



For Immediate Release
Nov. 8/05

Business Tax Review Committee to Hand Off Report Nov. 24

The Business Tax Review Committee has announced Nov. 24th as the date it will present its report to the Minister of Finance.

The independent committee of Jack Vicq (chair), Charlie Baldock and Cheryl Shepherd was tasked by government in March 2005 to undertake an independent Business Tax Review to examine the impact of Saskatchewan business taxes on the province's economic and business climate.

“The meetings are done, the analysis complete, and we look forward to presenting our report to Government as it goes into deliberations for next year’s Budget,” said Vicq.

“We believe our recommendations for business tax changes will mean good news for Saskatchewan in terms of creating employment and investment opportunities. Our consultations and deliberations have led us to a set of recommendation that will make Saskatchewan an even better place to do business,” he added.

Throughout the spring and summer the committee met in seven communities and either heard or received submissions from close to 100 business groups. The committee also consulted with a variety of organizations interested in public policy issues, professional economists, and Finance Canada officials to discuss broader tax policy issues.

That feedback helped the committee in its assessment of Saskatchewan’s tax competitiveness and effectiveness in encouraging job creation and investment.

Media will receive notification of event details in advance of the Nov. 24th report handoff.

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For more information:

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Business Tax Review Committee Members

Mr. Jack Vicq, F.C.A.

Mr. Vicq is a Professor Emeritus of Accounting at the University of Saskatchewan, College of Commerce. He was also the Associate Dean of Commerce for five years. He is a member of the Institute of Chartered Accountants of Saskatchewan.

In addition to chairing the 1999 Personal Income Tax Review Committee for the Government of Saskatchewan, Mr. Vicq has also been involved in a number of other taxation review initiatives, including:

- Appointed to the A.W. Johnson Distinguished Chair in Public Policy in 2001 for a one-year term to advise the Deputy Minister of Finance on tax and revenue administration
- Member of an advisory committee to Revenue Canada on the establishment of the Canada Customs and Revenue Agency
- Member of the City of Saskatoon's Property Tax Review Committee
- Member of various committees, undertaken by both the Institute of Chartered Accountants of Saskatchewan and the Canadian Institute of Chartered Accountants, dealing with education requirements, aboriginal issues and international qualifications

Mr. Vicq also gained extensive public policy experience during his tenure as Associate Deputy Minister of Finance for Saskatchewan for two years while on leave from the University.

Mr. Charlie Baldock, C.A.

Mr. Baldock has been a Tax Partner for KPMG in the Regina office for the past 19 years, with overall responsibility for the Saskatchewan tax practice of KPMG.

Mr. Baldock's professional experience extends over a wide range of areas within the financial services area in both the public and private sectors. Specific areas of tax expertise include personal financial planning, corporate and personal taxation, sales tax, estate planning, the federal GST, corporate reorganizations and tax planning. He is a member of the Appeals Advisory Committee of the Canada Revenue Agency. The Committee's mandate is to provide advice and convey concerns or recommendations to the Appeals Branch of the Canada Revenue Agency on proposals for changes to policies and procedures. Mr. Baldock also joined Mr. Vicq on the Personal Income Tax Review committee in 1999. Their recommendations helped shape successful multi-year reforms of Saskatchewan's personal tax system.

Mr. Baldock has been involved in a number of community activities. He was Chairman of the Board of Governors at the University of Regina and is a Past President of the University of Regina Alumni Association. He was Chair of Major Gifts for the Saskatchewan Indian Federated College Capital campaign. He is a member of the Canadian Tax Foundation, the Institute of Chartered Accountants of Saskatchewan and the Regina Chamber of Commerce.

Ms. Cheryl Shepherd, C.A.

Ms. Shepherd is currently a Senior Tax Manager at the Saskatoon office of Deloitte & Touche.

She has previously served in similar positions with the Calgary office of Pricewaterhouse Coopers and the Regina office of Ernst & Young. She is a member of the Institute of Chartered Accountants of Saskatchewan.

Ms. Shepherd's professional experience includes Canadian corporate tax for private corporations, including tax compliance and consulting, as well as international and cross-border tax planning. Ms. Shepherd has also taught specialized tax courses for tax professionals.

Ms. Shepherd has been involved with volunteer activities for the Saskatchewan Roughriders, the Canadian Diabetes Association, the Canadian Institute of Chartered Accountants and the Saskatoon Chamber of Commerce.

Business Tax Review General Information/Background

GENERAL

The Government of Saskatchewan initiated an independent review of the provincial business tax regime in March 2005. A committee of three tax experts was established to conduct the review and report their findings and recommendations to the Minister of Finance by November 30th, 2005.

BUSINESS TAX REVIEW COMMITTEE

The Business Tax Review Committee was to examine tax issues that are very technical in nature. It was also expected to respond to a wide range of perspectives through an open consultation and review process. This required the selection of individuals with recognized expertise in taxation issues, demonstrated sound public policy skills and who were able to balance the competing interests arising during the review.

The following individuals accepted the Government's invitation to participate in this review: Mr. Jack Vicq, FCA (Chair), Mr. Charlie Baldock, CA (Vice-chair) and Ms. Cheryl Shepherd, CA.

Both Mr. Vicq and Mr. Baldock previously served on the Personal Income Tax Review Committee that undertook a review of the provincial personal tax regime. The final member of that Committee, Ms. Shelley Brown, was unable to participate in the business tax review and was replaced by Ms. Shepherd.

The purpose of the Committee was to provide the Government a balanced, unbiased assessment of the tax system and its impact on the province's business and economic climate. This assessment involved a broad, open review of all business taxes, including income, capital, consumption and labour taxes. The review extended beyond a simple comparison of tax rates and assessed the actual implications of various business taxes, individually and combined, on the provincial economy.

TERMS OF REFERENCE

The Business Tax Review Committee was to examine the impact of Saskatchewan's business taxes on the province's economic and business climate and on the province's interprovincial and international competitiveness, including the following key business tax considerations:

- Business taxation levels in the province
- Saskatchewan's business tax competitiveness relative to competing jurisdictions
- Tax distribution among industries
- Type and "mix" of business taxation
- Efficiency of the current tax and transfer arrangement with businesses, as it relates to encouraging job creation and investment (i.e., direct business incentives versus lower business tax rates)

The Committee operated within the following parameters:

- Review restricted to provincial taxes of general application, including tax expenditures but excluding local taxes, resource royalties and non-tax issues
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- Tax reforms recommended by the Committee to be affordable and sustainable within the Government's fiscal capacity. Committee to be cognizant of the equalization implications of its recommendations, including potential equalization changes that may be considered by the federally appointed expert panel reviewing the equalization program
- Saskatchewan Finance to provide analytical and technical support to the Committee
- Minister of Finance to receive the Committee's final report no later than November 30th, 2005

PROCESS

The Business Tax Review Committee conducted its own research and analysis of business tax issues, and also conducted a public consultation process. The consultation process incorporated meetings with business, labour and other groups, as well as public meetings across the province. The consultation process was completed by the end of August 2005.

The analytical process of the Committee was undertaken with the technical assistance of the Saskatchewan Department of Finance. The Government also considered Committee requests for outside advice and consultation. The Committee's formal report to the Minister of Finance was to be submitted by November 30th, 2005.

The following table illustrates the anticipated timelines and process:

March 2005	Announcement of the business tax review, including panel membership, mandate and timelines
April 2005	Background work by the Committee
May – August 2005	Formal public hearings and bilateral interest group meetings and discussions
September – October 2005	Committee analysis of information gathered throughout the consultation phase
November 2005	Presentation of the Committee report/recommendations by November 30 to the Government and the public
December – March 2006	Government and public review of the Committee's findings. The Government will respond to the Committee's report in the 2006-07 Budget

BACKGROUND

To address the province's economic development priorities, the Government of Saskatchewan has relied on a strategy of providing targeted tax reductions and incentives for key sectors of the economy. These targeted business tax measures have included incentives for small businesses, the manufacturing and processing (M&P) sector, the resource sector, research and development and primary agricultural production.

Response from the business community to these initiatives, particularly the M&P-related measures, has been very favourable. Initiatives for the M&P sector include a Corporation Income Tax (CIT) rate reduction, an Investment Tax Credit (ITC) and certain sales tax exemptions. The M&P Profits Tax Reduction lowers the general CIT rate by as much as seven percentage points and the ITC offsets the Provincial Sales Tax (PST) payable on the acquisition of production assets in the M&P sector.

A number of groups, including the Institute of Chartered Accountants of Saskatchewan, called for the Government to undertake an independent review of provincial business taxes.

These groups noted the success of the 1999 Personal Income Tax Review Committee and recommended that the Government proceed with a similar model for reviewing provincial business taxes. Participants at the January 2005 Saskatchewan Centennial Economic Summit also stressed the need for economic changes in the province to promote economic development and diversification.

The following table provides an interprovincial comparison of current business tax rates.

CURRENT BUSINESS TAX RATES – 2005					
	BC	AB	SK	MB	ON
CIT					
General	12.0%	11.5%	17.0%	15.0%	14.0%
M&P	12.0%	11.5%	10.0%	15.0%	12.0%
Small Business	4.5%	3.0%	5.0%	5.0%	5.5%
CCT					
Exemption	\$10 million	-	\$20.0 million	\$5 million	\$5 million
General	-	-	0.6%	0.5%	0.3%
Financial	1.0 / 3.0%	-	0.7 / 3.25%	3.0%	0.6/0.9%
PST	7.0%	-	7%	7.0%	8.0%
Payroll	-	-	-	2.15%	1.95%
Health Premium*	\$1,296 family \$1,152 couple \$648 single	\$1,056 family \$1,056 couple \$528 single	-	-	\$900

*Maximum premium amounts. Premium reductions apply for lower income residents.

PERSONAL INCOME TAX REVIEW COMMITTEE

In 1999, the Government established the Personal Income Tax Review Committee to examine Saskatchewan's personal tax system and to assess alternatives to the then-existing personal income tax structure.

Both Mr. Vicq and Mr. Baldock – current members of the Business Tax Review Committee – previously served on the Personal Income Tax Review Committee. The earlier Committee's task was to consider the tax system's ability to achieve fairness, competitiveness, support for the family and simplicity. The Committee recommended a multiyear reform of Saskatchewan's personal tax system, including:

- The conversion of the personal income tax structure from a tax-on-tax system to a "tax-on-income" system
- A three-rate income tax structure with broad income brackets (with rates at 11 per cent on the first \$35,000 of taxable income, 13 per cent on taxable income between \$35,000 and \$100,000 and 15 per cent on taxable income in excess of \$100,000)
- Increased personal tax credits and the introduction of a dependent child credit
- Full indexation of the personal income tax system to inflation
- A new tax credit to ensure that taxable farm and small business capital gains are taxed at the lowest provincial tax rate