

## **FEI Canada Tax Policy Task Force pre-Budget Submission**

### **FEI Canada Press Release, September 22, 2005**

On September 6, 2005, the Tax Task Force of IPAC submitted its comments to the House of Commons Standing Committee on Finance for the 2005-2006 pre-budget consultation process.

The submission makes three proposals that, if implemented, could:

- Assist Canadian corporation and the government in achieving their Kyoto commitments
- Enhance the domestic and international competitiveness of Canadian corporations
- Improve the cash flow of Canadian corporations, enabling them to reinvest more after-tax funds in capital and productivity enhancements
- Provide timely and cost-effective continuing education

#### **1. Repeal the half-year CCA rule for environmentally friendly capital investments**

Budget 2005 established new and enhanced CCA rates for certain environmentally friendly capital investments. Currently, CCA is available only on one-half of all net additions to a CCA class in the acquisition year. The Task Force recommends that this restriction be repealed for all environmentally friendly acquisitions, thereby allowing full CCA relief in the year of acquisition and thus enabling Canadian businesses to assist the government reach its Kyoto commitments, at a minimal cost.

#### **2. Introduce a corporate group tax reporting system**

In light of the non-productive costs and competitive inefficiencies encountered by corporations attempting to gain access to trapped tax attributes, the Task Force believes that group tax reporting is both a fair and simple solution to the problems. Group tax reporting would restore equity between single-entity corporations and corporate groups, and enhance the competitive position of group companies.

Governments in other industrialized countries allow group tax reporting, either by consolidation of group members' tax affairs, a loss transfer system, or a subvention system.

Group tax reporting offers many benefits to the Canadian economy. It enhances fairness, competitiveness, neutrality, investment, consistency and cash flow; reduces abuse, unnecessary corporate concentration, and costly and inefficient corporate expenditures; and improves budget projections and corporate structural efficiency.

The inability to file group returns makes it more difficult for small firms to undertake risky investments, thus discourages start-ups and standalone investments. Group reporting encourages more investment by risky firms because it reduces barriers to raising capital financing.

If a corporation which incurs a loss eventually uses the tax attribute, the effect of group reporting is only a speed-up of its utilization. The tax loss is, therefore, primarily a timing issue rather than an absolute loss of revenue, and can be mitigated by a phase-in process. Over time the only revenue loss would result from claiming losses that would have expired under the current system, plus the present value impact of the earlier deduction or utilization of the attribute.

### **3. Establish a Centre for Workplace Continuing Education and Training**

The identification, acquisition and delivery of quality workplace related continuing education programs are both time-consuming and expensive. Many corporations are not aware of the courses that are available.

Those corporations and unincorporated small businesses experience difficulties securing training and updating courses tailored for their employees' specific needs.

Providers of training programs often experience significant up-front costs developing courses for one-time clients. Thus many providers fail to respond to the market's need for new course materials. The Task Force urges the Standing Committee to assist the private sector in establishing a Centre for Continuing Workplace Training and Education, which would be designed to serve the continuing education needs of Canadian business and workers.

The task force points out that these proposals are either revenue neutral over the near to medium term, or are relatively negligible in terms of tax revenues.

To read the full submission, please see [here](#).

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