



Office of the President and  
Chief Executive Officer

Cabinet du président  
et chef de la direction

March 29, 2010

Mr. Michael Ignatieff, M.P.  
Leader of the Official Opposition  
House of Commons  
111 Wellington Street  
Ottawa ON  
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Dear Mr. Ignatieff:

I am writing to express our concern with the position taken by the Liberal Party at the *Canada at 150 Conference* to advocate cancelling previously-announced business tax reductions.

The Canadian Chamber of Commerce works to foster a strong and competitive economic environment that enables economic growth and prosperity. The well-being of all Canadians requires sound public policies that stimulate innovation and job creation, and provide the flexibility businesses of all sizes require to adapt and to compete.

According to press reports and the information on the Liberal party's web site, the party has opted for new spending as opposed to improving our tax competitiveness at a time when we are recovering from a major recession and when the global competition is becoming fiercer every day.

The average general corporate income tax rate in Canada is about 32 percent (federal plus provincial) compared to an OECD average rate of around 26 percent. In addition, other countries will continue to improve their tax competitiveness, with the risk that Canada will fall further behind.

Business tax cuts allow businesses to lower prices for their goods and services, raise wages or hire more people, or to increase amounts paid to shareholders to the benefit of many Canadians, including those who own equity through pension plans, RRSPs and mutual funds.

Lower corporate income taxes improve tax neutrality and discourage profit-shifting by business to low-taxed jurisdictions. In contrast, the current business tax structure undermines growth by imposing higher taxes on businesses as they grow. Taxes on growth discourage investment and kill jobs.

The general corporate income tax rate influences where business locate, while the marginal effective tax rate (METR) on capital – which includes the

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statutory corporate income tax rate, capital taxes, sales taxes on capital inputs, as well as deductions on credits associated with purchasing capital goods – affects capital investment decisions. The METR is scheduled to fall to about 19 percent by 2013, which will put Canada close to the average of 80 countries worldwide. If the federal government breaks its commitment to move ahead as promised, Canada will be less attractive for capital investment and job-creating foreign direct investment. Investment in physical capital – in new machinery, equipment and structures – allows businesses to expand and innovate, new ideas to be put into practice, and workers to benefit from higher incomes arising from productivity gains.

Finally, the signal that a Liberal government would scrap scheduled cuts in business taxes makes it difficult for businesses to plan their affairs. It increases uncertainty and negatively affects investor and business confidence just as the economy is emerging from recession.

In your closing remarks at the *Canada at 150 Conference*, you stated: “We can’t afford to stand still as a country...If we make smart fiscal choices, we can start moving forward again.”

The Canadian Chamber of Commerce fully agrees and believes a competitive tax system is a smart policy choice now and in the future.

Sincerely,



Perrin Beatty

