

**SUBMISSION TO THE
HOUSE OF COMMONS
STANDING COMMITTEE
ON FINANCE**

PRE-BUDGET CONSULTATION 2014

JULY 31, 2013



feiSM

financial executives
international
dirigeants financiers internationaux

canada

Topic 1: Federal budgets and the public service

Recommendation 1: Financial Executives International Canada encourages the government to balance the budget without raising corporate or personal income taxes to remain globally competitive and remain accessible to domestic and global capital. The budget should be balanced by continued cost constraints, particularly, by simplifying the federal Income Tax Act in order to reduce tax administrative costs for both the government and taxpayers. If additional tax revenue is required to balance the budget, the GST base or rate should be increased.

Expected cost or savings: Please indicate the expected cost or savings of your recommendation to the federal government and the period of time to which the expected cost or savings is related.

- Less than \$500,000
- Immediately

Federal funding: Please provide a precise indication of how the federal government could fund your recommendation. For example, indicate what federal spending should be reallocated, what federal tax measure(s) should be introduced, eliminated or changed, etc.

There is no federal funding required. There would be reduced costs by simplifying the federal Income and Excise Tax Acts by allowing consolidated tax return filings. If not presently practical, the government should allow companies to transfer non-capital losses within corporations in the same provincial tax jurisdiction or elect to include capital losses in the eligible capital expenditure pool. For GST purposes, companies should be able to elect to claim input tax credits in a related company similar to the election currently available that allows another taxpayer to remit GST.

Intended beneficiaries: Please indicate the groups of individuals, the sector(s) and/or the regions that would benefit by implementation of your recommendation.

All Canadian taxpayers including skilled Canadian labour. In this regard, the government should continue to support the elimination of inter-provincial barriers that prevent skilled labour in different parts of Canada from accessing this benefit. Further, the removal of such barriers will aid the federal government's continued efforts to promote the availability of all jobs across Canada.

General impacts: Depending on the nature of your recommendation, please indicate how the standard of living of Canadians would be improved, jobs would be created, people would be trained, etc.

A balanced budget creates international confidence in the viability and stability of the Canadian economy and the Canadian dollar. Confidence in the Canadian economy and stable corporate income tax rates allow Canadian companies to attract capital for investment and expansion activities which leads to an increase in skilled employment.

Topic 2: Innovation and commercialization

Recommendation 2: Allow companies engaged in innovation to issue flow-through shares to monetize development and related commercialization expenses. Similar to the program that exists in resource industries, companies issuing innovation flow-through shares would renounce qualifying SR&ED and tax credits to shareholders who would claim these amounts on their tax returns. We believe expenditures incurred up to product commercialization should be eligible for this flow-through to encourage the private sector to fund costs associated with converting ideas into marketable products.

Expected cost or savings: Please indicate the expected cost or savings of your recommendation to the federal government and the period of time to which the expected cost or savings is related.

- Less than \$500,000
- 4 years

Federal funding: Please provide a precise indication of how the federal government could fund your recommendation. For example, indicate what federal spending should be reallocated, what federal tax measure(s) should be introduced, eliminated or changed, etc.

The expected costs over the near term should be nil. The program simply transfers tax deductions and credits from one taxpayer to another. Any incremental costs incurred for tax rate differences between investors deducting expenditures and the corporations renouncing expenditures should be offset by incremental tax revenue created from the jobs and economic activity created from the program.

Intended beneficiaries: Please indicate the groups of individuals, the sector(s) and/or the regions that would benefit by implementation of your recommendation.

The implementation of this recommendation would benefit:

- Canadian corporations across a variety of industries engaged in innovation activities, particularly start-up firms who are not earning taxable revenue in excess of innovation expenses, by making capital funding more assessable;
- All Canadians by creating more jobs in the innovation industry.

General impacts: Depending on the nature of your recommendation, please indicate how the standard of living of Canadians would be improved, jobs would be created, people would be trained, etc.

This recommendation should result in an increase in the pool of investable capital from idle cash in the private sector that could be deployed to increase innovation activity in Canada rather than relying on the federal government to fund such innovation. The direct innovation activity should create more jobs for Canadians as should the commercialization of the innovation. Products created from innovation also should result in an increased quality of living for all Canadians.

Topic 3: Retirement, pensions and seniors

Recommendation 3: We encourage the government to help Canadians plan for retirement by developing a national framework on adequate retirement income. Recommendation: Adopt a fully funded model over time, including allowing employees to increase their CPP contributions. Rather than increase employer funding, adjust age eligibility to 67. This model would ensure long term solvency of pension funds while maintaining stable contribution rates, preserving a fair standard of living and continued economic ‘consumption’ activity by this demographic.

Expected cost or savings: Please indicate the expected cost or savings of your recommendation to the federal government and the period of time to which the expected cost or savings is related.

- Less than \$500,000
- 2 years

Federal funding: Please provide a precise indication of how the federal government could fund your recommendation. For example, indicate what federal spending should be reallocated, what federal tax measure(s) should be introduced, eliminated or changed, etc.

Minimal Cost. Most likely there are departments, staff and/or panels in place that have studied a variety of models, including Statistics Canada’s LifePaths microsimulation model. In December 2012, provincial and federal finance ministers agreed to examine options for a ‘modest’ expansion of the Canada and Quebec Pension Plans (CPP/QPP) at their next meeting in 2013. Organizations such as FEI Canada would like to be engaged and contribute to a substantive public discussion on the key policy issues involved.

Intended beneficiaries: Please indicate the groups of individuals, the sector(s) and/or the regions that would benefit by implementation of your recommendation.

The implementation of this recommendation would benefit:

- Approximately 60% - 70% of Canadians who will not have adequate retirement income
- 50% of middle-income earners over 40; statistics indicate this group could see a significant decline (25%) in their standard of living upon retirement
- The Federal and Provincial Governments who may require higher payments from general revenue to support seniors in their retirement years through GIS, OAS or some form of welfare support payments
- Results should increase the quality of living for all Canadians

General impacts: Depending on the nature of your recommendation, please indicate how the standard of living of Canadians would be improved, jobs would be created, people would be trained, etc.

This recommendation supports & aligns with key objectives of the CPP, QPP.

- Long term sustainability of pension funds, maintaining affordable, stable contribution rates
- CPP/IB could achieve higher rates of return over the long-term & offer lower investment management costs for the majority of Canadians
- Ensuring intergenerational fairness
- Mitigates the drop in seniors “net” or “consumable” income

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If you wish, please provide more explanation about your recommendation(s).

FEI Canada looks forward to elaborating on these budget proposals at the pre-budget hearings of the House of Commons Standing Committee on Finance in the fall.

About Financial Executives International Canada (www.feicanada.org)

Financial Executives International Canada (FEI Canada) is an all-industry professional association for senior financial executives. With eleven chapters across Canada and 1,800 members, FEI Canada provides professional development, thought leadership and advocacy services to its members.

The Policy Forum is the national advocacy committee of Financial Executives International Canada. Policy Forum is comprised of more than 60 senior financial executives representing a broad cross-section of the Canadian economy who have volunteered their time, experience and knowledge to consider and recommend action on a range of topics of interest to Canadian business and governmental agencies. The current composition of Policy Forum is formulated to address the following areas: accounting standards, governance and risk, treasury and capital markets, taxation, pensions, private company issues and information technology. In addition to advocacy, Policy Forum is devoted to improving the awareness and educational implications of the issues it addresses, and is focused on continually improving these areas.

A handwritten signature in blue ink, appearing to read 'Peter Effer', is positioned above the name and title.

Peter Effer, CPA, CA
Chair, Policy Forum
Financial Executives International Canada

A handwritten signature in black ink, appearing to read 'Michael Conway', is positioned above the name and title.

Michael Conway, FCPA, FCA, ICD.D
President and CEO
Financial Executives International Canada