

## Canada's Corporate Taxes: Who really pays?

**For Immediate Release**

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Calgary- Corporate tax reform has long been a contentious issue in Canada. Official commissions, academics and others have often proposed changes in the way we tax corporations. Those concerned by a perceived increase in income inequality think we should extract more taxes for wealthy corporations. Others argue that corporations never pay taxes – they just flow those costs through to consumers and workers and wages. Who is right? Is there an ideal corporate tax model?

Today, The School of Public Policy with authors Richard M. Bird and Thomas A. Wilson released a report that provides a history of corporate taxation and more importantly explores the relationship between corporate rates and revenue, the surprisingly complex question of who ultimately pays the tax, and the undesirable economic effects of corporate income taxes.

The report examines and pulls suggestions from three recent major reform proposals put forward by experts:

(1) Replace the existing corporate tax by a tax on 'rents' - a system that reduces tax distortions by exempting normal profits from taxes, and instead putting the larger burden on above-normal profits; (2) Replace both it and the current personal income tax by a 'dual income tax' with a flat rate on all capital income (corporate and personal); (3) Adopt a more gradual approach to reform that would broadly keep the present system but make it more uniform in its treatment of investment.

According to co-author Richard M. Bird "One reason corporate tax reform is so difficult is because it is closely related to a number of other issues that are often both technically complex and politically sensitive. Some, such as small business taxation, could be reformed independently of the sorts of more general reforms just mentioned. We sketch several reforms that would simplify the system, maintain some incentive for small businesses and reduce the extent to which the current system provides a shelter for the rich."

Even if a full-fledged move to a rent-equivalent tax base is off the political table for the immediate future, it may still be that a more attractive path to corporate tax reform may be to move towards a dual income tax approach — not least because, if all goes well, it may prove possible to slip a corporate rent tax into the package in a way that may prove both economically rational and politically acceptable.

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

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