

November 13, 2009

The Honourable Jean-Pierre Blackburn, P.C., M.P.
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 80th Annual General Meeting (AGM) in Victoria. A major highlight of the 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 Canada are debated and voted on by accredited delegates. Once approved, these resolutions become policy of the Canadian Chamber for the following three years. In 2009, 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 the 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 with you directly in the near future.

Reducing the Complexity of Canada's Tax Regime to Improve Competitiveness: The Canadian Chamber commends the Canada Revenue Agency (CRA) for its efforts to reduce administration and compliance costs. It strongly urges the CRA to identify further opportunities to relieve the compliance burden, particularly for larger companies.

Standardized Accounting: Reducing Administrative Burden for Business and Government: The introduction of standardized accounting by the CRA is intended to simplify tax compliance for businesses by harmonizing, accounting, interest, and penalty provisions. It has, however,

resulted in a significant increase in the transfer of funds between taxpayer accounts increasing the administrative burden on both taxpayers and governments as they try to unravel the trail and rationale behind each transfer. The Canadian Chamber calls on the CRA to 1) where it deploys a large file case manager to a taxpayer's account, allow him/her to approve all transfers, notify the taxpayer of the contemplated transfer and ensure that it is understood and is correct; and 2) where it does not deploy a large file case manager to a taxpayer's account, provide a written notification to the taxpayer to explain the transfer being contemplated. The transfer should not be made until 30 days after the mailing of the notification to ensure the taxpayer has time to respond to the notification and provide information pertinent to the proposed transfer.

Taking Advantage of External Expertise in the Development of Policy and Legislation: There has been a significant reduction in opportunities available to non-government taxation experts to influence policy, and assist in the development of legislation. Utilizing private sector taxation experts can provide policy makers and legislators a greater understanding of how proposed legislation will impact businesses and the broader economy. The Canadian Chamber urges the CRA to make greater use of experts from law, accounting, and industry through exchanges, advisory committees, or selective reviews.

Tax Fairness Legislation and the Taxpayer's Ombudsman's Office: Requests for a waiver of interest or penalty (fairness request) are required to be decided on a case-by-case basis so unique facts or circumstances are taken into account. The Minister of National Revenue conducts these reviews by acting through his delegates or staff at the CRA. If the taxpayer's fairness application is denied or only partially granted, a second level of impartial review may be requested. The Canadian Chamber proposes that second level reviews under the Fairness Legislation be conducted by the newly established Taxpayers' Ombudsman's office to bring fresh eyes to the case, and ensure an objective ruling.

Improving Access to Scientific Research and Experimental Development (SR&ED) Incentives in Canada: In the current economic environment, many companies keen to conduct R&D do not have access to SR&ED investment tax credits (ITCs) because they are in a loss position. The Canadian Chamber recommends that the federal government expand refundability of SR&ED ITCs to all R&D performers. Moreover, for profitable Canadian subsidiaries of multinationals, SR&ED ITCs provide no direct incentive to maintain or expand R&D in Canada – ITCs reduce corporate income taxes payable in Canada making foreign multinationals less eligible to receive tax credits in their home country, increasing their income tax liability there. The SR&ED tax incentive program can be made more attractive to foreign investors by allowing

corporations in Canada to offset the ITC against a pre-tax levy. Finally, the CRA is encouraged to review administration procedures relating to the SR&ED program, benchmark Canada against other countries, and adopt best practices.

Should you wish to discuss these issues further, I would be pleased to do so.

Sincerely,

Perrin Beatty
President and Chief Executive Officer

Attachments

c.c. Linda Lizotte-MacPherson, Commissioner and Chief Executive Officer, Canada Revenue Agency