

**Remarks of Michael Conway, Chief Executive of FEI Canada  
HOC FINA Presentation, Ottawa  
Tuesday, October 5, 2010**

Good morning Mr. Chairman and Committee members.

I'm Michael Conway, Chief Executive and National President of Financial Executives International Canada.

FEI Canada is a voluntary membership association, comprised of more than 2,000 Canadian Chief Financial Officers and other senior finance executives.

Our recommendations to this committee are the results of the collective effort of FEI Canada's tax committee, represented here today by Peter Effer, Vice-President Taxation at Shoppers Drug Mart.

In our written submission to you, we highlighted a range of budgetary initiatives that FEI Canada thinks the government should adopt as they are key to an efficient tax environment. These include:

- Tax simplification;
  - Productivity;
  - Deficit reduction;
  - Economic renewal;
- and
- Retirement planning.

Budget proposals should reduce the complexity of the taxation system and its compliance requirements, not add to them.

To illustrate how complex our tax laws have become, here is a copy of Canada's 1<sup>st</sup> Income Tax Act, introduced in 1917 as a temporary measure to fund World War 1. And, almost 100 years later, this is what we have!

When our research institute, the Canadian Financial Executive Research Foundation, surveyed our members for this study that we published this summer CFERF found that the tax system has become excessively complicated, and that Canadian businesses, large and small, are bogged down with tax compliance issues.

If you look at it from a macro viewpoint, companies are a large source of tax revenue for the government, and these same companies are devoting an inordinate amount of time and money on compliance when their managers could be spending more time advancing corporate growth and profitability.

Simplifying the Tax Act would help make companies – and the government – more efficient, and thus, more competitive.

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Improvements to the tax system that would help Canadian businesses thrive include some form of group tax reporting for companies, such as the implementation of a loss transfer system.

These measures would help Canadian companies increase their productivity, a critical issue made even more urgent by the rise of the Canadian dollar.

High productivity levels cannot be reached without a strong labour market. Skill development can be encouraged by introducing a refundable tax credit for qualified education and training and creating a deduction or tax credit for individuals who personally incur education or retraining costs.

Higher productivity is synonymous with the use of high performing and cost efficient equipment and technology. To meet this objective, we recommend extending the write off for manufacturing machinery for at least five more years, as well as the write off for computers.

The government should also encourage provinces to eliminate payroll taxes, as these are taxes on inputs that discourage employment & increase cost of goods.

As policies should encourage investment and facilitate access to credit and capital markets, withholding taxes should be reduced or eliminated to encourage foreign investment.

The government should continue to focus on deficit reduction and good fiscal management to ensure that the Canadian economy can withstand future downturns.

Our country's tax system should also provide Canadians with more flexible retirement planning opportunities. That's why FEI Canada recommends extending to age 75 the mandatory date for concluding CPP contributions and for contributing to RRSPs and converting RRSPs into RRIFs.

FEI Canada also recommends granting a 125% deduction for the first \$5,000 contributed to RRSPs.

In conclusion, budget initiatives should protect and speed-up Canada's progress through economic recovery and be revenue neutral over the short to medium-term. Our proposed tax measures conform to these objectives.

We strongly urge the government to consider these measures and implement them in Budget 2011.

FEI Canada stands ready to assist. Thank you.