

Note 23 • Income Taxes

We report our provision for income taxes in our Consolidated Statement of Income based upon transactions recorded in our consolidated financial statements regardless of when they are recognized for income tax purposes, with the exception noted below for repatriation of retained earnings from our foreign subsidiaries.

In addition, we record income tax expense or benefit directly in shareholders' equity when the taxes relate to amounts recorded in shareholders' equity. For example, income tax expense on hedging gains related to our net investment in foreign operations is recorded in shareholders' equity as part of net unrealized foreign exchange loss.

The future income tax balances included in other assets of \$84 million and other liabilities of \$17 million in our Consolidated Balance Sheet as at October 31, 2006 (\$38 million and \$126 million, respectively, in 2005) are the cumulative amount of tax applicable to temporary differences between the accounting and tax values of our assets and liabilities. Future income tax assets and liabilities are measured at the tax rates expected to apply when these differences reverse. Changes in future income tax assets and liabilities related to a change in tax rates are recorded in income in the period the tax rate change is substantively enacted.

We expect that we will realize our future income tax assets in the normal course of our operations.

Components of Future Income Tax Balances

(Canadian \$ in millions)	2006	2005 ⁽¹⁾
Future Income Tax Assets		
Allowance for credit losses	\$ 396	\$ 427
Employee future benefits	224	198
Deferred compensation benefits	197	189
Other	14	18
Total future income tax assets	\$ 831	\$ 832
Future Income Tax Liabilities		
Premises and equipment	\$ (255)	\$ (342)
Pension benefits	(392)	(414)
Intangible assets	(83)	(104)
Other	(34)	(60)
Total future income tax liabilities	\$ (764)	\$ (920)

(1) Amounts have been restated to reflect the change in accounting policy described in Note 21.

Income that we earn in foreign countries through our branches or subsidiaries is generally subject to tax in those countries. We are also subject to Canadian taxation on the income earned in our foreign branches. Canada allows a credit for foreign taxes paid on this income. Upon repatriation of earnings from certain foreign

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subsidiaries, we would be required to pay tax on certain of these earnings. As repatriation of such earnings is not planned in the foreseeable future, we have not recorded the related future income tax liability. The maximum Canadian and foreign taxes that would be payable, at existing tax rates, if all of our foreign subsidiaries' earnings were repatriated as at October 31, 2006, 2005 and 2004 are estimated to be \$583 million, \$532 million and \$495 million, respectively.

Provision for Income Taxes

(Canadian \$ in millions)	2006	2005 ⁽¹⁾	2004 ⁽¹⁾
Consolidated Statement of Income			
Provision for income taxes – Current	\$ 872	\$ 784	\$ 823
– Future	(155)	90	148
	717	874	971
Shareholders' Equity			
Income tax expense related to:			
Foreign currency gains on translation of net investments in foreign operations	156	101	254
Other	–	–	9
Total	\$ 873	\$ 975	\$ 1,234

(1) Amounts have been restated to reflect the change in accounting policy described in Note 21.

Set out below is a reconciliation of our statutory tax rates and income tax that would be payable at these rates to the effective income tax rates and provision for income taxes that we have recorded in our Consolidated Statement of Income:

(Canadian \$ in millions, except as noted)	2006		2005 ⁽¹⁾		2004 ⁽¹⁾	
Combined Canadian federal and provincial income taxes at the statutory tax rate	\$ 1,206	34.9%	\$ 1,160	34.8%	\$ 1,152	35.0%
Increase (decrease) resulting from:						
Tax-exempt income	(91)	(2.6)	(88)	(2.7)	(95)	(2.9)
Foreign operations subject to different tax rates	(332)	(9.6)	(211)	(6.3)	(96)	(3.0)
Large corporations tax	–	–	4	0.1	5	0.1
Change in tax rate for future income taxes	(3)	(0.1)	–	–	(11)	(0.2)
Intangible assets not deductible for tax purposes	10	0.2	13	0.5	14	0.4
Other	(73)	(2.1)	(4)	(0.1)	2	0.1
Provision for income taxes and effective tax rate	\$ 717	20.7%	\$ 874	26.3%	\$ 971	29.5%

(1) Amounts have been restated to reflect the change in accounting policy described in Note 21.

Components of Total Provision for Income Taxes

(Canadian \$ in millions)	2006	2005 ⁽¹⁾	2004 ⁽¹⁾
Canada: Current income taxes			
Federal	\$ 494	\$ 430	\$ 578
Provincial	266	227	264
	760	657	842
Canada: Future income taxes			
Federal	(110)	34	87
Provincial	(51)	9	39
	(161)	43	126
Total Canadian	599	700	968
Foreign: Current income taxes			
Future income taxes	268	228	236
	6	47	30
Total foreign	274	275	266
Total	\$ 873	\$ 975	\$ 1,234

(1) Amounts have been restated to reflect the change in accounting policy described in Note 21.