NEWS RELEASE

Reforming Canada's business taxes could improve investment crisis and raise living standards

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For Immediate Release

VANCOUVER—Canada has an opportunity to change the way it taxes businesses and in doing so, could vastly improve the country's attractiveness for investment, improving economic growth and raising living standards for Canadian workers, finds a new study published today by the Fraser Institute, an independent, non-partisan Canadian public policy think-tank.

Specifically, the business tax system can exclude money reinvested by companies into new plants, machinery, equipment, and research and development, and instead only tax disbursements.

"The lack of business investment in Canada is alarming, but reforming our business taxation model is one way the country can begin to dig itself out of this crisis," said Trevor Tombe, author of ***Boosting Canada's Competitiveness by Reforming Business Taxation***.

The study suggests one way to reform business taxes would be to stop taxing all business profits, as is currently the model across Canada. Instead, only tax profit disbursements, which include dividend payments, share buybacks, and bonuses. Profits that are reinvested into the firm would face no business income taxes.

This kind of policy change would encourage greater business investment, increasing worker productivity, growing the economy, and ultimately raising living standards for Canadians.

It would also improve Canada's tax competitiveness. Estonia, for example, only taxes business disbursements and does not tax earnings reinvested in the business. It routinely ranks at the top of the Tax Foundation's international tax competitiveness rankings, whereas Canada ranked 24th out of 38 countries last year on corporate taxes.

"Reforming business taxes and making Canadian firms attractive to investment should be a top priority for policymakers across Canada," said Jake Fuss, director of fiscal studies at the Fraser Institute.

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