CITATION: Royal Credit Services Inc. v. Ontario (Minister of Finance), 2026 ONSC 115
DIVISIONAL COURT FILE NO.: DC-23-00000391-00JR
DATE: 20260108

ONTARIO

SUPERIOR COURT OF JUSTICE

DIVISIONAL COURT

R. Charney, S. Nakatsuru, S. O'Brien JJ.

BETWEEN:	
ROYAL CREDIT SERVICES INC. (FORMERLY ALLY CREDIT CANADA LIMITED)	Mark Tonkovich and Alexe Corbeil-Courchesne, for the Applicant
Applicant	
– and –	
MINISTER OF FINANCE FOR ONTARIO	Andrea Jackett, for the Respondent
Respondent	
	HEARD at Toronto: December 15, 2025

REASONS FOR DECISION

CHARNEY J.:

[1] The Applicant is a Canadian resident corporation that carries on business in Ontario and Quebec. The Applicant earns income in connection with conditional sales contracts, dealer loans, and leases in the automotive industry. It has operated under the name General Motors Acceptance Corporation of Canada Limited (until 2010), Ally Credit Canada Limited, and, since 2013, Royal Credit Services Inc.

[2] Since it earns income in both Ontario and Quebec, the Applicant is liable to pay provincial income tax based on the portions of its income that were attributable to the respective province. The Applicant files separate income tax returns in each province. The attribution of income is done pursuant to specific statutory and regulatory rules.

[3] The Applicant claims that it has been the victim of "double taxation" for the 2011 tax year as a result of "mutually inconsistent views" of the applicable tax regulations taken by the Minister of Finance for Ontario (the "Minister") and Revenu Québec. This double taxation has resulted in the Applicant paying over $15 million extra tax for that year.

[4] The Applicant does not dispute the Minister's interpretation of the applicable regulation. It is the Applicant's position that it is Revenu Québec that has misapplied the regulation.

[5] The Applicant brings this Application for Judicial Review seeking an order of mandamus to require the Minister to contact Revenu Québec "in order to resolve the double taxation, whether by negotiation, reassessment proposal, arbitration or otherwise" pursuant to a "Memorandum of Understanding for the Avoidance of Double Taxation of Corporations" (the "MOU") to which both provinces are parties. The Applicant argues that the Canada Revenue Agency ("CRA"), acting as agent for the Minister, has misinterpreted the MOU and evaded its responsibility to avoid double taxation. The Applicant argues that the CRA's interpretation of the MOU and its Decision to take no further action are unreasonable.

[6] For the reasons set out below, the Application is dismissed.

Jurisdiction of the Divisional Court

[7] The Respondent Minister is the authority charged with the administration and enforcement of the Ontario income tax regime. The CRA acts as agent and administers several aspects of the Ontario income tax system for the Minister. The Applicant takes the position that actions taken by the CRA or employees of the CRA acting as delegates or otherwise on behalf of the Minister are actions of the Minister, and are therefore within the jurisdiction of the Ontario Divisional Court.

[8] The Ontario Divisional Court has jurisdiction to judicially review provincial actors exercising statutory powers under Ontario legislation. Decisions made by the CRA, a federal agency, are generally not reviewable in the Ontario Divisional Court.

[9] The Respondent did not challenge the jurisdiction of the Divisional Court to hear this application and accepts that the CRA was acting as agent for the Minister when the impugned decision was made.

[10] Accordingly, this matter is within the jurisdiction of the Divisional Court.

Facts

[11] Loan corporations are governed by Reg. 405 of the *Income Tax Act*, which uses a specific formula of gross revenue to allocate taxable income among provinces.

[12] General corporations are governed by Reg. 402 of the *Income Tax Act*, which uses a different formula to allocate taxable income among provinces.

[13] The specifics of these different formulas is not relevant to the legal analysis to be undertaken in this application. It is sufficient for our purposes to recognize that Reg. 405 and Reg. 402 provide different formulas for allocating taxable income among provinces. To avoid double taxation, each province must apply the same regulation.

2011 Taxation Year

[14] From 1994 until 2011, the Applicant declared itself as a loan corporation in Quebec but as a general corporation in Ontario: *Royal Credit Services Inc. c. Agence Du Revenu Du Quebec*, (3 décembre 2025), Montréal, 500-17-128225-243 (C.S. Qc.), at para. 3.

[15] The Applicant's material in support of this application does not explain why the Applicant filed inconsistent declarations in Quebec and Ontario for these years. Counsel for the Applicant was unable to explain this inconsistency.

[16] This application is concerned only with the 2011 taxation year.

[17] In Quebec, Revenu Québec accepted the Applicant's declaration that it was a loan corporation. In Ontario, the Minister accepted the Applicant's declaration that it was a general corporation. Each province calculated the Applicant's tax on the basis of the Applicant's declaration in that province.

[18] Since each province relied on a different designation, each province applied a different allocation formula. Quebec applied the allocation formula under Reg. 405, and on this basis determined that 62.2% of the income was allocated to Ontario, and 37.8% of the income was allocated to Quebec.

[19] Ontario applied the allocation formula under Reg. 402, and on this basis determined that 71.4% of the income was allocated to Ontario, and 28.5% was allocated to Quebec.

[20] Thus, the Applicant was taxed on 71.4% of its income in Ontario, and 37.8% of its income in Quebec, for a total of 109.2% of its income. This additional 9.2% resulted in double taxation of approximately $15 million.

2012 Taxation Year

[21] In 2012, the Applicant made a change by declaring itself to be a loan corporation in both Quebec and Ontario.

[22] The Minister, acting through the CRA, disagreed with the Applicant's filing position for its 2012 taxation year, and reassessed the Applicant's tax return for 2012. The Minister concluded that the Applicant did not qualify as a loan corporation and would be assessed as a general corporation. The Applicant does not dispute this conclusion, and it is not an issue on this judicial review.

[23] This led to an inconsistency in the Applicant's status in Ontario and Quebec, not because of inconsistent declarations by the Applicant (as in the 2011 taxation year) but because of different rulings by the relevant tax authorities.

[24] After some negotiations between the Minister and Revenu Québec, Revenu Québec reconsidered its position and agreed that it would treat the Applicant as a general corporation for the 2012 taxation year. Since both Ontario and Quebec agreed that the Applicant was a general corporation, the Applicant was subject to the same allocation formula in each province and the issue of double taxation was resolved for the 2012 taxation year.

The Applicant's Efforts to Avoid Double Taxation for the 2011 Taxation Year

[25] The Applicant has taken several steps to resolve the inconsistent designations for the 2011 taxation year.

[26] In Ontario, the Applicant filed a Taxpayer's request (a "TPR") in 2013 to amend its 2011 income tax return to be treated as a loan corporation under Reg. 405.

[27] The CRA Compliance Branch, acting as an agent for the Minister, denied this request in a second level review on July 26, 2021. In order to qualify as a loan corporation under Reg. 405, the principal business must be making loans. The CRA concluded that the Applicant's single largest source of revenue for 2011 was from conditional sales contracts. Previous court decisions had concluded that conditional sales contracts were not loans, and therefore the Applicant was required to use Reg. 402 in calculating its provincial income allocation. The Applicant correctly designated itself as a general corporation in its 2011 Ontario tax return, and, accordingly, CRA declined to reassess the 2011 Ontario tax return.

[28] The Applicant does not challenge this decision.

[29] In Quebec, the Applicant applied to have its status changed from a loan corporation to a general corporation for the taxation year 2011, as Quebec agreed to do for the 2012 taxation year. On December 8, 2023, Revenu Québec declined to make this amendment to the 2011 taxation year. Revenu Québec took the position that there was no double taxation, but rather "retroactive tax planning" on the part of the Applicant to change its inconsistent declarations in order to save on tax.

[30] The Applicant brought a proceeding in the Quebec Superior Court to challenge that refusal.

[31] On December 3, 2025 , the Quebec Superior Court, relying primarily on the Supreme Court of Canada's decision in *Canada (Minister of Citizenship and Immigration) v. Vavilov*, 2019 SCC 65, [2019] 4 S.C.R. 653, held that the reasons for the refusal provided by Revenu Québec were insufficient and granted the Application, sending the matter back to Revenu Québec for reconsideration of the request for the 2011 taxation year: *Royal Credit Services Inc. c. Agence Du Revenu Du Quebec*.

[32] It is noteworthy that in the Quebec Superior Court, the Applicant requested similar relief to the relief requested in this Application. The Quebec Superior Court summarized this relief as follows, at para. 30:

> Before concluding, it should be noted that the applicant requests in their submissions that instructions be issued to the "Minister of finance" [1] [*sic*] on how to proceed with the application, taking into particular account the objective of avoiding double taxation; the applicant also requests in the alternative that the respondent be required to communicate with the federal agency to attempt to resolve the double taxation issue; such relief cannot be granted. [Author's translation]

[33] The Court declined to grant such relief, and Revenu Québec was not ordered to communicate with the CRA "to attempt to resolve the double taxation issue".

[34] The Quebec process is not yet complete. Revenu Québec is now required to reconsider the Applicant's request to amend its 2011 tax return to be designated as a general corporation.

[35] If Revenu Québec allows the amendment for the 2011 taxation year, the issue of double taxation will be resolved without any further action by Ontario.

Memorandum of Understanding

[36] The Applicant also relied on the MOU, which is an intergovernmental agreement between the Canada Revenue Agency, the Government of Ontario, the Minister of Revenue for Quebec and the Government of Alberta to resolve tax disputes between two or more jurisdictions in order to avoid double taxation.

[37] The stated purpose of the MOU is "to establish a process to (1) identify potential disputes between its parties with respect to the application of a taxpayer's business operations allocation formula; and (2) enable the resolution of disputes between the parties to avoid double-taxation."

[38] The Applicant sought to have the Minister make efforts to resolve the double-taxation issue at the intergovernmental level. The Applicant argues that the MOU obligates the Minister to pursue efforts to avoid double taxation, and that the Minister has failed to do so. Moreover, the Applicant asserts that the Minister's reasons for failing to do so are not reasonable and were made in a procedurally unfair manner. That is the basis for this Application for Judicial Review.

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[1] The "Minister of Finance" here refers to the Quebec Minister of Finance.

Decision Under Review

[39] The decision under review with respect to this matter is a letter from the Appeals Division of the CRA, acting as an agent for the Minister, to the Applicant, dated May 29, 2023 (the "Decision"). The Decision letter advises of the CRA's decision not to take any further actions with Revenu Québec to resolve the double-taxation issue because the double taxation does not arise from a disagreement between the provincial agencies but from the taxpayer's inconsistent declarations.

[40] The relevant part of the Decision reads as follows:

> We are reviewing your objection and the related assessment to which you filed the objection.
>
> The basis of your objection is that the inconsistent methodology in allocating provincial income for Ontario and Quebec resulted in double taxation of approximately $15 million for the 2011 tax year. Ontario is assessed under Income Tax Regulations, section 402 ("Regulation 402") whereas Quebec is assessed under the equivalent of Income Tax Regulation, section 405 ("Regulation 405"). You are requesting that the corporation be assessed consistently by Ontario and Quebec under either Regulation 402 or Regulation 405
>
> A review of the facts and documents shows the second level taxpayer requests to the Canada Revenue Agency's (the "CRA") Compliance Branch to reassess the corporation under regulation 405 was denied on the basis that corporation is not a loan corporation. As a result, the double taxation of approximately $15 million dollars remains.
>
> The CRA agrees with the Corporation's filing position that Regulation 402 applies as the Corporation is not a loan corporation. Revenu Québec ("RQ") agrees with the Corporation's filing position using Regulation 405 which applies to a loan corporation. Since the CRA and RQ each agree that the Corporation's filing position is correct, neither the CRA nor RQ will reassess the Corporation's returns such that either Regulation 402 or 405 applies for both provinces. This is because there was no proposal under the "Memorandum of Understanding for the Avoidance of Double Taxation of Corporations" (the "MOU") by the CRA to RQ, or by RQ to the CRA, to change the provincial income allocation formula used by the Corporation as both the CRA and RQ agree with the Corporation's filing positions. The CRA will not make a proposal to RQ to reassess the Corporation under Regulation 402 where the CRA agrees with the Corporation's filing position under Regulation 402. The MOU does not cover this situation. The MOU covers situations where, for example, the CRA determines that Regulation 405 applies instead of Regulation 402 as filed by the Corporation; the CRA will then make a proposal to RQ under

> the MOU that the Corporation be reassessed under Regulation 405. Similarly a proposal by RQ to the CRA will be made under the MOU where RQ proposes to reassess the Corporation under a different regulation than what the Corporation had filed.
>
> As such, the CRA can take no further action under the MOU to resolve the double taxation issue with RQ as the CRA agrees that Regulation 402 applies. Therefore, the CRA will not be contacting RQ. [Emphasis added.]

[41] The Applicant's complaint focuses on the sentence that reads "This is because there was no proposal under the 'Memorandum of Understanding for the Avoidance of Double Taxation of Corporations' (the "MOU") by the CRA to RQ, or by RQ to the CRA, to change the provincial income allocation formula used by the Corporation as both the CRA and RQ agree with the Corporation's filing positions."

[42] The Applicant takes the position that this statement is not correct. On August 15, 2016, the CRA did make a proposal to Revenu Québec that Quebec should accept the Applicant's filing position in Ontario and change its income allocation method to Reg. 402 for the Taxpayer's 2011 taxation year.

[43] The CRA also proposed changes to the Gross Revenue and Salaries and Wages allocation. This proposal is not at issue in this Application.

[44] On July 28, 2017, Revenu Québec advised the CRA that it was "not in agreement with the changes you proposed", and provided a counter proposal relating to the proposed changes to the Gross Revenue and Salaries and Wages allocation.

[45] With respect to the status of the corporation as a loan corporation or regular corporation, Revenu Québec did not provide a counter proposal, but stated "[f]or the moment, we will hold the issue in abeyance given that our Legal Department is currently involved in the issue. We will advise you as soon as we get an opinion from our Legal Department."

[46] Following the July 28, 2017 communication, the CRA and Revenu Québec came to an agreement on how to proceed. The date of this agreement is not provided, but the terms of the agreement were set out in a CRA memo to file dated September 13, 2022. The memo to file states:

> In this case, even though the Taxpayer wrote a letter to the CRA Commissioner, this case never went to the fourth level (Assistant Commissioner level) of the MOU because there was no disagreement between the CRA and RQ.
>
> RQ Director Jocelyn spoke with the CRA Director Gord Parr and came to an agreement regarding the Reg. 402 vs. Reg. 405 issue.
>
> - CRA disallows the TPR, keeping it under Reg. 402;

- CRA would withdraw the proposal for 2011;
- MRQ would accept CRA's 2012 proposal to be a Reg. 402;
- MRQ having no proposal for 2011, keeps their allocation as Reg. 405

[47] This summary reflects exactly what happened in this case. The CRA disallowed the taxpayer's request to be treated as a loan corporation in 2011, and withdrew its August 15, 2016 proposal to Revenu Québec, that Quebec should accept the Applicant's filing position in Ontario for the 2011 taxation year. Revenu Québec accepted the CRA's position for the 2012 taxation year and amended the Applicant's designation from loan corporation to general corporation for 2012. Revenu Québec did not make a counter proposal with respect to the "loan corporation vs. regular corporation" issue for 2011, and retained the tax as allocated for that year.

[48] The Applicant argues that none of this information was set out in the May 29, 2023 Decision: that the CRA made a proposal to Revenu Québec on August 15, 2016, that Revenu Québec made a "counterproposal", or that the CRA later withdrew its proposal and the CRA and Revenu Québec came to an agreement with respect to the 2011 taxation year. The Applicant argues that the CRA and Revenu Québec came to this agreement "without due regard to the correct tax result in the Taxpayer's circumstance".

Analysis

[49] In considering the legal issues raised in this application, it is important to remember that the Applicant is not challenging the Minister's decision to disallow the Applicant's request to be treated as a loan corporation for the 2011 taxation year. The Applicant is not asking the Minister to reassess its decision to disallow the Applicant's proposed amendment to its 2011 tax return. If the Minister assesses a taxpayer, the Minister must do so in accordance with its understanding of the law and facts, not in a manner it knows is incorrect: *Canada (National Revenue) v. Amdocs Canadian Managed Services Inc.*, 2021 FC 707, 2015 D.T.C. 5117, at para. 52.

[50] The Applicant accepts that the Minister correctly determined that the Applicant is a general corporation and should be subject to the income allocation rule in Reg. 402.

[51] It is Quebec, not Ontario, which the Applicant argues is applying the incorrect regulation. If there has been double taxation, it is because Revenu Québec has refused the Applicant's request to amend its 2011 tax return to be designated as a general corporation.

[52] The Applicant's issue with Ontario is that the CRA, acting as agent for the Minister, is not doing enough to persuade Revenu Québec to apply the correct regulation for the 2011 taxation year to resolve the double taxation to which the Applicant is subjected. The Applicant asserts that because Ontario and Quebec have taken inconsistent positions on which regulation is to apply for the 2011 taxation year, Ontario has a legal obligation under

the MOU to do more than it has to persuade Quebec to change its position. The Applicant argues that the CRA, acting as agent for the Minister, has misinterpreted the MOU and evaded its responsibility to avoid double taxation. The Applicant argues that the CRA's interpretation of the MOU and its Decision to take no further action are unreasonable.

[53] The Applicant argues that the CRA and Revenu Québec essentially made a back room deal that was unfair to the Applicant and a breach of procedural fairness and that the reasons set out in the May 29, 2023 Decision were false and misleading thereby rendering the decision unreasonable.

[54] The Minister argues that contrary to what is alleged by the Applicant, the CRA and Revenu Québec did not adopt "mutually-inconsistent views on the specific rules applicable to the Taxpayer." The Applicant adopted the inconsistent position when it filed its returns for the 2011 taxation year. The MOU was not intended to address situations where the taxpayer takes inconsistent positions when it files different tax returns in different provinces.

Standard of Review

[55] The parties agree that the standard of review of the CRA's Decision is reasonableness, pursuant to *Vavilov.* The onus is on the Applicant to demonstrate that the decision is unreasonable. A reasonable decision is one that is transparent, intelligible and justified in light of the evidentiary record: *Vavilov*, at paras. 15, 126. The meaning of the reasonableness standard was explained in *Vavilov*, at para. 15, as follows:

> In conducting a reasonableness review, a court must consider the outcome of the administrative decision in light of its underlying rationale in order to ensure that the decision as a whole is transparent, intelligible and justified. What distinguishes reasonableness review from correctness review is that the court conducting a reasonableness review must focus on the decision the administrative decision maker actually made, including the justification offered for it, and not on the conclusion the court itself would have reached in the administrative decision maker's place.

[56] There is no standard of review applicable when dealing with issues of procedural fairness. The duty of procedural fairness is flexible and context-specific. The question is whether the Applicant was afforded the requisite level of procedural fairness in light of the nature of the decision, the statutory scheme, the importance of the decision to the Applicants, the legitimate expectations of the Applicant and the procedure followed: *Baker v. Canada (Minister of Citizenship and Immigration),* [1999] 2 S.C.R. 817, at paras. 23-27.

Interpretation of the MOU

[57] The MOU is the only possible source for the asserted legal obligation of the Minister to negotiate or otherwise engage with Revenu Québec. Apart from the MOU, the Minister has no legal obligation to supervise or otherwise intervene in any decision of Revenu Québec. The CRA does not have the authority to instruct Revenu Québec to reassess the Applicant.

[58] The Applicant's legal argument is premised on the application of the MOU to the facts of this case. If the MOU does not apply, the application must fail.

[59] The first question, therefore, is whether the CRA's interpretation of the MOU in the May 29, 2023 Decision was reasonable. The key conclusion of the CRA was:

> The CRA will not make a proposal to RQ to reassess the Corporation under Regulation 402 where the CRA agrees with the Corporation's filing position under Regulation 402. The MOU does not cover this situation. The MOU covers situations where, for example, the CRA determines that Regulation 405 applies instead of Regulation 402 as filed by the Corporation; the CRA will then make a proposal to RQ under the MOU that the Corporation be reassessed under Regulation 405. Similarly a proposal by RQ to the CRA will be made under the MOU where RQ proposes to reassess the Corporation under a different regulation than what the Corporation had filed.

[60] This interpretation is amply supported by the terms of the MOU. The key provisions in this regard are the "Purpose" section and the "Operational Context" section, which provide:

> **Purpose**
>
> 3. The purpose of this MOU is to establish a process to:
>
> > 1. identify potential disputes between the parties with respect to the application of a taxpayer's business operations allocation formula; and
> >
> > 2. enable the resolution of disputes between the parties to avoid double taxation.
>
> **Operational Content**
>
> 4. Where a party proposes to change the application of the allocation formula used by a taxpayer, the party shall, prior to issuing an assessment, notify in writing the other affected party or parties of its intent to make adjustments.
>
> 5. The party proposing the change will provide such information as is necessary for the other party or parties affected to review the merits of the proposed adjustments.
>
> 6. A party will provide information to another affected party for the sole purpose of supporting a proposed reallocation with respect to the allocation formula including:

1. a summary of proposed adjustments with respect to the proportion of business operations allocated to each of the

jurisdictions involved;

2. copies of all relevant documents;

3. an allocation schedule of business operations between the jurisdictions involved; and

4. the taxpayer's representation, where applicable.

The information exchanged pursuant to this MOU is provided in the language in which it was produced.

7. Should a dispute arise with respect to the application of the allocation formula used by a taxpayer, the applicable parties shall attempt to resolve the dispute in accordance with the provisions of this MOU and to arrive at a satisfactory solution.

8. The terms and conditions that define the process of identifying potential disputes involving the application of the allocation formula used by a taxpayer between the parties and resolving cases in dispute in order to avoid double taxation are described in Appendix C.

[61] Reading the Operational Context together with the Purpose, the CRA's interpretation of the MOU is entirely reasonable. The operational context covers only situations where "one party proposes to change the application of the allocation formula used by a taxpayer". The "party" referred to is the party to the MOU, in this case Ontario and Quebec.

[62] In the present case, the taxpayer used different allocation formulas in each of its tax returns for 2011, and neither Ontario nor Quebec proposed to change the allocation used by the taxpayer. The double taxation was not the result of one province seeking to change the allocation formula; each province accepted the allocation formula declared by the taxpayer.

[63] In contrast, in the 2012 taxation year the taxpayer declared itself to be a loan corporation in both Ontario and Quebec, and Ontario sought to change the allocation to a general corporation formula. Thus, the MOU applied and the two provinces were required to address the double taxation issue.

[64] The May 29, 2023 Decision clearly explains the CRA's reasons for its decision to take no further action with respect to the 2011 taxation year.

[65] The Applicant asserts that the MOU "does not prohibit communication with Revenu Québec aimed at resolving double taxation in such circumstances". That is correct, but the issue in this application is not whether the Minister is prohibited from communicating with Revenu Québec, but whether the Minister has a legal obligation to do so.

[66] In making its Decision, the CRA did not have to disclose all its past communications with Revenu Québec. Given the facts of this case and the CRA's interpretation of the MOU, those communications were simply not relevant to the CRA's final Decision regarding the application of the MOU. In this regard, paras. 128 and 301 of *Vavilov* are relevant:

> Reviewing courts cannot expect administrative decision makers to "respond to every argument or line of possible analysis" …, or to "make an explicit finding on each constituent element, however subordinate, leading to its final conclusion" ... To impose such expectations would have a paralyzing effect on the proper functioning of administrative bodies and would needlessly compromise important values such as efficiency and access to justice.
>
> …
>
> Review of the decision as a whole is especially vital when an applicant alleges that an administrative decision contains material omissions. Significantly, and as this Court has frequently emphasized, administrative decision-makers are not required to consider and comment upon every issue raised by the parties in their reasons.

[67] I do not agree that it was false or misleading for the CRA to state that "there was no proposal under the MOU by the CRA to RQ, or by RQ to the CRA, to change the provincial income allocation formula used by the Corporation as both the CRA and RQ agree with the Corporation's filing positions". By the time that the Decision was made, there was no such proposal: the CRA had withdrawn its earlier proposal, and Revenu Québec never made a counter proposal with respect to the status of the corporation as a loan corporation or regular corporation. At all times, both the CRA and Revenu Québec agreed with the Applicant's filing position in their respective jurisdiction. As such, the decision was not unreasonable in this regard.

[68] With regard to the allegation of procedural unfairness, this is not a case where an administrative tribunal is tasked with making a decision following a hearing. "[N]ot all administrative decision making requires the same procedure". The requirements of process will "vary with the context and nature of the decision-making process at issue": *Law Society of British Columbia v. Trinity Western University*, 2018 SCC 32, [2018] 2 S.C.R. 293, at para. 53, citing *Catalyst Paper Corp. v. North Cowichan (District)*, 2012 SCC 2, [2012] 1 S.C.R. 5, at para. 18.

[69] Requests to conduct a reassessment and objections to reassessments are conducted in writing. The Minister considered the Applicant's objections and disallowed the Applicant's request to be treated as a loan corporation for the 2011 taxation year. The Minister considered the Applicant's request to intercede with Revenu Québec and decided that the Applicant's dispute with Quebec was not covered by the MOU. The Minister provided reasons for both decisions.

[70] It was not a breach of procedural fairness that the CRA did not disclose to the Applicant its past communications with Revenu Québec or refer to these communications in its Decision. As indicated above, those communications were not relevant to the CRA's interpretation of the MOU, and, therefore, this alleged failure could not render the decision unfair.

[71] Moreover, there was nothing improper with the CRA and Revenu Québec discussing the issue at the Director level and deciding that they took the same view of the application of the MOU with regard to the 2011 taxation year. I would expect that such a discussion was necessary in these circumstances. The MOU cannot function properly if the relevant tax authorities are expected to operate in silos. In the context of this decision making process, this was not a breach of procedural fairness.

Conclusion

[72] The Application for Judicial Review is dismissed.

[73] As agreed by the parties, the Respondent is entitled to costs of $5,000, all inclusive.

R. Charney J.

I agree

S. Nakatsuru J.

I agree

S. O'Brien

Released: January 8, 2026

CITATION: Royal Credit Services Inc. v. Ontario (Minister of Finance), 2026 ONSC 115

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MINISTER OF FINANCE FOR ONTARIO

Respondent

REASONS FOR DECISION

CHARNEY J.

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