



FEB 14 2020

Johnny Mastromonaco, Head of Tax, Canada
Novartis Pharmaceuticals Canada Inc.
385 Bouchard Blvd
Dorval, QC H9S 1A9
Canada

Dear Mr. Mastromonaco:

Re: Novartis AG – Spin-off of common shares of Alcon Inc. on April 9, 2019

I am replying to your submissions of May 8, 2019, June 6, 2019 and September 5, 2019 to the Canada Revenue Agency (CRA) and of October 3, 2019 to the Department of Finance, concerning your request on behalf of Novartis AG (“Novartis”) of Switzerland. You request that a *pro rata* distribution of common shares of Alcon Inc. (“Alcon”) of Switzerland to Novartis’s common shareholders be a prescribed distribution for purposes of the foreign spin-off rules in section 86.1 of the *Income Tax Act* (“the Act”).

The CRA has confirmed with the Department of Finance that Novartis’s distribution of the Alcon common shares to its common shareholders satisfies the technical requirements of section 86.1 of the Act. The Department of Finance has reviewed the general scheme of Swiss income tax law and corporate reorganization statutes applicable to tax-deferred spin-off (demerger) transactions.

We understand that Novartis’s common shares were widely held and actively traded on a designated stock exchange at the time of the distribution, Alcon was a wholly-owned subsidiary of Novartis immediately before the distribution, and Novartis distributed its common shares of Alcon to Novartis’s common shareholders on a *pro rata* basis on April 9, 2019.

We also understand that the distribution complies with Article 61 of the Swiss *Federal Income Tax Act* and that the Swiss Federal Tax Administration has issued a ruling confirming that the distribution of the Alcon common shares to Novartis’s common shareholders qualifies as a tax-deferred distribution for Swiss-resident shareholders.

Based on our understanding of the information submitted pursuant to your request, we are prepared to recommend to the Minister of Finance that Novartis’s *pro rata* distribution to its common shareholders of common shares of Alcon on April 9, 2019 be a prescribed distribution for the purpose of section 86.1 of the Act. While we cannot offer any

assurance that our recommendation will be accepted, we hope that this statement of our intention is helpful to the common shareholders of Alcon.

Further to the separate written authorization received from Novartis on April 10, 2019, the Government of Canada intends to release this letter for publication without redacting the names of the parties given that Canadian shareholders who held common shares of Novartis at the time of the distribution may be interested in knowing the content of this letter.

Yours sincerely,



Brian Ernewein
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Tax Policy Branch

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