



# Total Tax Contribution

Canada's tax regime: complexity and competitiveness\*

\*connectedthinking

PRICEWATERHOUSECOOPERS 

# Foreword

In today's global economy, innovative ideas, skilled people and investment capital flow quickly to wherever they seem most welcome. As a result, corporate tax rates have a huge impact on Canada's ability to attract investment and foster high-quality and well-paid jobs. Business investment in turn generates major benefits for all Canadians.

The Total Tax Contribution framework pioneered by PricewaterhouseCoopers in the United Kingdom and Australia illustrated the critical role played by a country's largest businesses in paying for the many services provided by governments. In 2007, the Canadian Council of Chief Executives therefore commissioned PricewaterhouseCoopers to examine the contributions that large enterprises are making to Canada's competitiveness and prosperity.

For more than three decades, the Council's member chief executives and entrepreneurs have worked relentlessly to encourage sound public policies aimed at making Canada "the best place in the world in which to live, to work, to invest and to grow." We believe that this study offers important insights that will help governments use business tax policy to stimulate the growth of globally competitive businesses operating in Canadian communities.



**Thomas d'Aquino**  
*Chief Executive and President*  
Canadian Council of Chief Executives

Large enterprises play a significant role in the socio-economic fabric of Canada and are crucial to the country's long-run economic prosperity. They have the capital to fund significant research and development, innovation and new technologies that enhance productivity.

Large enterprises, particularly multinationals, integrate Canada with the global economy by allowing for economic gains through knowledge sharing and economies of scale. As well, large enterprises invest in Canada by providing quality employment opportunities and helping Canada build its infrastructure.

It is crucial that Canada's system of taxes be internationally competitive for all businesses, taking into consideration all taxes that they pay. The results of the Total Tax Contribution survey provide valuable insights into the amount of tax that Canada's largest enterprises are paying. We hope the information will be useful to frame future tax policy discussions and help the public appreciate the total amount of tax they pay.

We thank this year's participants for contributing, and encourage the broader Canadian business community to collaborate with our governments to make Canada a prosperous and competitive place to work and live for years to come.



**Mark Mendola**  
*Canadian Tax Leader*  
PricewaterhouseCoopers LLP



**Thomas O'Brien**  
*Tax Partner*  
PricewaterhouseCoopers LLP

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# 02 Executive summary

## The changing tax environment

The demands of global capital markets and the ease with which capital can be shifted around the world have made investment increasingly responsive to changes in a country's tax regime. Recognizing the need for competitiveness, the Canadian government has committed to lowering corporate income tax rates. Furthermore, Canadian CEOs ranked "tax regime" as their first priority for government reform in a recent global PwC survey. While corporate income taxes are important for competitiveness, it is all business taxes and the complexity of the business tax regime that matter for the global competitiveness of Canada's investment climate.

The Total Tax Contribution framework provides data to assist businesses, governments and other stakeholders in understanding the composition and amount of all taxes paid by business.

The detailed data revealed by the Total Tax Contribution methodology provides the transparency needed to facilitate an informed debate on tax policy issues.

## What is Total Tax Contribution?

The PricewaterhouseCoopers (PwC) Total Tax Contribution framework collects four types of information:

- Business taxes borne – taxes that affect the income statement;
- Business taxes collected – taxes collected from customers and employees that are remitted to government;
- Other payments to government – compulsory payments such as levies, rents and royalties; and
- Tax compliance costs – amounts incurred to prepare, compute and remit taxes borne and taxes collected.

## The 2007 Total Tax Contribution survey for the Canadian Council of Chief Executives

PwC and the Canadian Council of Chief Executives (CCCE) undertook a survey of large businesses in Canada. All members of the CCCE and other members of the S&P/TSX 60 were invited to participate. The 39 enterprises returning a completed survey represent a wide variety of industries and regions of Canada.

The 2007 survey collected data on payments to government for the 2005 and 2006 taxation years. A second survey will be launched in September 2008, collecting information for the 2007 taxation year and possibly expanded to include industry- and provincial-specific data, in response to requests from various provincial Ministries of Finance.

## Key messages

- I. Corporate income tax is only one aspect of the business tax burden.
- II. Large enterprises make significant tax contributions.
- III. The Canadian tax system is complex and costly for businesses.

Survey results are included in Sections 3 and 4.

## Number of taxes and taxing points

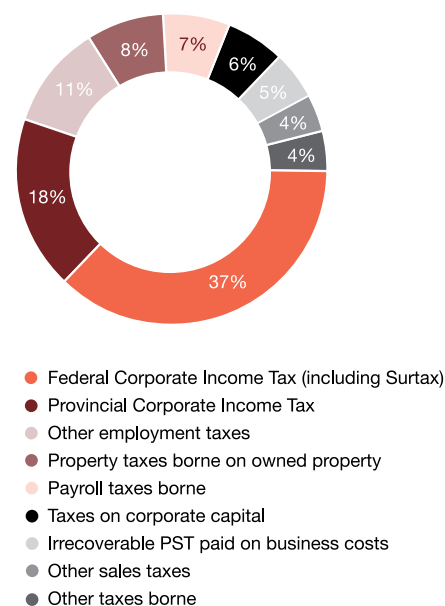
- Businesses in Canada could bear or collect 49 taxes, excluding municipal or city taxes but including property taxes.
- Taking into account all of the taxing jurisdictions, a business operating in every province and territory could be subject to over 200 taxing points.

## Taxes borne and taxes collected

### Taxes borne

- Taxes borne by survey participants totalled \$10.5 billion in 2006.
- The most significant taxes were corporate income taxes, property taxes and employment taxes.
- For every dollar of corporate income tax paid, businesses paid a further \$0.82 in other business taxes.
- Of the 34 taxes borne reported by participants, half generated only 8% of the taxes borne.

**Figure A:** Taxes borne by survey participants



### Taxes collected

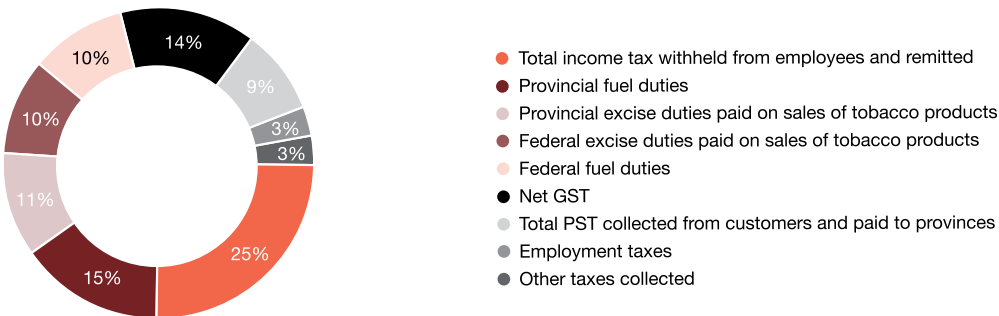
- Taxes collected by survey participants totalled \$19.8 billion in 2006.
- The major taxes collected in Canada were personal income taxes, fuel duties, GST and excise duties.
- For every dollar of corporate income tax paid, taxes collected were \$3.41.

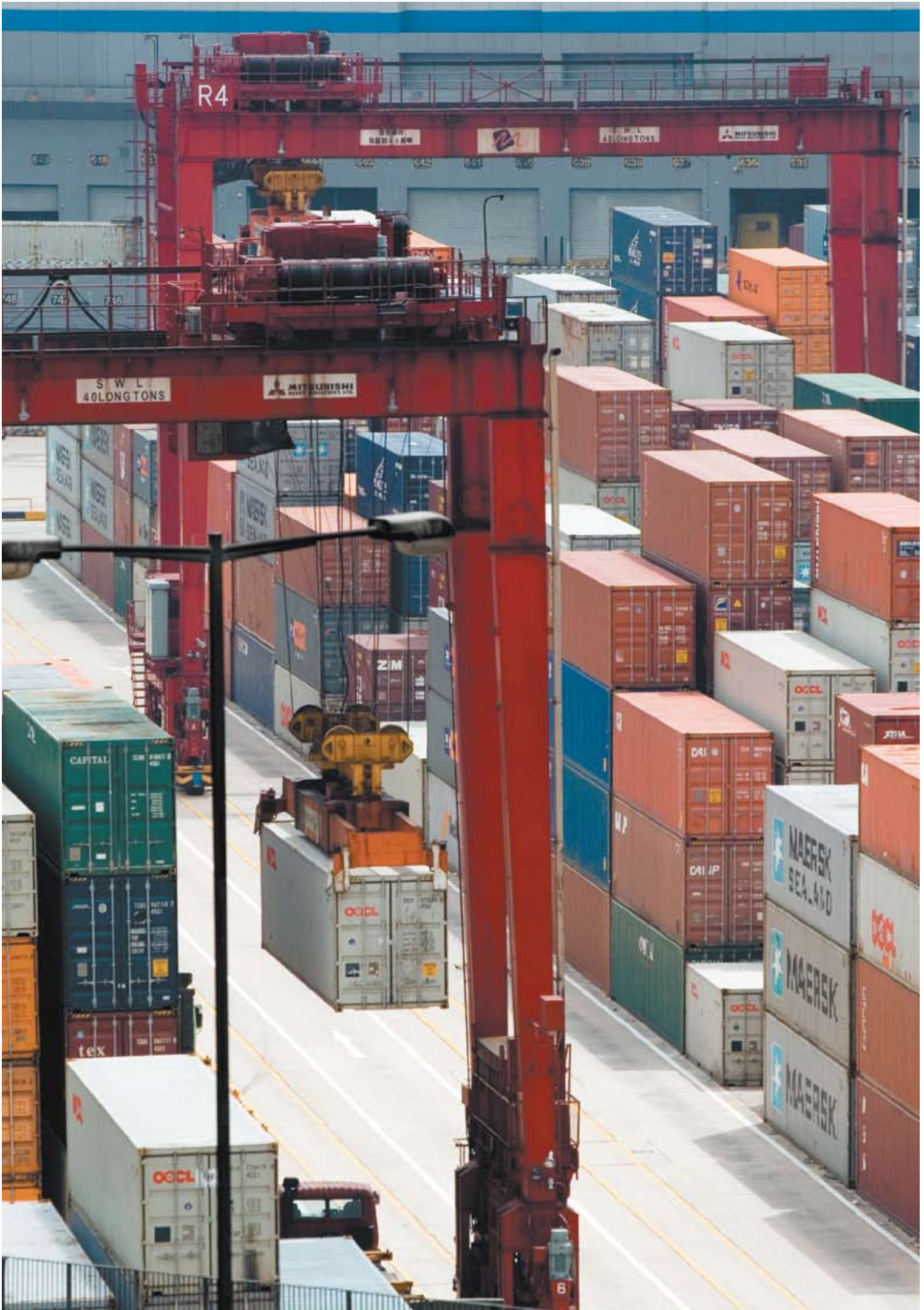
Survey participants also paid \$3.9 billion in other payments to government in 2006. The most common payments were rents and royalties paid by participants in extractive industries.

### Complexity and administrative burden

- Survey participants spent between \$100,000 and \$11 million on tax compliance in 2006.
- Survey participants spent an average of 2,483 days on compliance in 2006. This is equivalent to 11 full-time employees dealing solely with Canadian tax compliance.

**Figure B:** Taxes collected by survey participants





# 06 Section 1

## The changing tax environment

### Key points

- 60% of Canadian CEOs believe “tax regime” is the most important area in which the Canadian government could potentially improve.
- The business tax regime of a country is a significant factor for global competitiveness.
- Enhanced regulation and accounting standards have increased the quality and quantity of tax disclosures required.
- Tax planning and the amount of taxes paid by businesses are increasingly linked with the corporate social responsibility agenda.



## The changing tax environment

Changes in the Canadian tax environment have elevated the need for a better understanding of the total tax contributions that large businesses make. PwC and the CCCE have identified the following four factors that currently affect the Canadian tax environment:

- “Tax regime” is first priority of Canadian CEOs;
- Tax regime is a key factor for global competitiveness;
- Increasing regulations surrounding tax and tax disclosures;
- Tax payments being linked to corporate social responsibility.

These factors suggest a need for increased transparency regarding the amount of taxes paid by large businesses, to inform stakeholders and the broader tax policy debate.

### “Tax regime” is first priority of Canadian CEOs

In a recent global CEO survey conducted by PricewaterhouseCoopers LLP,<sup>1</sup> 60% of Canadian CEOs ranked “tax regime” as the most important area in which the government could potentially improve. In this regard, Canadian CEOs were just 1% below Brazilian CEOs and 21% above the global average. Canadian CEOs ranked tax regime reform as more important than environmental legislation, education, healthcare and labour laws. The survey also noted that managing the cost of compliance with the various tax codes around the world is still high on the boardroom agenda.

**Table 1.1:** The priorities for government action

	Global	Canada	France	Germany	UK	Italy	Spain	Netherlands	Japan	China / Hong Kong	Australia	India	Korea	US	Brazil	Russia
Labour laws	42%	14%	69%	57%	41%	29%	53%	42%	39%	22%	35%	52%	56%	30%	51%	26%
<b>Tax regime</b>	<b>39%</b>	<b>60%</b>	<b>29%</b>	<b>47%</b>	<b>38%</b>	<b>56%</b>	<b>39%</b>	<b>29%</b>	<b>37%</b>	<b>31%</b>	<b>44%</b>	<b>27%</b>	<b>33%</b>	<b>33%</b>	<b>61%</b>	<b>50%</b>
Education	22%	22%	23%	20%	28%	20%	20%	37%	9%	6%	17%	27%	1%	28%	30%	10%
Law and enforcement	18%	8%	16%	2%	7%	33%	15%	10%	11%	24%	4%	28%	30%	12%	21%	33%
Environmental legislation	17%	31%	19%	14%	14%	19%	18%	21%	20%	18%	31%	18%	26%	19%	4%	9%
Healthcare	11%	20%	7%	6%	19%	7%	3%	12%	10%	4%	13%	3%	1%	32%	16%	9%
Product safety regulation	11%	10%	16%	13%	7%	7%	14%	6%	21%	13%	18%	13%	22%	11%	4%	8%
Planning laws	10%	–	2%	5%	21%	9%	17%	13%	7%	8%	12%	8%	20%	6%	7%	28%
Capital controls	9%	6%	5%	7%	6%	8%	6%	17%	11%	28%	11%	13%	9%	9%	–	12%
Policy on foreign ownership	8%	9%	11%	10%	3%	–	6%	6%	8%	21%	5%	11%	–	3%	4%	11%
IPO/Listing requirement	5%	12%	–	4%	5%	6%	2%	4%	19%	10%	9%	–	2%	13%	–	–
Base	1150	30	65	63	65	32	41	30	75	52	31	30	30	100	30	30

**Q: Which of the following areas in which the Government could potentially improve, would you consider to be the most important area? (Base: All respondents)**

<sup>1</sup>Source: PricewaterhouseCoopers 11th Annual Global CEO Survey 2008

Collaboration among governments and the business community is necessary to ensure tax policy reforms encourage investment and innovation, reduce administrative burdens and ensure international competitiveness. Recent studies by the World Bank (see inset) confirm that a country's tax system is a significant factor in the ease of doing business.

Transparency about the tax that businesses pay facilitates a constructive dialogue with tax authorities and governments regarding tax policy. Providing governments with a full understanding of the total tax contribution of businesses provides a basis for engaging in discussion and building the relationships that are required to achieve positive change.

#### **Tax regime is a key factor for global competitiveness**

With increasing globalization and mobility of capital, countries around the world have been taking action to ensure that their tax regimes are internationally competitive. The Canadian government has recognized this trend, indicating that "in an increasingly global world characterized by ongoing and rapid change, one responsibility of governments is to ensure the existence of a system of taxes, fees and other charges that meets the needs of the country, its residents and its

businesses".<sup>2</sup> One government response has been *Advantage Canada*, its long-term economic plan for Canada, which has set a plan to establish the lowest tax rate on new business investment in the Group of Seven (G7).

To prosper as a small economy, Canada needs to attract foreign investment and therefore must have a competitive tax system. Large enterprises, particularly multinationals, integrate Canada with the global economy by allowing for economic gains through knowledge sharing and economies of scale. Although action has been taken to lower the corporate income tax rates imposed on businesses, effective tax policy must examine the total tax contribution of businesses and the complexity of the tax regime to see a true picture of global competitiveness.

Total Tax Contribution studies are currently underway or are planned in Australia, Belgium, France, Germany, India, Ireland, The Netherlands, South Africa, Switzerland, the United Kingdom and the United States. All use a consistent Total Tax Contribution framework to collect and report data. This allows international comparisons to inform the debate regarding the international competitiveness of Canada as an investment locale.

#### **PwC & World Bank study: *Paying Taxes***

Since 2006, PwC and the World Bank have collaborated to produce a global study comparing the ease of paying taxes in 178 countries around the world. The *Paying Taxes* study involves gathering information on the tax affairs of a standard case

study company. This information is used to generate three indicators: number of tax payments, time taken to comply with its tax affairs, and tax cost (computed as the "total tax rate" under the Total Tax Contribution methodology). The three variables are equally weighted to produce an overall ranking for each country for the ease of paying taxes. In *Paying Taxes*

2008, Canada ranked 25th overall in ease of paying taxes, but had only the 99th lowest total tax rate.

For further information or to request a copy of the *Paying Taxes* publication, please refer to [www.pwc.com/paying taxes](http://www.pwc.com/paying-taxes).

<sup>1</sup> "Canada's New Government Improves Tax Fairness with Anti-Tax-Haven Initiative". Department of Finance Canada, May 14, 2007. <<http://www.fin.gc.ca/news007/07-041e.html>>

“The data disclosed by the Total Tax Contribution framework highlights the balance between competitiveness and complexity.”

**Thomas O’Brien, PwC Tax Partner**

**The balance between competitiveness and complexity**



Current Canadian tax policy aims to maintain Canada as an attractive destination for foreign investment and to make Canadian businesses more competitive

in the global marketplace. A key component is government’s plan to reduce Canada’s corporate income tax rate from about 34% at the start of 2007 to 25% in 2012. The policy also strives to ensure that the Canadian tax system is fair for all of its stakeholders.

Balancing these conflicting goals is difficult. The pursuit of fairness, in particular, has made Canada’s

federal and provincial revenue authorities increasingly vigorous in combating domestic and cross-border tax planning strategies they consider to be outside the letter and spirit of the tax laws. This has led to complex amendments to Canada’s tax laws, which in turn impose a higher compliance and administrative burden on taxpayers and revenue officials alike. All this makes the goal of simplifying the Canadian tax system elusive.

To consider ways of enhancing the competitiveness and fairness of Canada’s international system of taxation and reducing the compliance burden on taxpayers, in late 2007, Minister of Finance James Flaherty established an Advisory Panel. Its report to the Minister is due in late 2008.

The current Canadian tax environment requires monitoring by taxpayers and tax advisors to ensure not only that taxpayers comply with the law but also that they are able to take advantage of available opportunities – including participation in the development of Canadian tax policy.

**Nick Pantaleo**

Leader, Canadian National Technical Services  
Member, Advisory Panel on Canada’s System of International Taxes

PwC’s Canadian National Technical Services group is a multi-disciplinary group of tax accountants and lawyers with varied professional and government backgrounds. Members of the Canadian National Technical Services group help businesses and individuals review and analyze Canadian tax policy and interact with Canada’s Department of Finance.



### **Increasing regulation surrounding tax and tax disclosures**

Tax has moved up the risk agenda of corporate Canada in recent years, often as part of a broader push by regulators to improve governance. The Sarbanes-Oxley legislation introduced in the United States in 2003 increased the focus on tax compliance for Securities and Exchange Commission (SEC) registered businesses by requiring external audit certification of tax controls and reporting. Sarbanes-Oxley affects a number of major Canadian corporate groups that have SEC listings, including some of those participating in this survey. In Canada, Bill 198 contains provisions requiring management certification over the design and effectiveness of controls (including tax controls) for all Canadian public issuers.

Tax-related accounting standards have also been advancing the quality and quantity of tax disclosures. Financial Accounting Standards Board Summary of Statement No. 109, Accounting for Income Taxes (FAS 109) and related Interpretation No. 48, Accounting for Uncertainty in Income Taxes (FIN 48), prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return.

The increased focus on tax risk and disclosure by regulation and accounting standards drives the need for better information regarding the income taxes paid by businesses. Businesses may also wish to improve their transparency on all taxes paid to better inform shareholders, analysts and other stakeholders. The Total Tax Contribution framework helps businesses collect the tax data necessary to increase tax transparency and identify possible risk management areas.

## **Tax payments being linked to corporate social responsibility**

Focus on the social responsibility of businesses has never been more pronounced. Since the early 1960's, interest groups and executives have shared a desire to better measure the contribution of business to society.

As part of the larger issue of corporate social responsibility, the contribution of business to the wider economic framework through taxes paid is receiving more attention. Generally, the only publicly available information in relation to tax is the disclosure of corporate income tax in a public company's annual report. The many other business taxes paid are typically not disclosed.

There is a developing trend for businesses to disclose all of the business taxes they pay as part of their external communications or in their corporate social responsibility reporting. For example, in a survey conducted by PwC in the United Kingdom, 14% of the FTSE 100 businesses disclose the main business taxes they have paid as part of their corporate social responsibility reporting or sustainability reporting.

The Total Tax Contribution methodology provides a way for businesses to communicate their tax contribution to external stakeholders. Total Tax Contribution is a more comprehensive measure of what businesses spend to finance public expenditures and, as such, provides additional information to stakeholders beyond the tax disclosures in their financial statements.



**“Tax is where the environment was (as a corporate responsibility issue) ten years ago.”**

**Jeffrey Owens**

Director of the Centre for Tax Policy and Administration, Organization for Economic Co-operation and Development (OECD)

# 12 Section 2

## The Total Tax Contribution framework

2.1 What is Total Tax Contribution?

2.2 Definition of a tax

2.3 Distinction between taxes borne and taxes collected

2.4 Other payments to government

### Key points

- The 2007 Total Tax Contribution survey, using the PricewaterhouseCoopers framework, is the first of its kind in Canada.
- The framework collects information regarding four areas of taxation: taxes borne, taxes collected, other payments to government and tax compliance costs.
- The Total Tax Contribution framework sets a consistent basis for reporting the tax contribution of a business and provides a mechanism to benchmark their tax profile.



## 2.1 What is Total Tax Contribution?

### The Total Tax Contribution framework

The Total Tax Contribution framework takes into account not only corporate income tax, but all business taxes borne or collected by a company. The framework collects information regarding four areas of taxation on a cash basis:

- Business taxes borne – taxes that affect the income statement;
- Business taxes collected – taxes collected from customers and employees that are remitted to government;
- Other payments to government – compulsory payments such as levies, rents and royalties; and
- Tax compliance costs – amounts incurred to prepare, compute and remit taxes borne and taxes collected.

The Total Tax Contribution is a clearly defined methodology that is being used in a number of other countries to allow for international comparisons.

The Total Tax Contribution framework is not an economic model. The framework does not address economic questions such as whether businesses or consumers ultimately bear the burden of taxes imposed. By focusing on the cash payments that large businesses make, it provides a measure of what they contribute to government revenue, as an alternative to the measure in a company's financial statements (i.e., corporate income tax expense). In addition, the Total Tax Contribution framework is designed to enable the tax contribution of businesses to be measured in a consistent manner that promotes comparability.

The Total Tax Contribution is a clearly defined methodology that is being used in a number of other countries to allow for international comparisons.

## Uses of the Total Tax Contribution framework

The data provided by the Total Tax Contribution framework is useful in two domains:

### *For the business community, governments and other external stakeholders*

The Total Tax Contribution methodology puts information regarding the tax contributions of large businesses into the public domain. This information will inform the tax policy debate by providing useful and empirical data about the composition and amount of taxes paid. International comparisons can be used to gauge the competitiveness of the Canadian tax regime. In addition, future industry and provincial comparisons will help to shape policy regarding industry-specific incentives and help provincial governments to measure and assess their domestic competitiveness.

### *For the individual participants*

The Total Tax Contribution framework will enable businesses to collect and report total tax information in a consistent manner, to meet the needs of stakeholders and improve transparency.

In particular, financial accounts rarely include information on business taxes other than corporate income tax.

The Total Tax Contribution framework can provide valuable insights to participants. The information gathered by the survey provides a more comprehensive picture of their tax positions, which can be used to:

1. benchmark tax contributions against other participants;
2. improve tax risk management and controls;
3. better allocate tax resources; and/or
4. communicate total tax contributions to external stakeholders.

Each participant in the survey will receive an individualized report of its taxes, including a ranking against the other participants. An example of this report is included in Appendix C.

<b>Quantification</b>	<ul style="list-style-type: none"> <li>▪ Identify those taxes borne and collected on behalf of the government</li> <li>▪ Analyze data with reference to a standardized methodology</li> <li>▪ Track the cost of compliance</li> </ul>
<b>Management</b>	<ul style="list-style-type: none"> <li>▪ Benchmark performance against competitors, industry and other groups</li> <li>▪ Facilitate open dialogue with Boards to ensure tax management is aligned with Board strategy, and agree approaches to managing risk</li> <li>▪ Focus the management of tax costs and the allocation of tax resources</li> </ul>
<b>Transparency</b>	<ul style="list-style-type: none"> <li>▪ Provide transparent reporting of taxes paid and collected, and share economic contribution in taxes with shareholders and other key stakeholders</li> <li>▪ Link economic contribution in taxes paid to corporate social responsibility reporting</li> <li>▪ Facilitate discussions with government and other stakeholders</li> </ul>



## 2.2 Definition of a Tax

The Total Tax Contribution framework follows the definition of a tax set out by the Organization for Economic Co-operation and Development (OECD): a compulsory levy, payable to the government (including state or local authorities, or an agency that remits funds to the government) by a business or individual which is used by the government or authority as part of public finance, but excluding payments for which there is a specific return of value, such as a licence fee or rent paid to the government in respect of government property.

Not all payments made to government will meet this definition of a tax. However, data has been gathered regarding other payments to government because they represent a significant contribution by businesses to the Canadian economy.

## 2.3 Distinction between taxes borne and taxes collected

Taxes borne are an immediate cost of a business and will affect their financial results. For example, property taxes form part of operating costs. Taxes borne are generally charged to the income statement and ultimately will be passed on to customers, employees or shareholders.

Taxes collected are not a cost of a business, but collected on behalf of government from others. For example, personal income tax withholding is deducted from employees at source and remitted to the government on the employee's behalf. Taxes collected are administered by enterprises and involve costs of compliance.

The collection obligations imposed by government are significant and it is important to understand the amount collected by a business as part of any recognition of their wider tax contribution. Taxes collected by a business are essentially generated by its activities, either in relation to the employment of people or the sale of products and services. For example, the 39 survey participants employed over 360,000 people in 2006.

Large enterprises are continuously striving for operational efficiencies and cost savings by simplifying, consolidating or eliminating non-essential operations. Governments need to work harder at following the example of business and look for ways to eliminate the many non-core tax and other payments flowing to various government levels and to reduce the red tape and administrative burden for business in Canada.

**Lincoln Schreiner**, PwC Tax Partner

In addition, the real cost of administering collection of these taxes must be recognized. Businesses bear the costs of interpreting the often complex legislative provisions and maintaining the necessary compliance systems. There is also the cost of penalties incurred as a result of errors made in complying with the applicable legislation, even inadvertently.

Certain taxes are considered both borne and collected – borne by businesses on their own consumption and collected by businesses in the appropriate industry sector. An example is employment taxes, which may have both an employer-paid and an employee-paid portion.

Canadian Goods and Services Tax (GST) is collected by businesses on behalf of the government. However, not all GST on inputs can be recovered as a tax credit. In these circumstances the “irrecoverable” GST is treated as a tax borne by the business. The most common example of this is in the financial services sector where businesses cannot recover a significant proportion of GST on inputs.

Further details on the classification of taxes as borne or collected is included in Appendix A.

## 2.4 Other payments to government

In addition to taxes borne and taxes collected, businesses make other compulsory payments that could be considered akin to taxes. The Total Tax Contribution framework does not include these as either taxes borne or taxes collected, but they are measured because of their significance.

In Canada, significant other payments to government that are reported on include:

- production royalties on oil and gas extraction;
- royalties paid by mine operators;
- rentals paid to the government on Crown land; and
- fees paid on provincial extraction licences.



# 18 Section 3

## Detailed results

### 3.1 Key messages

- I. Corporate income tax is only one aspect of the business tax burden
- II. Large enterprises make significant tax contributions
- III. The Canadian tax system is complex and costly for business

### 3.2 Participation and data quality

### 3.3 International comparisons

#### Key points

- An enterprise doing business in Canada is potentially subject to 49 taxes and over 200 “taxing points”.
- For every dollar of corporate income tax borne by survey participants, they:
  - paid an additional \$0.82 in other business taxes;
  - collected an additional \$3.41 on behalf of the various governments; and
  - paid an additional \$0.67 in non-tax payments.
- The average annual cost of tax compliance reported by survey participants was \$2.1 million.
- The survey results provide an additional perspective on the contributions that large businesses make to government.
- Accurate collection of data to respond to the survey proved challenging for many businesses – highlighting the complexity of their current tax obligations.

### 3.1 Key Messages

#### I. Corporate income tax is only one aspect of the business tax burden

The tax landscape continues to evolve and place different challenges on corporate Canada. While the tax burden and complexity imposed by Canada's corporate income tax system is well documented, analysis that focuses exclusively on the corporate income tax system provides only a partial picture of the business tax environment in Canada.

Corporate income tax accounts for just two of 49 taxes and 18 other payments to government at the federal, provincial and municipal levels that businesses may bear or collect. The complexity of the Canadian tax system is further illustrated by counting the number of "taxing points" in Canada; that is, the number of tax obligations a business would be required to fulfill if it were subject to all taxes in all jurisdictions. Ignoring taxes levied at the city or municipal level (except for property tax), Canada has more than 200 possible tax obligations, some of which require monthly or quarterly payments. This statistic indicates that there is scope for simplifying and consolidating the business tax environment across all levels of governments – requiring a reversal of the trend of jurisdictions to levy their own taxes, such as the City of Toronto's land transfer tax.

The sheer number of these "taxing points" highlights the significant compliance obligation facing large enterprises and contributes to the complexity of the Canadian taxation system.

The overall competitiveness of a country's business tax environment hinges on an effective interrelationship between the tax systems of often competing jurisdictions. As each province, municipality and city endeavors to attract investment and raise revenues, the number of jurisdiction- or industry-specific incentives and taxes increase, adding to the complexity of Canada's tax system.

The business tax landscape is made more complex by the lack of uniformity of rules and jurisdictional overlap of many provincial and/or municipal taxes. Similar provincial taxes are levied based on different legislation in each province; moreover, each province regularly amends its rules. This adds significantly to the number of potential taxing points for a business operating across the country and the complexity and compliance risk in meeting these obligations. Property tax, for example, is levied under a different set of rules in each city or municipality using different tax bases, thresholds and rates. In addition, some municipalities are introducing a variety of user fees for services.

The number of taxing points also affects the ability of businesses to manage compliance risk. The complexity of Canada's business tax landscape, especially taxes and levies beyond corporate income tax and GST, is seen as being particularly problematic for Canadian businesses.



**Thomas d'Aquino**  
*Chief Executive and President*  
Canadian Council of Chief Executives



A complex web of many different taxes compounds the economic damage that is done by high tax rates. Cutting tax rates is a powerful tool for stimulating business investment and

economic growth, and Canada already has made important progress on this front. Clearly, though, Canadian governments also need to focus on making the tax system simpler.

## II. Large enterprises make significant tax contributions

### Total taxes borne

In 2006, survey participants bore \$10.5 billion in Canadian taxes. In 2005, total taxes borne was \$10.0 billion.

Corporate income tax was the most significant proportion of taxes borne by survey participants; \$5.8 billion in 2006 and \$5.3 billion in 2005. These amounts correspond to a contribution of 55% and 53% of total taxes borne, respectively.

The other business taxes borne by participants totalled \$4.7 billion in 2006. Therefore, for every dollar of corporate income tax paid, participants paid a further \$0.82 of other business taxes – primarily property tax, employment taxes and taxes on corporate capital, as shown in Figure 3.1.

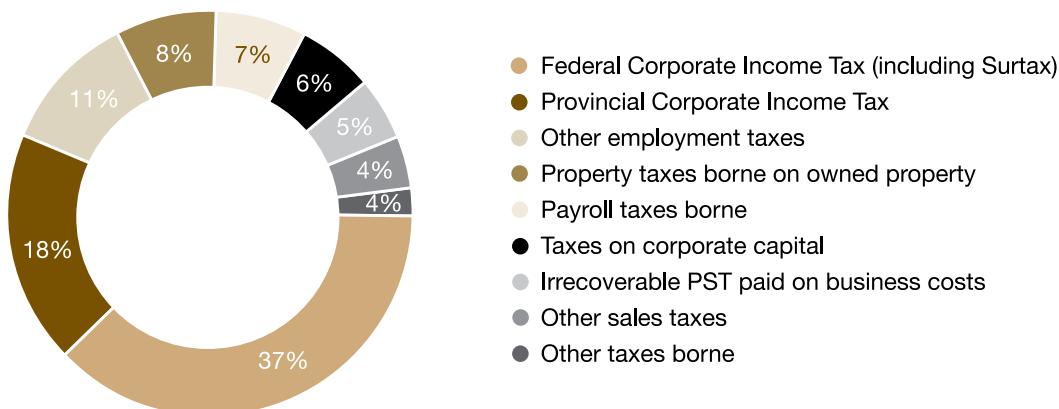
In total, participants reported amounts for 34 taxes borne in 2006. However, 17 of these taxes (50%) accounted for only 8% of total taxes borne by survey participants. The average participant reported bearing 18 types of taxes.

The survey results highlight Canada's reliance on business tax by government to generate significant taxation revenue. These taxes are used to provide funding for healthcare, social programs, and other services that benefit all Canadians.

As noted, corporate income tax constituted 55% of total taxes borne by the survey population in 2006. This is comparable to the proportion of income tax to other business taxes in other countries. In the 2007 Total Tax Contribution survey for The Hundred Group in the United Kingdom, corporation income tax was 56% of total taxes borne by survey participants.

Several survey participants, due to their legal structure, do not bear corporate income tax at the entity level. For example, the income tax liability is generally borne by shareholders or partners directly for organizations that operate through partnerships or trusts. In these cases, no corporate income tax is included in the results. However, while no corporate income tax may have been borne by these businesses, they pay a significant number of other business taxes. For example, participants who reported no corporate income tax paid an average of 12 other business taxes.

**Figure 3.1:** Taxes borne by survey participants



**Total taxes collected**

In addition to taxes borne directly, business makes a further significant contribution to government revenue through their obligation to collect a range of taxes from their customers and employees on behalf of the various governments.

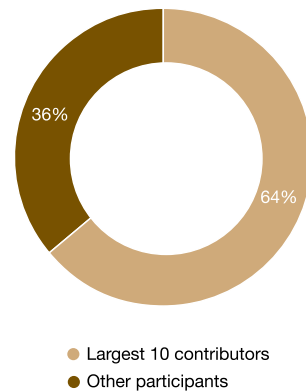
Survey participants collected taxes of \$19.8 billion in 2006 and \$20.2 billion in 2005 on behalf of all Canadian governments. For every dollar of corporate income tax paid by survey participants, taxes collected were \$3.41. For every dollar of taxes borne, taxes collected were \$1.89.

The major taxes collected in Canada, as identified by survey participants, were income taxes withheld from employees, fuel duties, net GST and excise duties, as shown in Figure 3.2.

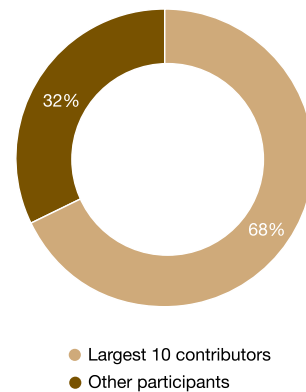
**Large tax contributors**

In the sample of survey participants, a small number of participants contributed a large proportion of the total taxes borne and collected. For example, those with the 10 largest tax contributions in the survey (25% of the population) contributed 64% of the taxes borne and 68% of the taxes collected in 2006, as shown in Figures 3.3 and 3.4.

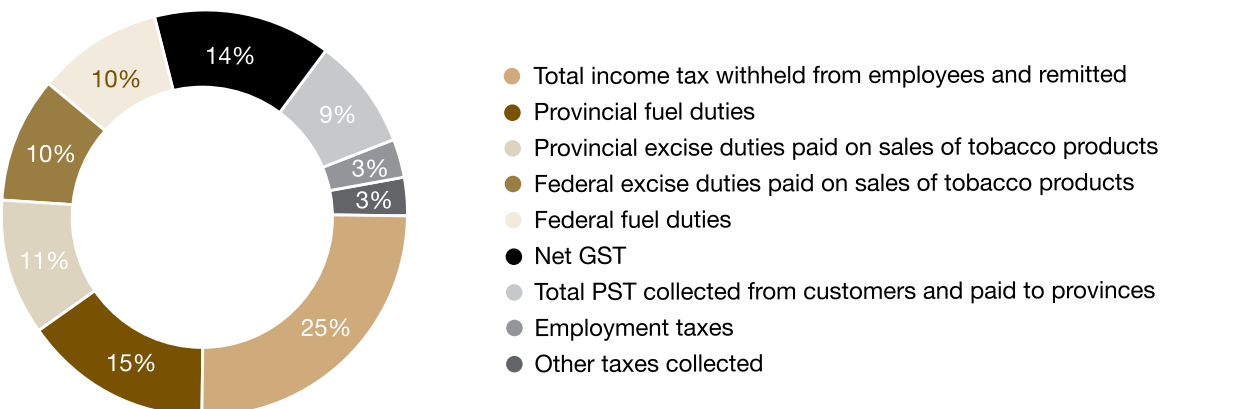
**Figure 3.3:** Large tax contributors – taxes borne



**Figure 3.4:** Large tax contributors – taxes collected



**Figure 3.2:** Taxes collected by survey participants



### Other payments to government


Survey participants were asked to provide data in respect of compulsory payments to government that have not been treated as a tax for the purposes of the survey. Although these payments are not taxes by definition and are not included in the Total Tax Contribution of a business, they are another measure of their contribution to the Canadian economy.

Survey participants reported other payments to government in 2006 totalling \$3.9 billion. The highest other payments included:

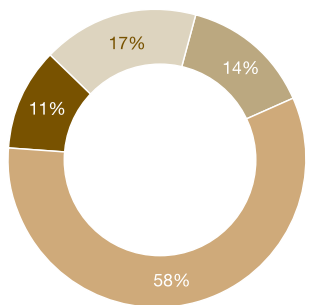
- production royalties on oil and gas extraction of \$2.8 billion;
- royalties paid by mine operators of \$0.5 billion; and
- rentals paid to government on Crown land of \$0.2 billion.

Overall, for every dollar of corporate income tax paid, the survey population paid an additional \$0.67 in other payments to government. However, among the 12 participants that reported other payments, an average of \$2.14 in other payments was reported for each dollar of corporate income tax paid.

Canada's largest enterprises are well recognized as drivers of innovation and productivity, but many Canadians do not appreciate how important they are as taxpayers. The activities of even a handful of major enterprises can generate tens of billions of dollars in tax revenue. Canadians who care about high-quality public services therefore need to make sure that public policies encourage the growth in Canadian communities of enterprises with the scale to compete and win globally.



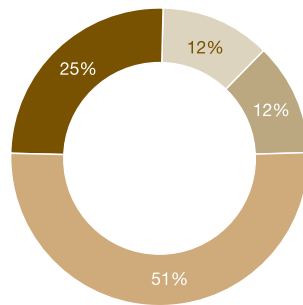
**Figure 3.5:** Ratio of other payments to government to taxes borne and collected for all survey participants (in millions)



- Taxes collected
- Other payments to government
- Corporate income tax
- Other business taxes borne

Sample: 39 participants

**Figure 3.6:** Ratio of other payments to government to taxes borne and collected for participants reporting other payments (in millions)



- Taxes collected
- Other payments to government
- Corporate income tax
- Other business taxes borne

Sample: 12 participants

The excessive administrative costs that flow from a complex corporate tax system add to the burden created by high tax rates. While these compliance costs are discouraging enough for large businesses, their greatest damage may be to the growth of the smaller enterprises that have the ambition and potential to become Canada's future corporate champions.



### III. The Canadian tax system is complex and costly for business

A complex tax system can divert scarce resources from productivity-enhancing investment. To obtain a measure of the complexity of the Canadian tax system, survey participants were asked to estimate tax compliance costs and time relating to income tax and other business taxes.

Tax compliance includes:

- gathering data to comply (from existing records, corresponding with other departments on tax compliance issues, creating additional records for tax purposes);
- making payments (calculating liabilities, completing tax return, submitting return forms, making tax payments);
- corresponding with the Canada Revenue Agency and provincial Ministries (responding to queries and reassessments);
- analyzing legislation (including changes to legislation to ensure the company is compliant in all areas); and
- paying external tax consultants.

Of the survey's 39 participants, 34 (87%) responded to the questions regarding total tax compliance costs.

The total estimated tax compliance costs for 2006 reported by the 34 respondents was \$70.7 million, with an average cost of \$2.1 million. This figure is comparable to the average compliance cost of A\$1.6 million (C\$1.9million) reported by participants in the 2006 survey for the Business Council of Australia and the Corporate Tax Association conducted by PwC in Australia. Compliance costs for an individual company ranged from \$100,000 to \$11.2 million. The range of compliance costs reported by survey participants is shown in Table 3.1.

Of the survey's participants, 32 (82%) responded to the questions surrounding tax compliance time. The average time spent on compliance was 19,863 hours, which translates to roughly 2,483 days spent on compliance (based on an eight-hour workday) or the equivalent of 11 full-time employees (FTE) for a year dealing solely with tax compliance. Compliance time for an individual company ranged from 19 days to 8,798 days.

A number of participants noted the difficulties of accurately estimating the full cost of tax compliance, primarily because of the dispersion of costs across the organization. Among respondents who did not provide data on compliance, the principal reason given was lack of time and resources to make the estimate.

**Table 3.1:** Tax compliance figures reported by survey participants

Compliance costs	2006	2005
<b>Calculated for all participants as a group</b>		
Total compliance costs	\$70.7 million	\$67.8 million
<b>Calculated for all individual participant businesses</b>		
Mean average of compliance costs for individual businesses	\$2.1 million	\$2.0 million
<b>Calculated for all individual participant businesses</b>		
Median average of compliance costs for individual businesses	\$1.4 million	\$1.4 million
Range of compliance costs for individual participant businesses	<b>Min:</b> \$100,000 <b>Max:</b> \$11.2 million	<b>Min:</b> \$57,000 <b>Max:</b> \$9.8 million
<b>Compliance time</b>		
<b>Calculated for all participants as a group</b>		
Total compliance time	79,451 days / 361 FTE	77,075 days / 350 FTE
<b>Calculated for all individual participant businesses</b>		
Mean average of compliance time for individual businesses	2,483 days / 11 FTE	2,408 days / 11 FTE
<b>Calculated for all individual participant businesses</b>		
Median average of compliance time for individual businesses	1,263 days / 6 FTE	1,206 days / 5 FTE
Range of compliance time for individual participant businesses	<b>Min:</b> 19 days <b>Max:</b> 8,798 days	<b>Min:</b> 19 days <b>Max:</b> 8,792 days

## 3.2 Participation and data quality

PricewaterhouseCoopers' Total Tax Contribution framework was used as the basis for collecting information on the total business taxes borne and collected in Canada by participants for the last two financial years.

The information collected from survey participants relates only to their Canadian financial and taxation data. Any foreign taxes have been excluded.

### Participation

Invitation letters were sent to CCCE members (see Appendix B for the full membership list) and other members of the S&P/TSX 60. The 2007 survey was conducted using an electronic Total Tax Contribution questionnaire prepared by PwC. Participants were asked to report data for their 2005 and 2006 financial years.

Given the number of potential Canadian taxes, the completion of the survey required a significant investment of time and effort from participants. Some organizations indicated they were not able to participate in the 2007 survey because of a lack of resources rather than because of any concerns about the merits of the survey.

The survey population included a cross-section of Canadian businesses. Of the 39 participants, 32 were listed on the Toronto Stock Exchange and 7 were Canadian-owned private businesses, partnerships or income trusts. Survey participants also covered a broad range of industry groups within the Canadian economy, as shown in Table 3.2.

The CCCE membership and survey participants constitute a significant proportion of large business in Canada. The participants listed on the TSX have a market capitalization of over \$700 billion. In addition, the survey participants include 20 (33%) of the S&P/TSX 60, comprising 61% of the market capitalization of the index. Survey participants reported revenue from under \$500 million up to \$17 billion, with an average of \$4.8 billion.

The total number of employees reported by survey participants for 2006 was 360,080. Number of employees ranged from under 1,000 to over 40,000 per participant. The average salary of employees covered by the survey was \$60,428, significantly higher than the 2006 national average salary of Canadians of approximately \$37,000.<sup>3</sup>

**Table 3.2:** Industry profile of survey participants

Energy
Retail & Consumer
Insurance
Financial Services
Industrial Products
Telecommunications & Information Technology
Entertainment & Media
Mining
Transportation

<sup>3</sup> Approximation based on 2006 average weekly earnings for Canada from Statistics Canada, multiplied by 50 weeks.

**Data sensitivity**

The data provided by participants has been collated and aggregated with other participants' data and analyzed to produce this report. Individualized reports will be provided to each participating organization. All participant information shall remain confidential.

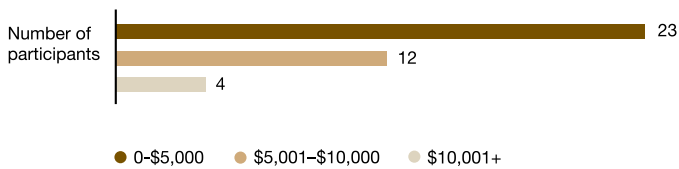
Survey responses were "sense checked" by PwC and a number of participants were queried on data submitted. In preparing this report, PwC has relied on the accuracy of the information provided and has not independently verified or audited this data and therefore makes no representations or warranties with respect to the accuracy of the source information supplied by participants for any consequential inaccuracies, omissions or errors.

Given the significant number of taxes affecting most businesses, many survey participants disclosed they found

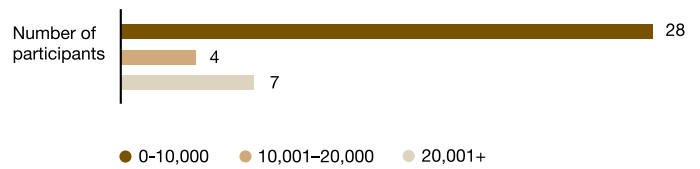
it challenging to identify the precise amount and/or number of taxes borne and taxes collected. In many cases, the tax amounts were embedded in the cost of products (e.g., utilities taxes) or were transaction-based taxes (e.g. land transfer tax) and therefore the information was difficult to extract from their books and records. Smaller provincial and municipal taxes also proved challenging for survey participants to separately identify and quantify.

Particular areas in which participants reported difficulty obtaining the information for the survey included payroll taxes (which may be outsourced to an external supplier), utility taxes (embedded in utility expense) and Air Travellers' Security Charge (embedded in the cost of flights). For example, only 36% provided the amount of Air Travellers' Security Charges paid, when most businesses likely bear this tax as a cost of air travel. Accordingly, the data in the survey likely understates the actual amount of taxes borne and taxes collected by survey participants.

**Figure 3.7:** Revenue reported by survey participants (in millions)



**Figure 3.8:** Number of employees reported by survey participants



### 3.3 International comparisons

#### The Total Tax Contribution of UK and Australian businesses

PwC research into the Total Tax Contribution of businesses in the United Kingdom and Australia provide useful benchmarks for the Canadian results, bearing in mind the differences in economies and tax systems of the three countries.

The consistent methodology used in all PwC Total Tax Contribution studies enables participants to compare their tax data with that of not only with peers in their home country, but also of their overseas counterparts.

#### United Kingdom

In 2005, PwC in the UK first conducted a detailed survey of the business taxes borne and collected by the members of “The Hundred Group,” whose members broadly equate to the FTSE 100, a cross-industry grouping more or less representing the top 100 businesses on the London Stock

Exchange FTSE index. The survey set out to determine the total tax contribution of businesses in The Hundred Group. The survey was repeated in 2006 and 2007.

The third survey in 2007 revealed the following:

- 21 taxes in the UK are paid by businesses in addition to corporate income tax;
- For every pound of corporate income tax, another £0.79 of other taxes is paid by these businesses; and
- For every pound of corporate income tax borne by these businesses, they collect a further £3.27 in tax.

In addition to The Hundred Group surveys, PwC UK recently carried out a Total Tax Contribution survey for the insurance industry, collecting data on the UK taxes borne and collected by the members of the Association of British Insurers. In addition, a survey is currently underway for the oil and gas sector in the United Kingdom (OGUK). The Total Tax Contribution methodology is also being used in a global survey of the world’s largest mining businesses, with results to be published in PwC’s upcoming *mine*\* publication.

**Table 3.3:** Comparison of survey results in Canada, the United Kingdom and Australia

Survey	Canada (Canadian \$)	UK (UK £)	Australia (Australian \$)
Sponsoring business association	Canadian Council of Chief Executives	The Hundred Group	
Number of survey participants	39	74	63
Survey year	2006	2007	2007
<b>Size and shape of tax system</b>			
Number of taxes borne and collected	49	22	55
Number of taxing points	> 200	–	169
Corporate income tax as a percentage of government revenues*	16.0% <sup>1</sup>	9.1%	18.4%
<b>Taxes borne and collected</b>			
Ratio of corporate income tax to other business taxes	\$1 : \$0.82	£1 : £0.79	\$1 : \$0.50
Corporate income tax as a percentage of taxes borne	55%	56%	68%
Average Total Tax Rate	2005: 36.4% 2006: 29.5% 2007: –	2005: – 2006: 40.5% 2007: 36.2%	2005: 32.5% <sup>2</sup> 2006: 33.1% 2007: 32.8%
Ratio of taxes borne to taxes collected	\$1 : \$1.89	£1 : £1.83	\$1 : \$1.19
<b>Other key measures</b>			
Average taxes borne and collected as a percentage of revenue	26.3%	17.9%	14.7%
Average employment taxes per employee	\$37,309	£16,820	\$25,173
Average compliance costs	\$2.1 million	£1.3 million	\$2.0 million

\* Source: Latest published government revenue statistics.

1. Data for Canada is based on actual federal corporate income tax revenues to total federal government revenues for 2006-2007 taken from the 2008 budget.

2. Represents the median total tax rate.

## **Australia**

A survey was undertaken by PwC in Australia in 2006 for the Business Council of Australia and the Corporate Tax Association, who have a combined membership of 170 of Australia's largest business entities. A second survey was performed by PwC in 2007. The 2007 survey results from the 63 participating entities revealed that:

- 55 taxes are potentially payable by businesses in Australia; some have different rules and separate filing obligations in the various states, constituting a total of 169 "taxing points",
- 34 state and territory taxes accounted for only 9% of the taxes paid by the businesses under scrutiny, indicating high complexity and compliance costs for a modest amount of tax collected,

- On average, each company surveyed had the equivalent of 8 full-time employees dealing with compliance issues relating to Australian tax.

The findings shed important light on the degree of complexity of Australia's tax system and the weight of the compliance burden. The study also highlighted the fact that the reduction, abolition or consolidation of the multiplicity of territory and local taxes would have a relatively small effect on the total amount of tax collected.

### **Further international comparisons**

In addition to the Australian and UK studies, similar surveys are underway in Belgium, France, Germany, India, Ireland, The Netherlands, South Africa, Switzerland and the United States. Further international comparisons will be possible when the results are made available through 2008 and onwards.



# 30 Section 4

Detailed results – the picture for individual participants

## Key points

- Taxes borne by survey participants represented 30% of profit before all business taxes
- Taxes borne and taxes collected represented 26% of participant revenue
- Employment taxes borne and taxes collected per employee amounted to an average of \$37,309



## Key Measures

The analysis in this section aggregates the data collected from survey participants and compares them using three key measures:

1. Taxes borne as a percentage of profit before all business taxes (Total Tax Rate);
2. Taxes borne and taxes collected as a percentage of revenue; and
3. Employment taxes borne and taxes collected per employee.

### Total Tax Rate (TTR)

The TTR measures the percentage of business profits paid in taxes and provides a useful measure of the total taxation burden on a particular businesses. The TTR is calculated as all business taxes borne as a percentage of profits before all business taxes borne (including corporate income tax and indirect taxes borne):

$$\frac{\text{All business taxes borne}}{\text{Profits before all business taxes borne}}$$

It is important to note that the profit figure used in the calculation is not the traditional figure found in the financial statements of the business (i.e., accounting profit before income tax). Because many of the taxes borne are deducted in calculating profit before tax, they must be added back to generate a "profit before all business taxes." The result forms the denominator in the calculation.

For example, if a business had net profits before all business taxes of \$115 and incurred business taxes of \$15, their profit before corporate income tax is \$100. Assuming the corporate income tax liability is \$25, the TTR for this business is calculated as follows:

	\$
Profit before business taxes	115
Other business taxes	(15)
Profit before income tax	100
Corporate income tax <sup>4</sup>	(25)
Profit after tax	75
<b>Total Tax Rate [(15 + 25)/115 x 100]</b>	<b>35%</b>

### Taxes borne and taxes collected as a percentage of revenue

Taxes borne and taxes collected as a percentage of revenue is another useful measure of what a business contributes to government taxation receipts. The numerator is total taxes borne and total taxes collected, as a proportion of Canadian revenue:

$$\frac{\text{Total taxes borne and total taxes collected}}{\text{Canadian revenue}}$$

### Employment taxes borne and taxes collected per employee

The final measure considered is employment taxes borne and taxes collected per employee. This measure may be useful in considering the multiplier effect in taxes of jobs created by Canadian business. In this calculation employment taxes borne and taxes collected are the numerator and the number of employees the denominator:

$$\frac{\text{Employment taxes borne and taxes collected}}{\text{Number of employees}}$$

Employment taxes borne are principally CPP, QPP, EI and workplace safety taxes. Employment taxes collected are principally income tax deducted, CPP contributions collected and employment insurance collected.

<sup>4</sup> The effective tax rate may differ from the statutory tax rate because the corporation tax rate is applied to taxable income rather than profit before tax. Taxable income will normally differ from profit before tax, because of differences in the accounting and tax treatment of certain items of income and expenditure.

“Tax freedom day” for Canadian businesses is in the middle of April each year – the first three and a half months of each year finances government and only after that does business start to provide a return to shareholders.

### Total tax rate (TTR)

The TTR is all business taxes borne as a percentage of profits before all business taxes borne. The mean TTR for survey participants was 29.5% in 2006 and 36.4% in 2005. The decline in the TTR between 2005 and 2006 was partly due to a reported increase in corporate profits combined with a lower increase in corporate income tax.

The TTR measure shows that, on average for 2005 and 2006, for every three dollars of profit made by the survey participants, one dollar was paid in tax. Figure 4.1 shows the individual TTR for each survey participant.

### Taxes borne and taxes collected as a percentage of revenue

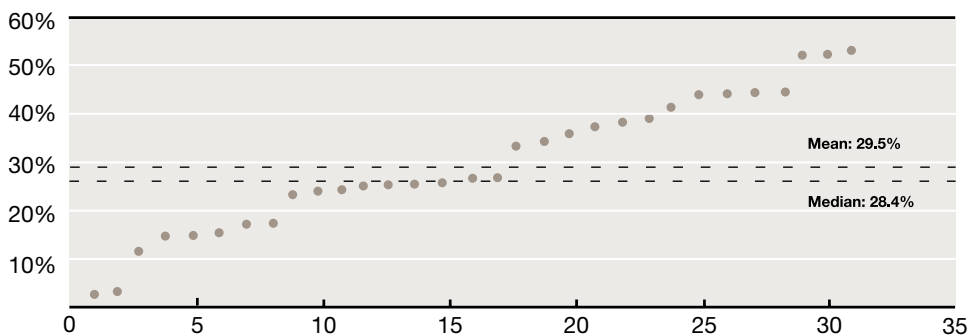
Taxes borne and collected as a percentage of revenue is a useful measure of what a business contributes to government tax receipts, having regard to its size, as measured by revenue.

The average of total taxes to revenue of the survey participants was 26.3% in 2006 and 23.1% in 2005. Table 4.1 shows the range of total taxes borne and taxes collected across survey participants.

### Employment taxes per employee

The final measure is employment taxes borne and taxes collected per employee. Survey participants reported an average of employment taxes per employee of \$37,309 in 2006 and \$39,362 in 2005 as shown in Table 4.2. Employment taxes borne and collected per employee for an individual company ranged from \$2,552 to \$200,463.

Figure 4.1: Average total tax rate for survey participants in 2006



Each point represents a participant. No calculation was included for participants with losses before total taxes borne as the total tax rate is not an appropriate measure in these circumstances.

**Table 4.1:** Taxes borne and collected as a percentage of revenue for survey participants in 2006 and 2005

Total tax contribution as a percentage of revenue	2006			2005			
	Total	Borne	Collected	Total	Borne	Collected	
<b>Calculated for all participants as a group</b> Taxes borne and collected as a percentage of revenue	16.2%	5.6%	10.6%	18.0%	16.0%	12.0%	
<b>Calculated for all individual participant businesses</b> Taxes borne and collected as a percentage of revenue	<b>Mean</b>	26.3%	6.0%	16.3%	23.1%	6.4%	16.7%
	<b>Median</b>	13.9%	5.1%	8.5%	14.1%	5.0%	9.2%
	<b>Minimum</b>	3.6%	0.9%	1.7%	3.0%	0.8%	1.6%
	<b>Maximum</b>	163.9%	19.1%	151.9%	172.8%	19.4%	162.7%

**Table 4.2:** Employment taxes borne and collected per employee for survey participants in 2006 and 2005

Employment taxes per employee	2006			2005			
	Total	Borne	Collected	Total	Borne	Collected	
<b>Calculated for all participants as a group</b> Employment taxes per employee	\$20,017	\$4,188	\$15,829	\$21,898	\$4,787	\$17,111	
<b>Calculated for all individual participant businesses</b> Employment taxes per employee	<b>Mean</b>	\$37,309	\$7,131	\$30,178	\$39,362	\$7,344	\$32,018
	<b>Median</b>	\$27,992	\$4,218	\$22,717	\$27,059	\$4,503	\$21,700
	<b>Minimum</b>	\$2,552	\$2,537	\$6,960	\$3,238	\$2,480	\$8,861
	<b>Maximum</b>	\$200,463	\$93,281	\$194,492	\$214,360	\$64,436	\$207,825

# 34 Section 5

## Looking forward

### Key points

- Participation in the 2007 Total Tax Contribution survey indicates the importance to businesses of understanding their overall tax contributions. The intent is to repeat the Canadian Total Tax Contribution study in 2008, possibly expanding to include provincial data.
- Quantification, management and transparency are key benefits to businesses who participate in the Total Tax Contribution survey.
- Survey results are being discussed with government and other interested parties to inform the tax policy debate, in particular, with regards to the competitiveness of the Canadian tax regime.
- The Total Tax Contribution framework is gaining momentum internationally, with a number of other countries performing studies and industry- and company-specific initiatives completed or underway.



## Looking forward: an improved Canadian tax system

The Total Tax Contribution survey grew out of a need to better understand the tax environment in which businesses operate, and to communicate that understanding to all stakeholders. The need arose in the context of:

- increased focus on tax regime reforms by CEOs and governments;
- concerns about international competitiveness;
- intensifying regulations; and
- the linking of tax contributions with corporate social responsibility.

The survey, compiled by PwC and the CCCE, contributes to the bank of available data on the Canadian tax environment. The results of the survey have been organized under three key messages:

- I. Corporate income tax is only one aspect of the business tax burden.
- II. Large enterprises make significant tax contributions.
- III. The Canadian tax system is complex and costly for businesses.

The survey's empirical data is intended to inform the debate on tax policy, with a view to helping Canada develop a tax regime that is both competitive internationally and effective domestically. In particular, it draws attention to the need to consider the full array of business taxes, including the formidable administrative burden they impose on business. The substantial tax revenue contribution of large enterprises is also highlighted.

PwC has discussed the results with many interested stakeholders, including federal and provincial governments and trade organizations. Looking ahead, the Total Tax Contribution methodology will be used in further international and domestic comparisons.

## Looking forward: improved tax management and disclosures

One of the aims of the Total Tax Contribution framework is to improve transparency in the reporting of all business taxes and to provide better, more consistent information for the management of tax through analysis and benchmarking.

This report focused on measures most relevant for the business community, governments and other external stakeholders. However, individual survey participants will benefit from having more robust data on the amount and type of taxes they are paying and collecting. The data will be helpful in improving the manner in which they report tax information, whether internally (for management purposes) or externally, in financial or corporate responsibility reports. Finally, the data can be used to benchmark their business against other survey participants.

The intention is to repeat the Total Tax Contribution survey for the CCCE again for 2008. We will continue to enhance both the questions asked and the extent of data requested, including a possible focus on provincial comparisons. Any suggestions for improvement will be gladly received.

# 36 Appendices

- Appendix A: Summary of Canadian business taxes borne and taxes collected
- Appendix B: CCCE membership
- Appendix C: Sample short report for survey participants

# Appendix A: Summary of Canadian business taxes borne and taxes collected

Tax	Borne	Collected
<b>Income taxes</b>		
1. Federal corporate income tax (including surtax)	✓	
2. Provincial corporate income tax	✓	
3. Ontario corporate minimum tax	✓	
4. Part XII.3 tax paid on investment income	✓	
5. Special additional tax paid	✓	
<b>Capital taxes</b>		
6. Federal capital tax (large corporation tax, 2005 only)	✓	
7. Provincial capital tax	✓	
<b>Employment taxes</b>		
8. CPP contributions	✓	✓
9. QPP contributions	✓	✓
10. Employment insurance	✓	✓
11. Payroll taxes	✓	
12. Quebec Parental Insurance Plan (QPIP) contributions	✓	
13. Health taxes	✓	
14. Payments to Commission des normes du travail	✓	
15. Payments to fonds national de formation de la main-d'oeuvre	✓	
16. Health & drug insurance levies	✓	
17. Workplace safety taxes	✓	
18. Personal income tax withholding		✓
<b>Property taxes</b>		
19. Property taxes on owned property	✓	
20. Business taxes on leased property	✓	
21. Tax on special assessment levies	✓	
22. Land transfer taxes on transactions in real property	✓	
<b>Customs &amp; Excise taxes</b>		
23. Customs duty	✓	
24. Federal duties on the sale of alcohol products		✓
25. Provincial duties on the sale alcohol products		✓
26. Federal excise duties on sales of tobacco products		✓
27. Provincial excise duties on sales of tobacco products		✓
28. Federal duties on tobacco exports		✓
29. Federal duties on foreign insurance premiums		✓
30. Federal fuel taxes		✓
31. Provincial fuel taxes		✓
<b>Mining taxes</b>		
32. Mining taxes	✓	
33. Production surtax	✓	
34. Tax on rental & royalty income	✓	
<b>Goods and services taxes</b>		
35. GST/HST/QST, including irrecoverable portion	✓	✓
36. PST, including irrecoverable portion	✓	✓
<b>Travel and Amusement taxes</b>		
37. ATSC paid on business costs	✓	✓
38. Taxes incurred by the company on business accomodation	✓	
39. Pari-mutuel and amusement taxes	✓	
40. Taxes and levies collected by hotel and resort operators		✓
<b>Withholding Tax</b>		
41. Non-resident withholding Tax		✓
<b>Other Taxes</b>		
42. Insurance premium tax	✓	✓
43. Environmental tire taxes	✓	✓
44. Provincial recycling levies	✓	✓
45. Fees paid to Stewardship Ontario	✓	
46. Motor vehicle licensing payments	✓	
47. Utilities taxes on electricity & water	✓	
48. Utilities taxes on telecommunications	✓	✓
49. Northern Ontario education tax	✓	
<b>Number of taxes</b>	<b>38</b>	<b>21</b>

# Appendix B: CCCE Membership

As of March 31, 2008

Company	CEO Member
Accenture Inc.	William F. Morris
AGF Management Limited	Blake C. Goldring
Agrium Inc.	Michael M. Wilson
Air Canada and ACE Aviation Holdings Inc.	Robert A. Milton
Alberta Newsprint Company	Ronald N. Stern
Amaranth Resources Limited	Joseph L. Rotman
AMD Canada	James D. Fleck
Aon Reed Stenhouse Inc.	Christopher S. Fawcus
ArcelorMittal Dofasco Inc.	Juergen Schachler
Astral Media Inc.	Ian Greenberg
The Bank of Nova Scotia	Richard E. Waugh
Barrick Gold Corporation	Peter Munk
Barrick Gold Corporation	Gregory C. Wilkins
Bata Limited	Thomas J. Bata
Bell Canada Enterprises	Michael J. Sabia
Bentall Capital LP	Gary Whitelaw
BMO Financial Group	William A. Downe
Bombardier Inc.	Laurent Beaudoin
Brookfield Asset Management Inc.	Jack L. Cockwell
Brookfield Asset Management Inc.	J. Bruce Flatt
Bruce Power	Duncan Hawthorne
CAE Inc.	Robert E. Brown
CAI Capital Corporation	David M. Culver
Canadian Chamber of Commerce	John E. Peller
Canadian Council of Chief Executives	Thomas d'Aquino
Canadian Council of Chief Executives	J. Edward Newall
Canadian Manufacturers & Exporters	David T. Fung
Canadian Oil Sands Limited	Marcel R. Coutu
Canadian Pacific Railway Company	Fred Green
Canfor Corporation	Peter J. G. Bentley
Canfor Corporation	James F. Shepard
CanWest Global Communications Corp.	Leonard J. Asper
Cargill Limited	Len J. Penner
CGI Group Inc.	Serge Godin
CGI Group Inc.	Michael E. Roach
CHC Helicopter Corporation	Sylvain Allard
Chrysler Canada Inc.	Reid Bigland
CIBC	Gerald T. McCaughey
Clearwater Fine Foods Inc.	John C. Risley
CN	E. Hunter Harrison
Council du Patronat du Québec	John LeBoutillier
Coril Holdings Ltd.	John K. Amundrud
Coril Holdings Ltd.	Ronald N. Mannix
Corus Entertainment Inc.	John M. Cassaday
Deloitte & Touche LLP	Alan N. MacGibbon
Direct Energy	Deryk I. King
Dow Chemical Canada Inc.	J. Jeff Johnston
Edco Financial Holdings Ltd.	N. Murray Edwards
EDS Canada Inc.	Frank H. Hart

Company	CEO Member
E.I. du Pont Canada Company	William B. White
E-L Financial Corporation Limited	Duncan N. R. Jackman
Emera Inc.	Chris Huskilson
EnCana Corporation	Randall K. Eresman
Ericsson Canada Inc.	Mark Henderson
Ernst & Young LLP	Louis P. Pagnutti
Fairfax Financial Holdings Limited	V. Prem Watsa
Federal Express Canada Ltd.	David Binks
Fednav Limited	Laurence G. Pathy
Finning International Inc.	Douglas Whitehead
Fording Canadian Coal Trust	Michael A. Grandin
Ganong Bros. Limited	David A. Ganong
Gaz Métro	Sophie Brochu
General Electric Canada	M. Elyse Allan
General Motors of Canada Limited	Arturo S. Elías
Giant Tiger Stores Limited	Gordon Reid
The Great-West Life Assurance Company	Raymond L. McFeetors
Greenfield Ethanol Inc.	Kenneth E. Field
Harris Steel Group Inc.	John Harris
Harvard Developments Inc. - A Hill Company	Paul J. Hill
Hewlett-Packard (Canada) Co.	Paul Tsaparis
Holding O.C.B. Inc., Cordon Bleu International Ltd. and Ouimet-Tomasso Inc.	J.-Robert Ouimet
The Home Depot Canada	Annette Verschuren
HSBC Bank Canada	J. Lindsay Gordon
H.Y. Louie Co. Limited	Brandt C. Louie
IBM Canada Ltd.	Dan J. Fortin
Imperial Oil Limited	Tim J. Hearn
Imperial Tobacco Canada Limited	Benjamin Kemball
Industrial Alliance Insurance and Financial Services Inc.	Yvon Charest
Invest Investments Ltd.	Hassan Khosrowshahi
James Richardson & Sons, Limited	Hartley T. Richardson
Kaiser Resources Limited	Edgar F. Kaiser, Jr.
The Katz Group of Companies	Daryl A. Katz
Keg Restaurants Ltd.	David Aisenstat
KingSett Capital Inc.	Jon E. Love
KPMG	William A. MacKinnon
Kruger Inc.	Joseph Kruger II
Lawrence & Company Inc.	R. Jack Lawrence
Linamar Corporation	Linda S. Hasenfratz
3M Canada Company	James W. McSheffrey
Maclab Enterprises	Marc de La Bruyère
Manulife Financial	Dominic D'Alessandro
Maple Leaf Foods Inc.	Michael H. McCain
Marsh Canada Limited	Alan W. Garner
Matco Investments Ltd.	Ronald P. Mathison
McCain Foods Limited	Dale F. Morrison
MDS Inc.	Stephen P. DeFalco
Mercer (Canada) Limited	Jacques Théorêt
Methanex Corporation	Bruce M. Aitken

Company	CEO Member
Microsoft Canada Co.	Phil Sorgen
MTS Allstream Inc.	Pierre Blouin
National Bank of Canada	Louis O. Vachon
Newfoundland Capital Corporation Limited	Harry R. Steele
Nortel Networks Corporation	Mike S. Zafirovski
NOVA Chemicals	Jeffrey M. Lipton
Orlando Corporation	Carlo Fidani
Open Text Corporation	Tom Jenkins
Palliser Furniture Ltd.	Arthur A. DeFehr
PCL Construction Group Inc.	Ross A. Grieve
Pengrowth Management Limited	James S. Kinnear
Petro-Canada	Ron A. Brenneman
Polygon Homes Ltd.	Michael J. Audain
Power Corporation of Canada	André Desmarais
Power Corporation of Canada	Paul Desmarais, Jr.
Power Financial Corporation	R. Jeffrey Orr
Pratt & Whitney Canada Corp.	Alain M. Bellemare
PricewaterhouseCoopers LLP	Christie J. B. Clark
Reliance Comfort Limited Partnership	Roger Rossi
Richardson Financial Group Limited	H. Sanford Riley
Rio Tinto Alcan	Richard B. Evans
Rogers Communications Inc.	Edward S. Rogers
Rothmans Inc.	John R. Barnett
Royal Bank of Canada	Gordon M. Nixon
ShawCor Ltd.	William P. Buckley
Shell Canada Limited	David R. Collyer
Siemens Canada Limited	Guenther R. Scholz
SNC-Lavalin Group Inc.	Jacques Lamarre
Southhill Strategy Inc.	Michael I. M. MacMillan
The Standard Life Assurance Company of Canada	Joseph Iannicelli
Stone Creek Properties Inc.	Guy J. Turcotte
Sun Life Financial Inc.	Donald A. Stewart
Suncor Energy Inc.	Richard L. George
TD Bank Financial Group	W. Edmund Clark
Teck Cominco Limited	Donald R. Lindsay
TELUS	Darren Entwistle
Tenaris Canada	Alberto Iperiti
The Thomson Corporation	Richard J. Harrington
TransAlta Corporation	Stephen G. Snyder
TransCanada Corporation	Hal Kvisle
Ultramar Ltd.	Jean Bernier
U.S. Steel Canada Inc.	Douglas R. Matthews
Vale Inco Limited	Murilo Ferreira
Viterra Inc.	Mayo Schmidt
Wittington Investments, limited	Anthony R. Graham
The Woodbridge Company Limited	W. Geoffrey Beattie
Xerox Canada Ltd.	Kevin M. Warren
Yanke Group of Businesses	Russel Marcoux
Yellow Pages Group Co.	Marc P. Tellier

# Appendix C: Sample short report for survey participants

## What is your overall tax contribution?

PricewaterhouseCoopers survey for the Canadian Council of Chief Executives

Sample short report for participant businesses

Company: Sample Canco

December 31, 2006

Ranking of market capitalization among participants

14/39

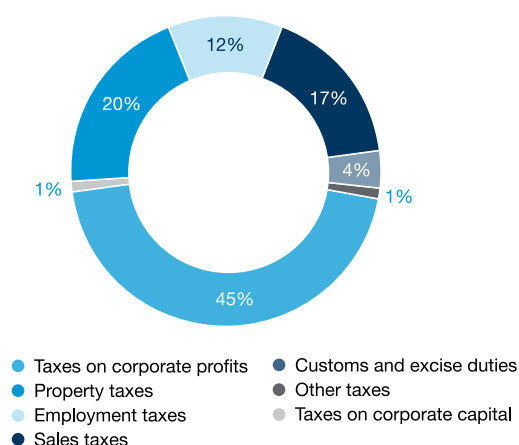
\$'000	Value	Rank*
Total business taxes borne	\$420,411	16/39
Profit before business taxes	\$1,212,607	9/39
Total Tax Rate – business taxes as a % of profit before business taxes	34.67%	7/39
Total taxes collected	\$698,311	10/39
Total other payments to government	\$2,375	20/39

Taxes borne & other payments	\$'000
Taxes on corporate profits	188,389
Taxes on corporate capital	4,378
Employment taxes	50,508
Property taxes	85,142
Insurance premium tax	NA
Sales taxes	72,590
Customs & excise duties	16,782
Tobacco duties	NA
Alcohol duties	NA
Licences	253
Utility taxes	52
Taxes on travel and accomodation	182
Other taxes	2,135
Other payments to Government	2,375
<b>Total</b>	<b>422,786</b>

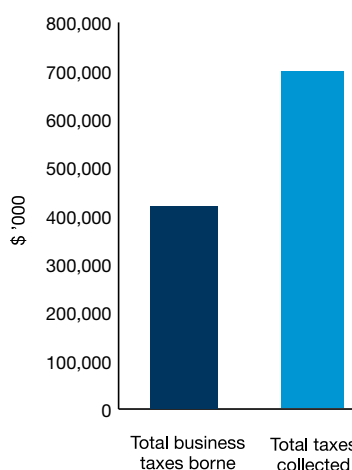
Taxes collected	\$'000
Non-resident withholding tax	4,389
Employment taxes	252,687
Insurance premium tax	195,932
Sales taxes	245,303
Fuel duties	NA
Utility taxes	NA
Taxes on travel and accomodation	NF
Other	NA
<b>Total</b>	<b>698,311</b>

\* Rank: values ranked in descending order.  
NA = not applicable, NF = no figure provided

### Total taxes borne



### Total taxes collected



# PricewaterhouseCoopers Total Tax Contribution team contact details

For further information on this report please contact:



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Tom O'Brien is a senior PricewaterhouseCoopers Tax Partner and leads the Canadian Total Tax Contribution initiative. With over 35 years of experience, Tom is one of the firm's leading experts in assisting businesses with complex tax issues.



Kim Wood  
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Kim Wood is a corporate tax manager with PricewaterhouseCoopers in Toronto and is the project manager of the Canadian Total Tax Contribution initiative. Kim specializes in Canadian and international tax, with a particular focus on the mining industry.



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