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# Canada losing ground – Mintz report on tax competitiveness shows Canada slipping in international rankings – No longer investment friendly?

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Canada suffers in the eyes of investors for being a relatively small market, distant from large export destinations, with a cold climate and geographic vastness that raise the cost of doing business here. Canada has been able to overcome its disadvantages in recent years by being highly competitive on business taxes. Unfortunately, the tendency of Canadian provincial and federal governments of late to raise taxes has been rapidly erasing that slight advantage. Dangerously, Canada is quickly losing its competitive edge, according to a new report by co-authors Phil Bazel and Jack Mintz.

"Some major economies with whom Canada directly competes for investment have recognized the need to make themselves more attractive to investors. Denmark, Japan, France, Portugal, Switzerland and the U.K. have all taken steps to reduce their corporate tax load. As a result of their cuts, and because of Canadian policy changes that have increase the marginal effective tax rate (METR) on business here, Canada has moved from having the 16th-highest burden on capital in the OECD (which was middle of the pack) to having the 13th highest. In the G7, Canada had the lowest METR – we are now sixth highest," said Jack Mintz, President's Fellow at The School of Public Policy.

The blame for this is shared by provincial and federal governments. In recent years, governments in Newfoundland and Labrador, New Brunswick, Alberta and B.C. have all raised business taxes (Alberta now has a higher corporate income tax than B.C., Ontario or Quebec). Quebec has scaled back incentives for investors, Manitoba increased its sales tax, and B.C. eliminated the harmonized sales tax, reintroducing the burden on business inputs implicit in the provincial retail sales tax. With the U.S. election of Donald Trump who promises to reduce corporate income taxes and recent pledges by the UK's Prime Minister to reduce corporate taxes the pressure is on Canada to reduce corporate taxes.

According to Mintz and Bazel, Canada can regain competitiveness without drastic tax reform. This involves greater tax neutrality among economic sectors. Meanwhile, those provinces that still have a retail sales tax can improve their attractiveness by moving to the HST. The federal government must also review subsidies and other tax expenditures that create an un-level playing field. Moreover, large planned federal expenditures should instead be saved in order to make room for corporate cuts to stimulate more investment and real economic growth. With some savings, Canada can afford to cut the federal corporate tax from 15 to 13 per cent. This would increase competitiveness – and actually broaden the tax base, according to the report.

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**Reporters desiring interviews are invited to contact:**

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