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WHAT IS THE VALUE OF CANADIAN KNOW-HOW?

- Government shift focus to intangible assets -

(TORONTO/OTTAWA- MARCH 05, 2007) - What is the value of Canadian expertise and technology that is transferred to India and China when companies set up call centres, training facilities and manufacturing plants? The difficulty in putting a financial value on trademarks, recipes, brands, know-how, trade secrets, etc., coupled with the inherent desire to reduce taxes, has Chartered Business Valuators (CBVs) working around the clock and tax authorities potentially losing billions.

"Transfer pricing regulation came into effect in 1997, requiring companies to provide supporting documentation to indicate what they are 'disposing of' and how much profit they are gaining from it," said Jeannine Brooks, President & CEO of The Canadian Institute of Chartered Business Valuators. "It's only now, however, that we're seeing government measures put in place to seriously track and crack down on this. The result is that, between government and corporations, there is a great demand for a limited pool of professionals with the formal training to assess the worth of intangible assets."

In the year 2000, a study estimated that 75 per cent of the assets held by Standard & Poor's 500 companies were intangible, compared to only 40 per cent ten years earlier.

"All over the world, enterprises are redesigning functions and implementing new structures to reduce costs and improve business processes," said Michelle Levac, a CBV and transfer pricing analyst at the Canada Revenue Agency (CRA). "More and more intangible assets are crossing country boundaries as companies trade and subcontract globally to remain competitive. This is an important issue for tax authorities today who are now realizing valuable intellectual property is being shifted across borders without appropriate compensation."

By March 31, 2008, the CRA expects to complete 800 additional audits, with an estimated fiscal impact of over \$200 million. Further evidence that these and other valuation issues are being taken more seriously by government is the fact that the CRA now employs 25 CBVs and an additional 32 individuals training for the designation.

Currently there are 1,100 CBVs across the country. To obtain the CBV designation, individuals must pass a rigorous set of courses and exams and meet lengthy professional experience requirements. The designation is managed by The Canadian Institute of Chartered Business Valuators, which also regulates its members with Practice Standards and a Code of Ethics.

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