

Standing Committee on Finance (FINA)

Pre-budget consultations 2012

Edmonton Chamber of Commerce

Responses

1. Economic Recovery and Growth

Given the current climate of federal and global fiscal restraint, what specific federal measures do you feel are needed for a sustained economic recovery and enhanced economic growth in Canada?

On behalf of nearly 3000 business members, the Edmonton Chamber of Commerce is once again pleased to have the opportunity to provide you with our members' most important federal tax and program spending priorities related to the upcoming Federal Budget. In our submission to the Standing Committee on Finance last year we presented three tax initiatives that were essentially cost-neutral priorities that will improve business efficiency and profitability and ensure the continuation and growth of small and family owned businesses in particular. We were pleased that at least two of our recommendations were included in the Finance Committee's report to the House of Commons but disappointed that the government has not acted on the recommendations. As a result our answers to your survey provide further clarification on our position and reinforce the urgency of moving forward with the recommended changes. The Edmonton Chamber of Commerce, the country's largest chamber of commerce, recommends the Government of Canada stay the course with respect to targets and initiatives announced in last year's federal budget relating to deficit reductions and savings via program spending reviews. However, for the upcoming budget, we urge you to begin an immediate implementation of the tax initiatives outlined in our responses to the questions below as essentially cost-neutral priorities that would improve business efficiency and profitability and help to ensure the expansion and continuation of job creating SMEs.

2. Job Creation

As Canadian companies face pressures resulting from such factors as uncertainty about the U.S. economic recovery, a sovereign debt crisis in Europe, and competition from a number of developed and developing countries, what specific federal actions do you believe should be taken to promote job creation in Canada, including that which occurs as a result of enhanced internal and international trade?

Last year the Finance Committee entertained a lot of debate on the benefits of raising or lowering tax rates for both small and large business enterprises. It appears there was general agreement that taxes are a cost to business which is passed on to individual consumers and thus everyone benefits when there are less costs to pass on. With lower taxes businesses can remain competitive and healthy and be vital drivers of economic growth and job creation and return significant dividends to individuals and groups such as pension funds that invest in the future of these private corporations. So it is crucial that we continue with the direction set in the Economic Action Plan and not undermine the progress that has been achieved to date with respect to corporate and personal income tax reductions.

3. Demographic Change

What specific federal measures do you think should be implemented to help the country address the consequences of, and challenges associated with, the aging of the Canadian population and of skills shortages?

With the first of the Baby boomer business owners having turned 65 in 2011 the most urgently needed tax changes are those relating to the tax implications of business succession. In a recent survey of Edmonton Chamber of Commerce members, 15% of businesses indicated that their most likely

succession scenario over the next five years would be to have the business change hands. Assuming chamber members are a true representation of the local business population, as many as 6,600 businesses in Edmonton alone could be changing hands very soon. The survey also revealed that just 6% of all businesses intend to transfer ownership to a family member and because, under current tax laws, that family member is then faced with having to pay capital gains taxes on the assets of the business, there is a real concern that the tax burden will be so high that it will seriously jeopardize the continuation of the business. Recommendation: That the federal government undertake a comprehensive review of the tax provisions affecting estate and succession planning in the next 24 months to determine whether the existing tax regime appropriately considers transfer of family-owned businesses.

4. Productivity

With labour market challenges arising in part as a result of the aging of Canada's population and an ongoing focus on the actions needed for competitiveness, what specific federal initiatives are needed in order to increase productivity in Canada?

(see Question # 5 response below)

5. Other Challenges

With some Canadian individuals, businesses and communities facing particular challenges at this time, in your view, who is facing the most challenges, what are the challenges that are being faced and what specific federal actions are needed to address these challenges?

Reducing the tax administration, compliance burden and assessment timelines for businesses is another area that can result in significant cost savings that will benefit everyone and is urgently needed. The federal government must review the hundreds of exemptions, deductions, rebates, deferrals or credits that are part of the federal tax system to ensure they are cost effective and economically efficient. For example, some credits simply subsidize activities many recipients would have done anyway. Others may stimulate spending in certain areas prompting suppliers to raise prices and, therefore, negate the benefit of the tax credit. In many cases, the government is using tax preferences to achieve social objectives rather than funding the initiative through spending programs. The incentives show up as tax cuts when in fact they are spending increases. Ultimately, the myriad of tax preferences enormously complicate the tax structure, increase compliance costs and open up avenues for evasion and avoidance of tax. Broadening the tax base would facilitate lower tax rates so that everyone benefits.

Recommendation: That the federal government immediately establish a Royal Commission to undertake a comprehensive review of taxing statutes with the objective of identifying, recommending and ensuring the implementation of ways and means to simplify tax legislation, reduce compliance costs and ensure Canada's tax system is as neutral, simple, efficient and fair as possible. In support of the commission a standing committee should be established to continuously monitor changes and publicly report progress at least annually. Recommendation: That the federal government introduces legislation requiring the timely assessment of income tax returns wherein taxpayer's returns are automatically deemed to be assessed as filed (and are duly processed) after 120 days of filing thereby initiating the statute barred period after which reassessment could be issued.