

Escalating focus on multiple regulatory changes detracts from strategic tax planning

TORONTO, July 28, 2010 -- Confronted with growing and immediate regulatory and compliance issues – such as the expansion of the Harmonized Sales Tax (HST) – Canada’s corporate tax managers are concerned that the growing complexity of the taxation system is forcing them to neglect strategic tax planning. This situation could prove costly over the long-term, according to a survey of financial executives by the Canadian Financial Executives Research Foundation (CFERF) and sponsored by tax services firm Ryan.

Released today, the study shows that long-range planning, which could cut future costs to Canadian business, is being sacrificed due to the increasing complexity and uncertainty in areas such as transfer pricing and foreign income taxes, according to the survey of Canadian financial leaders. The results are comprised in a study titled *Current Management Issues In Canadian Corporate Taxation* published by CFERF, the research institute of Financial Executives International Canada (FEI Canada), and sponsored by Ryan, a leading North American tax services firm.

“An overwhelming majority of Canadian tax executives reported that the primary allocations of tax resources are devoted to compliance, as opposed to strategic tax planning,” says Garry Round, Managing Principal, Canadian Operations for Ryan. “Canadian tax executives must reallocate resources to strategic tax planning, or they will likely find themselves exposed to increased risk.”

According to the study, nearly eight in 10 executives who reported that transfer pricing was an issue find this area to be an administrative headache which is a drain on resources. Areas considered to be burdensome by survey respondents who are most affected included:

- Transfer Pricing – 78%
- Foreign income taxes – 73%
- Non-routine events (i.e. regulations governing major transactions) – 69%
- Corporate federal income tax – 66%
- IFRS conversion – 65%
- Federal/provincial Income tax structure – 63%
- Foreign value-added tax – 62%
- Provincial corporate income tax – 60%

Many companies now entrenched in the HST conversion, are also worried about the implications for increased audit risk, and the only way for them to get any comfort around their numbers is to invest more at the front end on control and tax planning.

Forty percent of companies surveyed said that resource constraints would be among the most significant challenges in 2010 and 2011 and almost 60% of companies are concerned about the lack of skilled tax management talent in the Canadian labour market.

(more)

“While companies will be looking for talent in today’s market, many will have to fill their resource requirements by spending more on increased training of existing staff,” said Michael Conway, CEO and national president of FEI Canada. “Many will also be turning to the tax expertise of external consultants or simply have to do more work with the current pool of talent and resources they already have, putting even more strain on already stretched finance departments.”

This study was conducted in the first half of 2010 and represents the views of more than 160 senior financial executives in Canadian companies from a wide range of industry groups. To review the full study, please visit [click here](#).

THE CANADIAN FINANCIAL EXECUTIVES RESEARCH FOUNDATION (CFERF) is the non-profit research institute of FEI Canada. The Foundation’s mandate is to advance the profession and practices of financial management through research. CFERF undertakes objective research projects relevant to the needs of Canada’s senior financial executives in working toward the advancement of corporate efficiency in Canada.

FINANCIAL EXECUTIVES INTERNATIONAL CANADA (FEI CANADA) is the all industry professional membership association for senior financial executives. With eleven chapters across Canada and more than 2,000 members, FEI Canada provides professional development, thought leadership and advocacy services to its members. The association membership, which consists of Chief Financial Officers, Audit Committee Directors and senior executives in the Finance, Controller, Treasury and Taxation functions, represents a significant number of Canada’s leading and most influential corporations. Further information can be found at www.feicanada.org.

RYAN is a leading tax services firm in North America, with the largest transaction tax practice in the United States and Canada. Since 1974, the firm’s Canadian practice, located in Toronto, Ontario, has performed work for more than 6,000 organizations on a variety of tax matters, both provincially and nationally. Headquartered in Dallas, Texas, the firm provides a comprehensive range of state, local, federal, and international tax advisory and consulting services on a multi-jurisdictional basis, including audit defence, tax recovery, credits and incentives, tax process improvement and automation, tax appeals, and strategic planning. With a multi-disciplinary team of more than 800 professionals and associates, Ryan serves many of the world’s most prominent Fortune 1000 companies. Further information can be found at www.ryanco.ca.

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