

January 23, 2009

The Honourable Jean-Pierre Blackburn
Minister of National Revenue
Canada Revenue Agency
7th Floor
555 MacKenzie Avenue
Ottawa, Ontario
K1A 0L5

Dear Minister:

In October, the Canadian Chamber of Commerce concluded its 79th Annual General Meeting (AGM) in Québec City. One of the highlights of Chamber's AGM is the Policy Session. It is during the Policy Session that resolutions submitted by local chambers of commerce and boards of trade from across the country are debated and voted on by accredited delegates. Once approved, these resolutions become the policy position of the Canadian Chamber of Commerce for three years. This year our delegates issued a clear and decisive national policy mandate that we intend to pursue vigorously with the federal government over the coming months.

Beyond those issues we have already brought to your attention, our renewed national policy mandate includes a number of additional issues that fall within your portfolio. Accordingly, we would like to discuss these issues with you directly in the near future.

Small Business Deduction: Canadian Controlled Private Corporations (CCPCs) are provided with tax incentives to encourage their success and growth, which the Canadian Chamber fully supports. The 2004 federal budget effectively eliminated the Large Corporations Tax (LCT) and increased the base level deduction to \$50 million from \$10 million. While this was a welcome change, for the purposes of calculating the Small Business Deduction (SBD) limit, the base for calculating LCT and the \$10 million base deduction were still left in place. By reducing the eligibility to claim the SBD for companies with a larger capital base, certain sectors are penalized. The Canadian Chamber strongly urges the Government to eliminate the reduction to the SBD for the LCT capital base.

Incentives for Commercialization of Research and Development in Canada: Canada has one of the world's best SR&ED programs. An opportunity exists to make it even better. The Canadian Chamber recommends that the federal government expand immediately the existing SR&ED Program to include commercialization projects that relate to bringing new products and processes developed under the

Program to the marketplace. Under the Program, credits should be provided directly to investors for monies invested in commercialization projects.

Biopharmaceuticals – Healthcare as an Economic and Competitiveness Driver:

To improve Canada's global competitiveness for attracting SR&ED, we encourage the Government to amend the *Income Tax Act* to broaden the definition of what qualifies for SR&ED. One potential measure could include expanding the definition to include research in the social sciences as contained in the OECD definition.

Government Compensation Agreements: As governments work towards settling a number of provincial and federal land use and forest tenure issues, small and large companies are facing adverse tax consequences arising out of compensation agreements for expropriations by government. Inconsistent application by the CRA as to how such compensation agreements or special funds are to be taxed in the hands of the recipients has caused great confusion. The Canadian Chamber believes that when enacting compensatory legislation, it is imperative that the Government state in a clear and concise language whether such compensatory payments are subject to federal tax in the normal course or are non-taxable. In the case where both federal and provincial/territorial tax may be applicable, the Government should consult with the provinces/territories to arrive at a common position with respect to the taxation of such compensatory payments and enact such legislation as may be necessary to reflect that position.

Sincerely,

A handwritten signature in black ink, appearing to read "Perrin Beatty". The signature is fluid and cursive, with a large initial "P" and a long, sweeping underline.

Perrin Beatty
President and CEO

Attachments

CC: Jacques Gourde, Parliamentary Secretary to the Minister of National Revenue, Canada Revenue Agency