

Northern Policy Institute
State of the North Conference

How can taxation support growth?

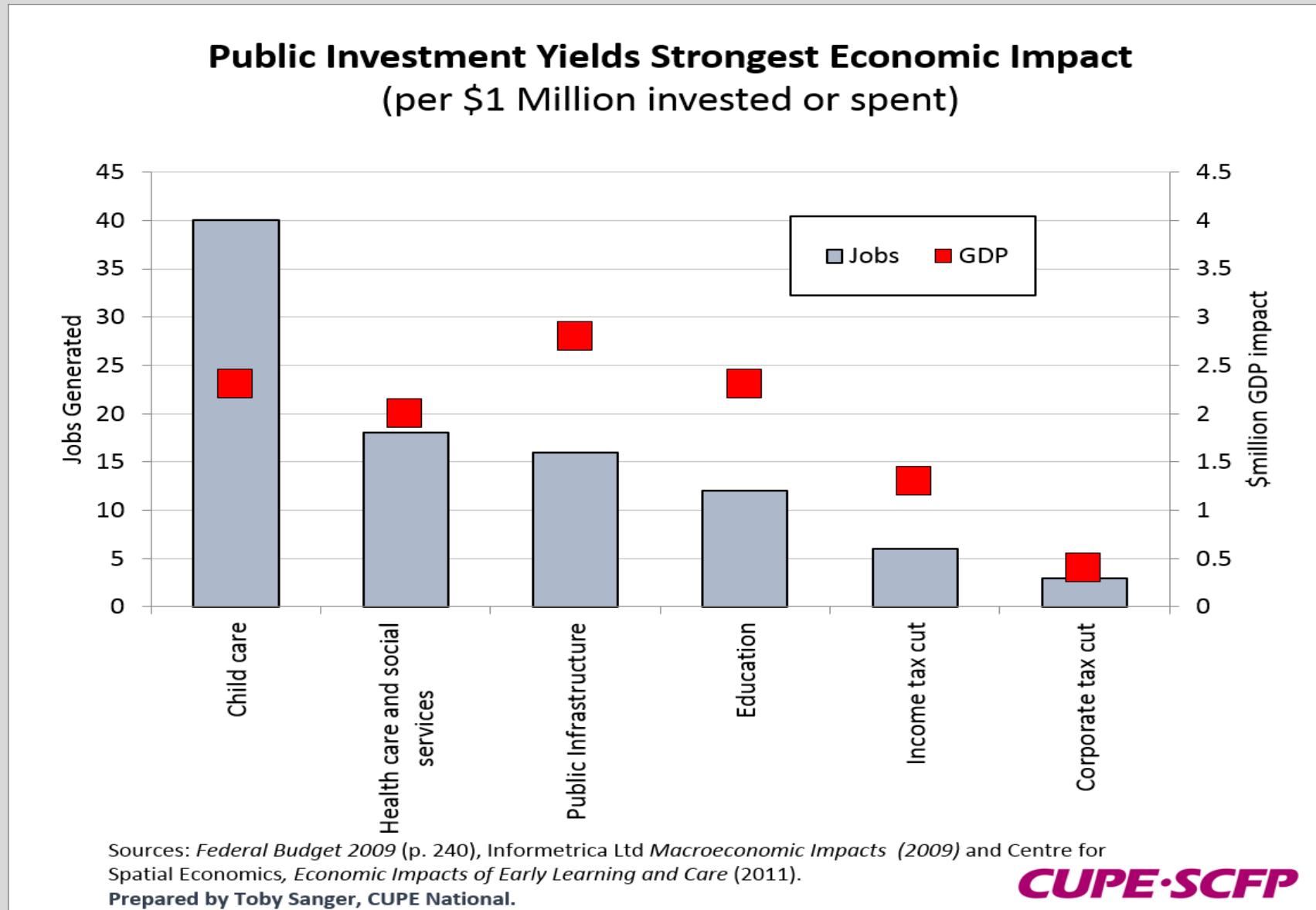
Toby Sanger, Senior Economist
Canadian Union of Public Employees
September 26, 2018 North Bay, Ontario

CUPE·SCFP

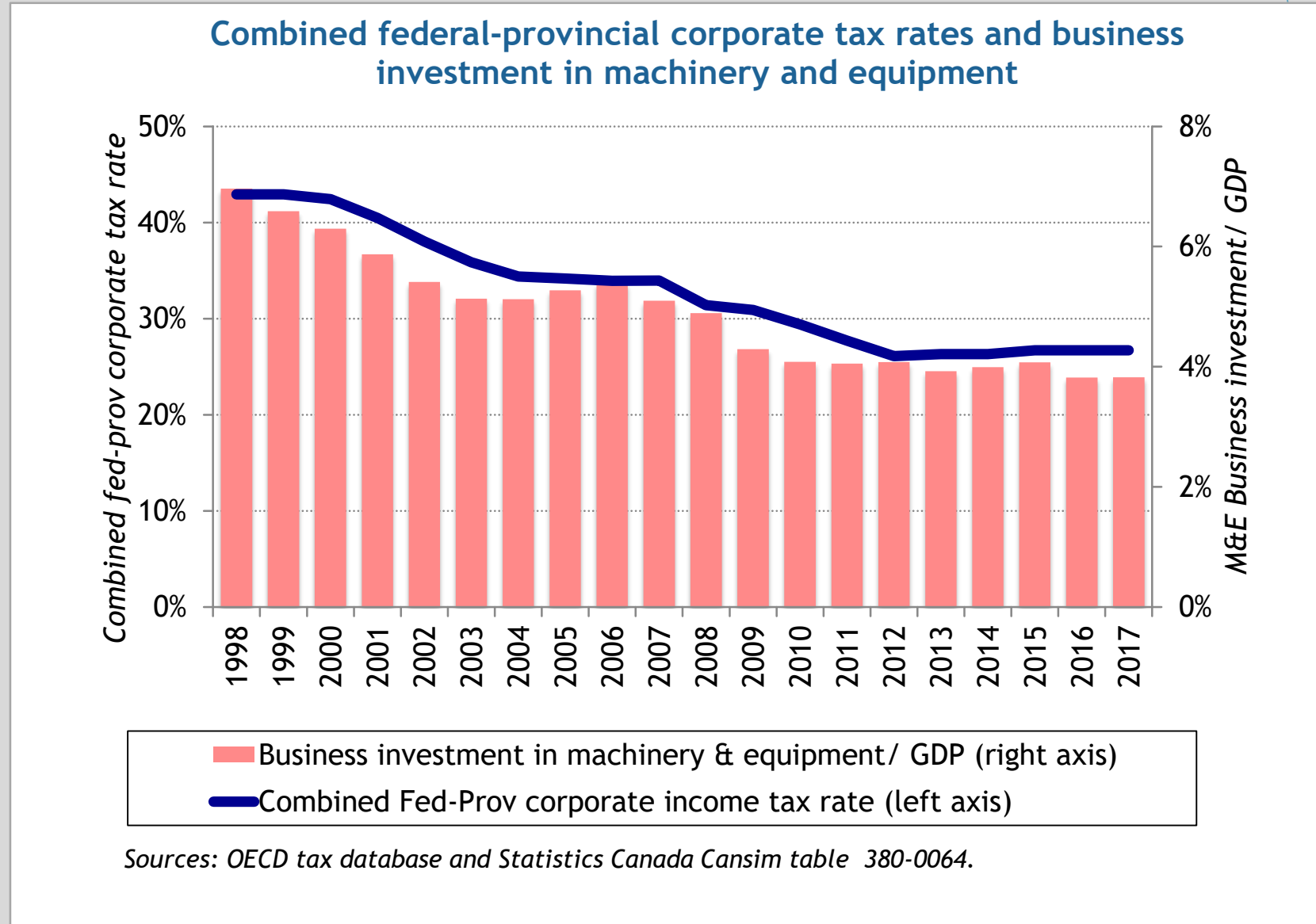
How can taxation best support growth?

1. General corporate tax cuts?
2. Targeted tax cuts for business?
3. Neither of the above?

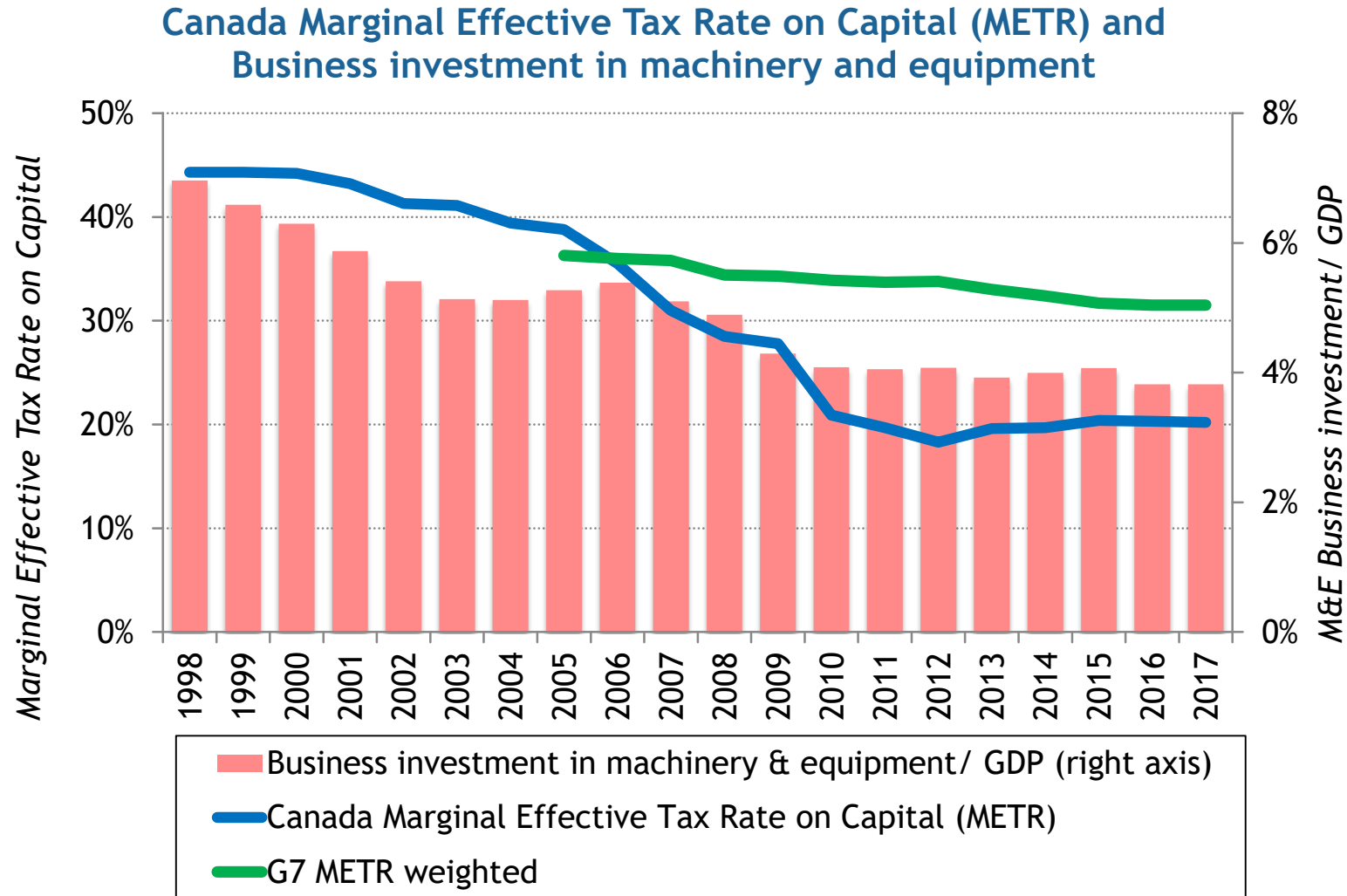
Taxes -> Revenues for Public Spending -> Growth



Corporate tax cuts failed to boost investment

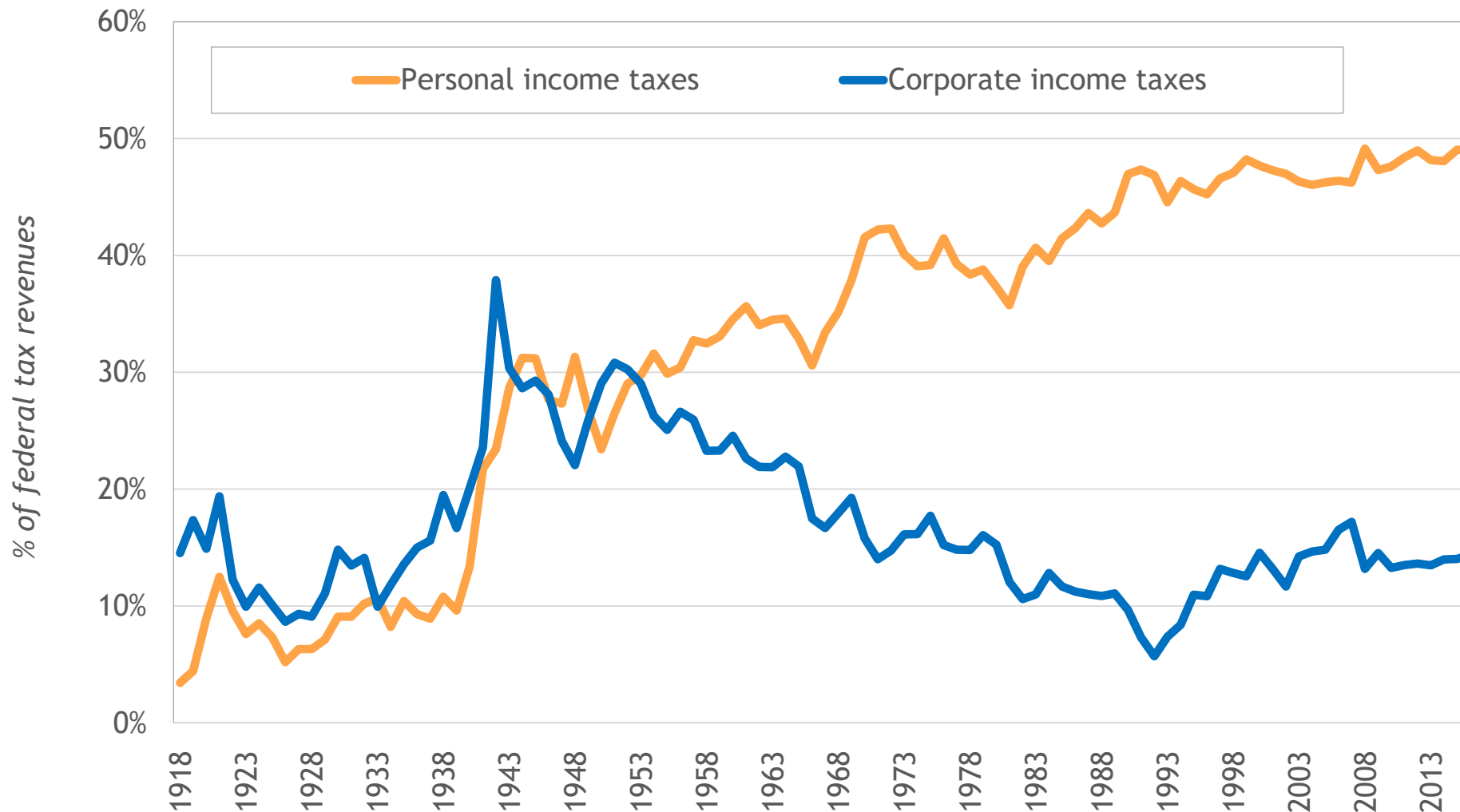


Larger cuts in broader corporate tax measures



Sources: Statistics Canada Cansim table 380-0064; Bazel, Mintz and Thompson, 2017 Tax Competitiveness Report; Chen and Mintz Federal/provincial Combined METRs on capital 1997-2006, 2010.

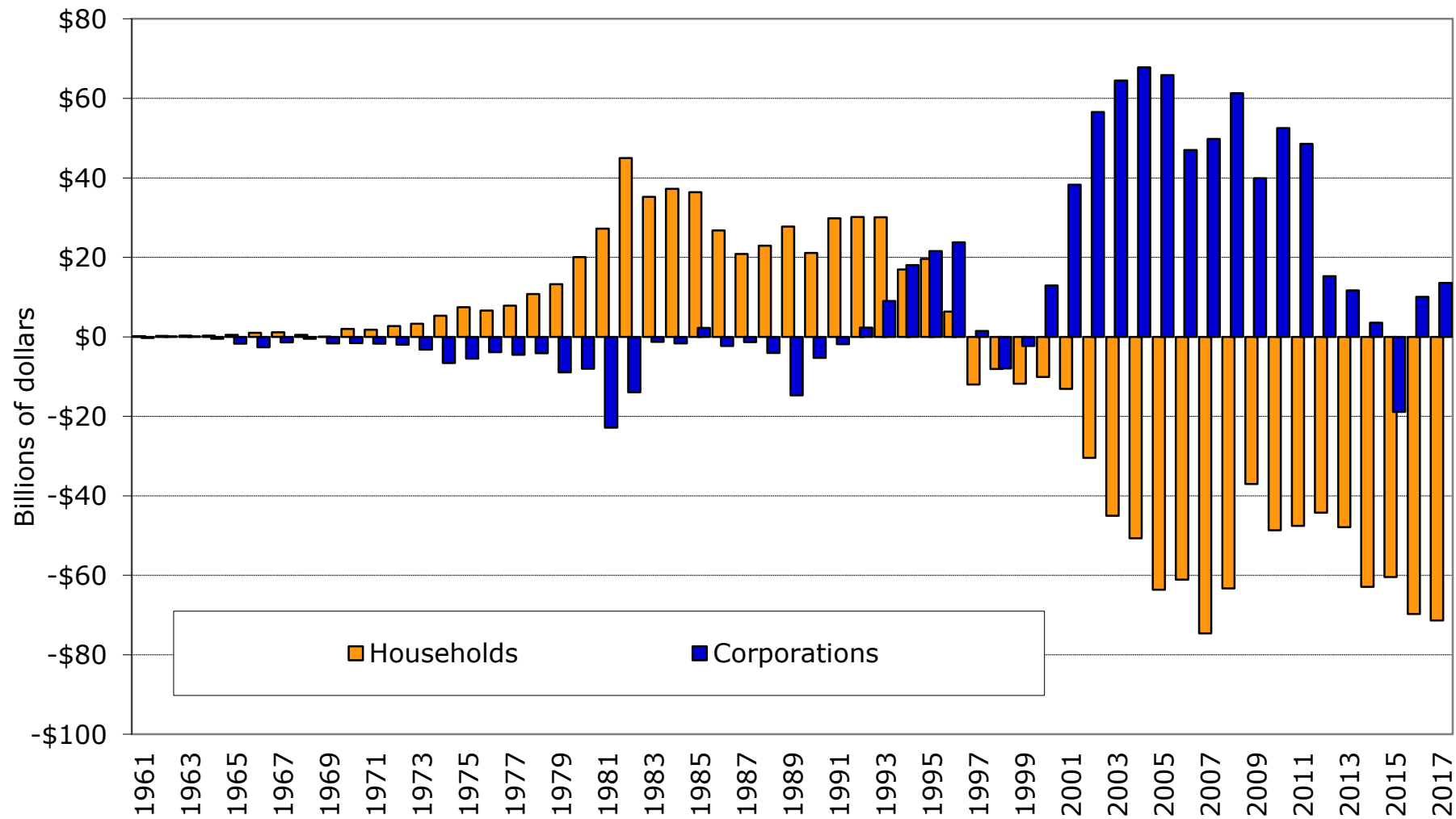
Large shift in taxation from businesses to households



Sources: Finance Canada Fiscal Reference Tables, Statistics Canada Historical Statistics of Canada, H1-18.

Record corporate surpluses-and household deficits

Net Borrowing and Lending of Household and Corporate Sectors



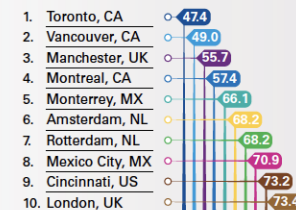
Source: Statistics Canada Financial Flow Account Cansim Table 378-0119

Canada competitive on business costs and taxes

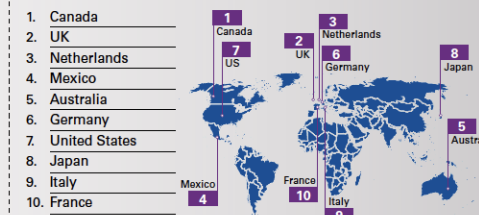
- *KPMG Competitive Alternatives 2016*, Canada had lowest total tax costs for business.
- *PwC/World Bank Paying Taxes 2018*, Canada has lowest business tax, contribution and compliance costs of G7.

Global ranking of tax competitiveness

Top 10 tax competitive cities*



Countries with the lowest tax costs*



*Total Tax Index comparison of countries examined

Top 5 countries with the lowest total effective tax rates*



*For combined sectors examined in this study

Top 5 tax competitive countries by sector

Sector	1 st	2 nd	3 rd	4 th	5 th
Digital Services	Canada	UK	Netherlands	Mexico	US
Research & Development	Canada	Netherlands	UK	Mexico	Australia
Corporate Services	Canada	Mexico	UK	Netherlands	US
Manufacturing	Canada	Mexico	UK	Netherlands	Australia

Paying Taxes: The Canadian Summary

Canada ranks 1st among G7 nations for ease of paying taxes.

Paying Taxes 2018, now in its 12th edition, continues to be a unique report from PwC and the World Bank Group. It is the only piece of research which, using a small to medium-sized domestic case study company, measures and assesses the ease of paying taxes across 190 economies.

The ranking for each participating economy is based on the:

- Total tax & contribution rate — tax liability as a per cent of profits before all taxes borne
- Time — the number of hours per year to prepare, file returns and pay taxes
- Payments — the number of tax payments per year
- Post-filing index — obtaining a VAT refund, correcting a corporate income tax return and dealing with corresponding tax audits