value of a trust at the end of the period invoiced is \$5,200,000. The annual maximum amount that can be reimbursed is calculated as follows.

Total fair market value	Calculation	Amount
on first \$500,000	2.00% x \$500,000	\$10,000
on next \$500,000	1.50% x \$500,000	\$7,500
on next \$1,000,000	1.25% x \$1,000,000	\$12,500
on next \$1,000,000	1.00% x \$1,000,000	\$10,000
on next \$2,000,000	0.50% x \$2,000,000	\$10,000
on balance over \$5,000,000	0.25% x \$200,000	\$500
<b>Maximum amount eligible for reimbursement (before taxes)</b>		<b>\$50,500</b>

When you leave office, administration costs may only be considered for reimbursement for a minimal period following the date of termination of employment or the date when the Commissioner notifies you that the trust may be terminated, whichever date is first.

### 5. What are the methods for the invoicing of administrative costs related to the maintenance and administration of the trust?

When you establish a blind trust, you must select one of the three methods for the invoicing of administrative costs by your trustee:

- Quarterly: 3/12 of annual administrative costs
- Semi-annually: 6/12 of annual administrative costs
- Annually: total annual administrative costs

The method selected applies for the duration of the trust. When the claim for the administrative costs covers a period of less than 12 months, the reimbursement amount will be prorated for the number of months covered.

The administration costs for the month when the trust is established will be calculated from the first day of the month until the last day of the month.

**Example:** The cost invoiced by a trustee covers the last quarter. The annual maximum amount eligible for a reimbursement based on the fair market value of the trust at the end of the period invoiced is \$4,140. Therefore, the quarterly maximum amount eligible is  $3/12 \times \$4,140 = \$1,035$ .

### 6. Are prepaid expenses related to the administration of the trust reimbursed?

Invoices for prepaid expenses related to the administration of the trust(s) will only be considered for reimbursement once the Commissioner is satisfied that the work related to the prepaid expenses has been completed.

## **7. Which costs can be reimbursed for withdrawal from prohibited activities?**

If you are required to withdraw from sitting as a director or officer in a corporation or organization, the related costs for removing your name from a federal or provincial registry of corporations may be reimbursed on presentation of invoices paid. These costs may include the services of a lawyer, accountant or notary.

## **8. Which administrative costs are not eligible for reimbursement?**

The following administrative costs are not eligible for reimbursement:

- costs for the day-to-day operation of a business or commercial entity;
- costs associated with winding down a business;
- costs for acquiring permitted assets using proceeds from the required sale of other assets;
- any income tax adjustment that may result from the reimbursement of trust costs.

## **9. What is the process for requesting a reimbursement?**

You must pay the invoiced administrative costs directly to your trustee or other service providers prior to submitting a request for reimbursement to the Commissioner.

You are responsible for requesting reimbursement directly to the Office, either by email, fax or mail to:

Office of the Conflict of Interest and Ethics Commissioner

66 Slater Street, 22<sup>nd</sup> Floor

Ottawa, Ontario K1A 0A6

Email: [finance@cie.parl.gc.ca](mailto:finance@cie.parl.gc.ca)

Telephone: 613-995-0721

Fax: 613-995-7308

An official request that contains the invoice(s) along with a proof of payment and that confirms the period covered by the invoice(s) must be received to initiate the reimbursement process.

Invoices submitted to the Commissioner for an order for reimbursement of administrative costs must contain the following information:

- a detailed breakdown of the administrative costs invoiced for each individual trust, if applicable; and
- for administration costs of a trust as defined in subparagraph 31(1)(a)(ii) of the Act, the trustee must provide:
  - the fair market value of the assets in the trust at the end of each period claimed;
  - a financial statement supporting the fair market value;
  - the exchange rate at the end of the period claimed when investments are in currency other than Canadian. If the rate is not provided, the exchange rate from the Bank of Canada will be applied.

The Commissioner will determine the amount eligible for reimbursement and may issue an order for reimbursement to the Deputy Head or Chief Financial Officer of your current organization or department. Such organization or department is therefore responsible for issuing the reimbursement. A copy of the order will be provided to you for its communication to the finance directorate of your organization or department to follow up and obtain reimbursement.