

Chamber focuses on tax competitiveness with Canada's Finance Minister

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Calgary Chamber of Commerce members stressed the importance of tax competitiveness to Canada's prosperity during a Policy Dialogue Roundtable meeting with Jim Flaherty on July 16. The federal Minister of Finance chose the Calgary Chamber to gather first hand perspectives from the business community and deliver his first public speech in the city since the 2008 Budget.

In response, Minister Flaherty reiterated the government's commitment to lower the corporate tax rate to 15 per cent by 2012 and the goal to have a federal/provincial corporate income tax rate of 25 per cent, both of which the Chamber advocated in its budget submissions. While many provinces need further reductions to meet this target, Alberta is already there.

"25 per cent is a strong marketing brand for companies to invest in Canada," said Flaherty during the meeting. "It should make it easier to attract capital for your businesses."

Minister Flaherty suggested more work is needed to improve personal tax competitiveness as a way of attracting global talent to the Canadian workforce; but not at the expense of running a budget deficit. With a slowing economy, personal tax cuts will likely occur sometime after next year's budget.

In its 2008 Federal Pre-Budget submission, the Chamber urged the government to be bolder with personal income tax cuts by bringing personal tax revenues, as a percentage of GDP, below the OECD average by 2012 - mirroring what has been committed to on corporate taxes. Important steps in this direction could include reductions in each of the three highest tax brackets (22, 26, and 29 per cent) and an increase in the basic personal exemption.

Harmonization of sales taxes also remains a top priority for the federal government, said Flaherty.

In other fiscal priority areas important to business, the Minister reaffirmed the government's commitment to prudent spending, balanced budgets, and debt repayment. Through a new expenditure management system, developed after consultation with the business community, programs are reviewed and spending is kept in check. Since taking office, the Conservative government has reduced Canada's debt by \$37 billion and lowered the tax burden that companies and citizens face by more than \$200 billion.

"The federal government is on the right track to improve Canada's investment climate," said Geoff Pradella, Vice-President of Public & Government Affairs for the Calgary Chamber of Commerce. "As present economic uncertainty fades, personal income tax reductions represent the next bold move to attract and retain the best and brightest from around the world."

Each year the Chamber surveys membership and provides pre-budget recommendations to the Finance Minister.

The federal government implemented many of Chamber recommendations as part of the October 30, 2007 Fall Economic Statement. Important measures included:

- Reduction in the general corporate income tax rate from 20.12 per cent today to 15 per cent by 2012, giving Canada the lowest statutory tax rate in the G7;
- Decrease in the small business tax rate from 13.12 per cent today to 11 per cent in 2008;

- Decline in the lowest federal personal income tax rate from 15.5 per cent today to 15 per cent retroactive to 2007 and an increase in the basic personal amount;
- Commitment to limit program expense growth, on average, to below the rate of nominal growth of the economy; and
- Reduction in the federal debt by \$10 billion in 2007-08 and \$3 billion in each subsequent year.

"We look forward to hosting the Minister for future in-depth policy roundtables in the future and providing additional recommendations and perspectives from a cross-section of the business community that will improve Canada's prosperity even further," said Pradella.

To learn more about how you can be involved in Policy Roundtable meetings, contact Lisa Praznik, Sponsorship Coordinator at lpraznik@calgarychamber.com or (403) 750-0432