

Making Halifax Competitive – A Tax Perspective

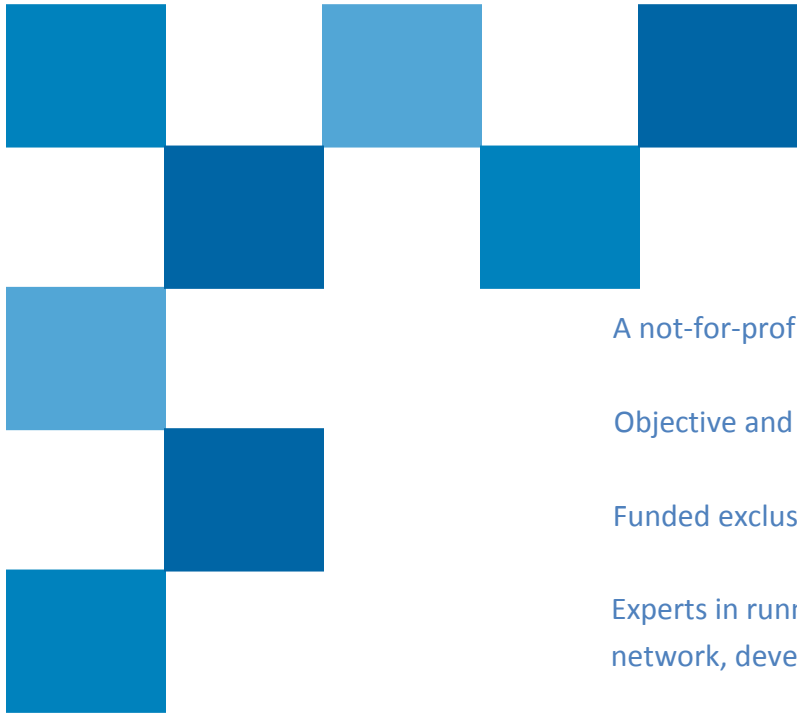
September 2011

A summary of Chamber work on municipal and provincial tax issues from 2000 – 2011



HALIFAX CHAMBER
OF COMMERCE
stronger together





WE ARE

A not-for-profit business organization that takes a business - like approach to its operations.

Objective and non-partisan; we do not lobby for specific interests.

Funded exclusively through membership fees and fees for services we provide.

Experts in running conferences, publishing and disseminating information, helping people network, developing leadership skills, and building community capacity.

Specialists in the development and advocacy of public policy.

Not a government department or agency.

Independent from, but affiliated with the Nova Scotia, Atlantic Provinces and Canadian Chamber of Commerce.

A diverse organization made up of businesses that mirror the Halifax, Nova Scotia and Canadian economies.

Executive Summary

The following document outlines the Chamber's work on local tax policy issues over the last ten years on both a provincial and municipal level. This is an efficient way for us, and for you, to quickly and easily locate what issues we have raised in a given year on taxation. Also included in the document is a section on Halifax Chamber 'wins', an update on what other Canadian cities and provinces have been doing on tax policy, and some benchmark research we have compiled over the years.

At a glance, our tax policy and advocacy work over the past ten years reveals several common themes: accountability, predictability, simplicity, transparency, and equitability based on the amount of benefits or services received.

Provincially and municipally, we've taken knowledgeable positions on taxation in our region that defend local business and consider the other important, complex factors that feed into government fiscal decision-making.

CHAMBER WINS

Elimination of the Business Occupancy Assessment Tax

In 2005, the Nova Scotia Government announced it would be phasing out the Business Occupancy Tax in an attempt to market Nova Scotia as open for business. This represents a win for the Chamber, as we have consistently voiced our complaints that the Business Occupancy Tax is perceived as a double tax for businesses (a tax that was paid on the assessed value of a commercial property in addition to existing municipal commercial tax rates) and therefore acted as a deterrent for growth and new investment in Nova Scotia.

Elimination of the Large Corporation Capital Tax

The Large Corporation Capital Tax is a tax on the corporate capital of companies (excluding certain financial institutions). In this case, capital refers to all of a firm's debt and owner's equity less any current debt. In 2008, the Nova Scotia government committed to reduce the Large Corporation Capital Tax from 0.225% to 0.2%, effective July 1st, 2008. This tax will continue to decline until eliminated in 2012. This represents a significant win for the Chamber.

Reduction of the Small Business Tax Rate

Over the last ten years of Chamber advocacy work, we have seen the Small Business Tax Rate drop from 5% to 4.5%, and most recently to 4% as announced in the 2011-12 provincial budget. This represents a win for the Chamber, as we have been advocating for reductions in this tax for many years, including it in both our provincial pre-budget submissions as well as our provincial issues notes on an annual basis.

Red Tape Reduction

Nova Scotia's Better Regulation Initiative is making it easier to do business in our province. The Initiative was created with the goal of reducing red tape by 20% by 2010. For businesses, this means a more level playing field, improved turnaround times for licenses and permits, less time that must be committed to paperwork, clarity regarding regulations and how to handle them, greater simplicity, and more streamlined access to information.

HRM Not Passing the Burden of the Capped Assessment Program on to Commercial Sector

The Capped Assessment Program (CAP) is a proposed program that would limit the increase in taxable assessments on eligible residential property. The base year for the CAP would be 2001, and the limit for the subsequent years is a 15% increase in 2002, 15% in 2003, and 10% each year from 2004 - 2007. Each year, a percentage is set by the Government of Nova Scotia. Starting in the taxation year 2008-2009, the cap will be set at the Consumer Price Index.

Recognizing that our Commercial Rate should not subsidize the Residential Rate, in 2005 Council approved HRM staff recommendations to reduce the Commercial General Rate by one cent to ensure there was no cross-subsidization.

Increasing the Small Business Deduction Threshold

Over the last ten years, we have seen the threshold under which the Small Business Tax Rate applies increased to \$350,000 and then again to \$400,000. We have always argued for this threshold to be raised, and continue to do so, as it groups a greater amount of businesses in a lower tax bracket and provides them with more financial flexibility to grow their business.

Deregulation of Retail Store Hours

In October 2006, the Nova Scotia Government opened the doors to Sunday Shopping. The Chamber has been heavily involved in the fight to deregulate retail store hours for Sundays and other holidays as a means to allow communities, industries, and specific stores to make their own decisions regarding when or when not to open. This, we argued, would improve their ability to compete and enhance their control over their bottom line and their own business. This was a significant win for the Chamber.

Introduction

The Halifax Chamber of Commerce has been tracking the status and progression of our uncompetitive tax environment for years. Regarding the importance of a tax structure that encourages economic growth, we have always held the position that creating a business-friendly environment and an appropriate regulatory climate will be critical if we are to position ourselves for continued, successful growth and development.

We have some work to do here in Nova Scotia. Population growth is on the decline, and as Premier Dexter has recently stated, our province had the worst economic growth of any province in the region during the past two decades. While we are weathering the recession well, our economic growth has been sluggish and no significant improvements are expected anytime soon.

Over the past few years, the Chamber has provided sound and consistent feedback to the city and province on their various economic development plans and projects, always making a point to note that a competitive tax environment is without a doubt a key ingredient in the recipe for a business-friendly environment. Without this, new businesses will not be attracted to our province, and existing businesses will be increasingly tempted to relocate elsewhere. This results in an ongoing and unproductive economic cycle while simultaneously acting as a barrier to economic growth and success.

The following is a year by year summary of the Chamber's work on tax policy, stemming from many hours and consultations with our members and volunteers – most of which are experts in their field, be it finance, property tax, or municipal law. This work is also a direct result of many meetings and discussions we have held with municipal and provincial financial experts – all on the behalf of our business members.

The paper begins with a chronological review of our municipal work over the past ten years, followed by our provincial work. Relevant progress in tax policy made by other Canadian cities and provinces will then be discussed, followed by an analysis of our provincial and city economic strategies and the promising tax-related initiatives and programs set out in each.

MUNICIPAL TAX POLICY

2002

- Submitted commentary to HRM's regional planning initiative and the project manager, identifying "competitiveness" as a key principle to be included in the regional plan. We explained that the regional plan must be developed in such a way that maintained sound, predictable fiscal policy so as to ensure a competitive tax climate for businesses. We will need this to grow and prosper in the global economy.
- Municipal Pre-Budget Submission; expressed our concern regarding property tax increases which would amount to a 6.6% tax hike on average for businesses in HRM. We stated this commercial tax hike must be avoided and removed, along with the Business Occupancy Tax (BOT). We also encouraged the city to aggressively pursue business tax reform.

2004

- Municipal Pre-Budget Submission; included a chapter on municipal taxation and stated that the business community is subsidizing the residential community in HRM through property taxes, accounting for about 45% of property tax revenue for the municipality. We also reiterated the importance of creating an attractive and competitive tax climate in HRM for both residents and businesses and suggested a reform of the municipal tax structure as well as the elimination of the BOT. Eliminating the BOT would reduce administrative duplication and streamline the process by collecting revenues through property taxes and creating the appearance of greater simplicity for business collection. We committed to help the city work towards a more effective alternative.
- Issued a written submission to Service Nova Scotia & Municipal Relations reiterating our support for the elimination of the BOT. We offered our assistance as well, stating we would work closely with HRM to develop a revenue replacement strategy.
- Municipal Issues Note; expressed concern over the commercial and residential tax burden and the BOT and said we would like to see a tax burden that is more reflective of the consumption of services. Called for an elimination of the BOT. Suggested the province work with the municipality to reform the municipal tax structure.

2005

- Valerie Payn appeared before the Law Amendments Committee on Bill 191: Municipal Law Amendment Act re: Business Occupancy Tax. Shared the fact that our members repeatedly voice the BOT as a major barrier to business. The BOT is seen as outdated, unfair, and a sneaky double tax. This perception is very harmful to our business environment.

2006

- Municipal Issues Note; stated our approval of the early steps of the BOT phase out and the fact that benefits from the elimination of the BOT will be realized by the commercial sector.
- Submitted a letter to Mayor Kelly in response to the 2006/07 city budget indicating our support for the proposed budget and the early phases of the BOT elimination. Also stated our support for HRM's adherence to the Multi-Year Financial Strategy (MYFS) and continued reduction of the city's debt.
- Sent a letter to Mayor Kelly on the fact that the commercial sector receives relatively few services for the taxes it pays. Provided data and statistical tables highlighting comparative taxes per square foot for Industrial, Class A Office and Class B/C Suburban Office space. For each class of space, property tax levels per square foot were highest in Halifax compared to other jurisdictions in Atlantic Canada. This is a major contributing factor for businesses deciding where to locate and operate. We urged the city to drop the commercial tax rate by at least 2% (from 16% down to 14%) to offset increased assessments, particularly for those businesses such as banks and financial institutions that will not see a final BOT phase out until 2012.
- Valerie Payn sent a letter to Mayor and Councilors on the Tax Reform Committee. Stated our support for Council's investigation of a tax reform initiative, and outlined the benefits of a more competitive tax structure. Recommended that Council amend the terms of reference to increase the minimum number of business people on the tax reform committee from 1 to at least 2 business representatives, and that the competitiveness of our business community be considered a key priority of tax reform by the committee. As a result, a Chamber representative was included.

2007

- Submitted letter to Mayor Kelly and Councilors on Tax Reform stating that businesses operating in a competitive tax structure are better able to weather inevitable cyclical economic downswings, create more and better jobs, and invest in new technologies and expand capital. Also stated our concern with commercial property taxes being substantially higher than in other Atlantic Canadian cities. Urged Councilors and the Mayor to keep these important points in mind during the Tax Reform process.
- Submitted letter to Mayor Kelly and Councilors addressing the question of relative burden of taxes on the commercial sector. There is no rationale for the higher tax burden on the commercial sector. This sector is the employment creator for our city. A city's tax structure is a critical part of its marketing efforts.
- Municipal Pre-Budget Submission; listed taxation and our business climate as one of our key priority areas. This includes our tax and regulatory environment. Competitive commercial taxes are a key outcome measure of the City's economic strategy. Currently, our achievement is lacking in these areas. Recommended a decrease in commercial taxes to improve the competitive position of Halifax businesses; we must allow businesses to grow and compete nationally and internationally.
- Created a briefing note on the Tax Reform Consultations and Tax Reform process for our members. Identified the challenges and key points of the issue, and rounded up our members for their input, encouraging them to get out and participate in the process. Provided them with links to our work on the subject thus far, as well as links to external information to keep them updated and informed.
- Municipal Issues Note; noted the creation of a "Gung-Ho" business climate in our annual issues note as one area we will continue to focus on. Expressed our concern with the fact that the CAP will be linked to the Consumer Price Index. Our concern is that the CAP has the potential to further increase reliance on the commercial sector for taxes by limiting the increases of residential assessments while allowing commercial assessments to rise with the market.

2008

- Municipal Issues Note; added Tax Reform to this year's document. Stated that the business community ultimately wants greater transparency between taxes paid and services received. They also don't want to pay more taxes, as they are under increasing pressures on a number of levels such as rising fuel costs. We explained that if taxes are raised this would have a direct and negative impact on the local economy. We recommended the city:
 - Increase the public profile of the Tax Reform project
 - Develop a clear and concise commercial tax rate benchmark and communicate it
 - Improve the 2008 Economic Strategy Scorecard result on the measure of Competitive Tax Rates
 - Implement broad-based tax cuts to the commercial rate as opposed to sector-specific cuts
 - Continue to move towards a "benefits based" taxation system that is being proposed by the Tax Reform Committee
 - Continue to work with the province to push for access to various tax revenue tools, and
 - Find new and innovative ways to access input from the commercial sector on Tax Reform, such as focus groups
- Business Voice article on Municipal Commercial Tax Reform as an emerging issue – communicating to our members why we need it, as well as what the business community can expect as an end result of the process.
- Municipal Pre-Budget Submission; once again, listed Tax Reform as a key priority area. Stated our full support for the principles laid out by the City's Tax Reform project: equity, economic competitiveness, economic efficiency, respect for other governments, stability, simplicity, and transparency and accountability. Applauded HRM's approval of not passing over the burden of the CAP to the commercial sector, as well as the proposed elimination of the Deed Transfer Tax (although, the City later retracted this proposal after budget debates). The Deed Transfer Tax is a tax levied where property is transferred, with some exceptions (e.g. gifts). The provincial government provides municipalities with the power to apply a Deed Transfer Tax and to set the rate of the deed transfer tax provided it does not exceed 1.5% of the value of the property transferred. The Chamber sees this tax tool as outdated – while it does not yield significant revenue, it can serve to discourage development.
- Encouraged HRM to work together with the province to explore legislative changes that may be required to permit municipal access to a variety of user-based taxation tools.

2009

- Municipal Issues Note; recommended the city:
 - Make a firm decision regarding the fate of the Tax Reform Project on August 4th 2009 – the scheduled date on which Council’s Committee of the Whole was to decide the fate of a motion to continue exploring the option of moving off the current assessment-based property tax system
 - Use taxes as an urban development tool, especially in areas in need of revitalization
 - Develop a clear and concise commercial tax rate benchmark and communicate it
 - Continue to move towards service-based taxes, such as the service-based transit tax
- Letter to Mayor Kelly and Council on behalf of our Municipal Affairs committee regarding the upcoming approval of new priorities for Council. Expressed our disappointment that to date, Tax Reform has not made substantial progress and therefore we feel it must remain top of mind for Council.
- Municipal Pre-Budget Submission; the mission to base the tax system on charges for services provided and the ability to pay for these services is something the Chamber has supported. We stated we look forward to reviewing the Tax Reform update, scheduled to come to Council in March 2010, and we will especially be looking for an estimated project completion date. We also reinforced our support for broad-based tax cuts, the use of taxation as a development tool to encourage growth in the downtown core, and the need for the city to indicate which measure it accepts as a commercial tax benchmark.
- Municipal Post-Budget Report Card; awarded the city a low grade of C- for the category of Commercial Tax Competitiveness. The city lost marks in this area for making no progress on Commercial Tax Reform whatsoever. Also, tax policy that facilitates urban development in our downtown core could and should be used more efficiently to make real and lasting change in our city.

2010

- Letter to Councilors supporting no further tax increases in the 2010-11 budget documents. Urged the city to seek out further efficiencies and reductions – now is the time to make difficult decisions to keep our city both competitive for business and attractive to residents.
- Municipal Issues Note; continued to push for tax reform, enhanced transparency by ensuring fees paid to the city by commercial taxpayers are reasonable, the development of a clear/concise commercial tax rate benchmark, and new ways to access input from the commercial sector on Tax Reform.
- Municipal Pre-Budget Submission; explained we could not express how disappointed the Chamber was to learn the Tax Reform project is not moving forward. This is a project the Chamber has supported for many years. Stated we will still be pushing for it, and still expect to see movement on it in the near future.
- Municipal Budget Report Card; awarded the city a D- for Commercial Tax Competitiveness. The city lost marks for making no real progress on this important community issue.
- Letter to the CAP 2010 Review Team stating our opposition to the CAP and recommending it be removed. Our main concern is that the CAP will increase the relative tax burden on the commercial sector by limiting increases of residential assessments, while allowing commercial assessments to rise with the market.

2011

- Municipal Pre-Budget Submission; commercial tax reform was ignored in last year's budget but it is our intention to ensure it does not fall off the radar. Expressed our concern around our municipal commercial "multiplier", which is currently around 4 – meaning that businesses pay a tax rate that is approximately four times higher than residents'. How was this calculated? Why is it so high? Provided statistical evidence regarding our commercial property tax levels – demonstrating they are well above the average of our benchmark cities and have been that way since at least 2004 when we began tracking the data for our City Economic Scorecard.

- Municipal Budget Report Card; once again awarded the city a D- for Commercial Tax Competitiveness for making no progress and ignoring this issue.

PROVINCIAL TAX POLICY

2000

- Supported the creation of Nova Scotia Business Inc, reiterating the importance of private sector participation in achieving business growth objectives.
- Issued a report entitled *Toward a Business-Friendly Policy and Regulatory Environment* in response to the province's discussion paper of the same year entitled "Toward prosperity: developing an economic growth strategy for NS". In our report, we urged the provincial government to:
 - Reduce and simplify the regulatory processes faced by Nova Scotian businesses
 - Develop a transparent accountability framework with specific measurable objectives & communicate it
 - Focus on business-friendly policies such as growing our export-driven industries, supporting innovation & competitiveness, the elimination of direct business subsidies, and argued that tax incentives should focus on growth industries and should be transparent and have clear objectives/measurable results
- Issued a Policy Update that reiterated our message from our report entitled *Toward a Business-Friendly Policy and Regulatory Environment*. Stated that the role of government is to provide a competitive and predictable business environment to foster economic expansion and job creation, and to provide the necessary tangible (roads, port, and rail) and intangible (tax regime, regulation) infrastructure to achieve those objectives.
- Issued a Policy Update on Sunday Shopping, advocating for the deregulation of retail store hours as a means to allow communities, industries, and specific stores to make their own decisions on when or when not to open, thereby improving their ability to compete and enhancing their control over their bottom line.

2001

- Provincial Issues Note; stated our key issues are eliminating the deficit and paying down the debt. Until we achieve this, our competitive position for attracting and retaining new businesses will be compromised. Tax reductions are not possible until this is achieved.

2002

- Submitted a letter to the Honorable Cecil Clarke, Minister of Nova Scotia Economic Development, providing feedback on the Nova Scotia Business Climate Index. The Index does not address the critical issue of the provincial budget status either in terms of deficit/balanced/surplus and the debt level of the Province. In our view it should include indicators of these important measures of our provincial fiscal health. Furthermore, progress towards objectives such as employment and export growth are not reported or alternatively not directly reported in the Index. The Chamber recommends the inclusion of direct measures such as export growth. Finally, the Business Index is based on 1999 data; we understand that this is due to a lack of more current comparable data across all Provinces, but we still believe there is a need for a more current Index that better reflects the current performance of the government's actions.
- Provincial Issues Note; stressed that Halifax must be seen as a tax competitive and positive place to live and invest.
- Provincial Pre-Budget Submission; expressed our disappointment in the government for extending the corporations capital tax which was set to expire in March 2002.

2003

- Appeared before Law Amendments on Sunday Shopping and advocated for the general deregulation of retail store hours.
- Provincial Pre-Budget Submission; included a chapter on Tax Cuts, recommending the Province not introduce a 10% personal income tax cut when the Province's finances or health care system were not yet in a stable enough position to afford such a cut.

- Created a briefing document on the key policy positions of the Chamber – tax competitiveness was listed as the first priority. It was also suggested that government streamline the regulatory and reporting process for oil and gas developments to encourage growth in this sector.

2004

- Provincial Pre-Budget Submission; reiterated our concern with the timing of the 10% income tax cut when the province is already facing limited financial flexibility. Advocated for the prompt elimination of the BOT. We need a tax structure that provides the business community with fair and predictable levels of taxation. Suggested the province work with the municipality to reform the municipal tax structure.
- Addressed the Deputy Ministers with a briefing of our key provincial policy priorities as part of our government relations strategy. Listed Tax Reform and the elimination of the BOT as two key areas.

2005

- Submitted a review of the Provincial government's progress in implementing *Opportunities for Prosperity – A New Economic Growth Strategy for Nova Scotians*. We stated that the goal of producing the most attractive business tax structure in the region by 2005 remains an elusive target. The elimination of the BOT would play a big role here. We stated we were pleased by the results achieved with the Red Tape Reduction Initiative and recommended that a Red Tape Reduction Commissioner be appointed and that business consultations for new regulations be initiated immediately.
- Provincial Pre-Budget Submission; regarding tax cuts, we stated that if the Province will be considering them in the coming budget, then it should look to other sorts of tax cuts than the personal income tax cut, such as: small business taxes, the corporate income tax, the BOT, the large corporations capital tax, and so on.

2006

- Provincial Pre-Budget Submission; tax cuts should only be delivered to Nova Scotians when the Province's finances are on a stable footing and our debt is under control. Congratulated the province on the elimination of the BOT and for increasing the

small business deduction threshold to \$350,000 with plans to further increase it to \$400,000 in April 2006. Suggested the Province review this threshold periodically so as to ensure it keeps up with the nominal pace of inflation. Strongly supported the concept of raising the provincial component of the scientific research and development tax credit from its current level of 15% to 40%.

- Provincial Issues Note; government's greatest responsibility to business is to create the conditions for economic growth with a competitive tax system and a well-defined and streamlined regulatory system. Unpredictability and burdensome regulations are always cited as major challenges among our members.

2007

- Provincial Issues Note; supported provincial tax reform and the proposed increase of the provincial component of the scientific research and development tax credit from 15% to 40%. Supported the elimination of the Large Corporation Capital Tax and expressed our concerns that linking the prescribed percentage of the CAP to the CPI has the potential to further increase reliance on the commercial side for taxes. We urged government to carefully consider the economic and business impacts of new regulations, and listed gas regulation as one example of an inappropriate and costly intrusion of government into private sector business.
- Provincial Pre-Budget Submission; supported the government's 4-year plan to reform the taxation system in our province and make us more competitive. Recommended the province increase rewards to businesses for innovation, remove regressive tax strategies, and called for the elimination of the regressive Large Corporation Capital Tax.

2008

- Provincial Pre-Budget Submission; congratulated government on increasing the small business deduction threshold from \$350,000 to \$400,000 -- this will benefit a greater number of small businesses since more are now eligible to be taxed at a lower rate. Now that Nova Scotia is running balanced budgets and reducing net direct debt, the Chamber believes it is time to consider sustainable tax cuts. Identified 3 key areas for tax reduction: small business tax, personal income tax, and capital tax. The Chamber also recommended the province:

- Accelerate the phase out of the BOT
 - Eliminate the capital tax on non-financial institutions by 2010
 - Reduce personal income taxes to encourage young workers to stay in NS
 - Reduce the Small Business Tax Rate from 5% to 3% over a reasonable timeframe to encourage the growth of this sector
- Province releases 2008 budget and reports that Nova Scotia's Large Corporation Tax will decline from 0.225% to 0.2% on July 1st, 2008, and will continue to decline until eliminated in 2012. This represents a significant win for the Chamber.
 - Provincial Budget Report Card; awarded the province a low overall grade of "C" and a specific grade of "F" on competitive taxation.
 - Submitted letter to the Honorable Michael Baker, Minister of Finance, on provincial taxation review. Presented the argument for lower corporate taxes and stated we would support a provincial tax reform that:
 - Reduced the Small Business Tax Rate from 5% to 3%
 - Introduced a more competitive personal tax regime
 - Reduced capital taxes on financial institutions
 - Accelerated the phase-out of the BOT
 - Improved incentives to work, save and invest
 - Included incentives for workplace wellness programs
 - Created a briefing note for members and the public on New Brunswick's proposal for tax reform – outlined what the implications would be for local businesses and what the Nova Scotia economy could expect if we were to implement a similar tax reform system. If Nova Scotians were presented with the same tax reform options as New Brunswickers, there would be clear preferences from the Chamber's perspective:
 - A more simplified personal income tax structure
 - A reduction of the general corporate income tax rate
 - A phase out of industry-specific tax credits
 - Elimination of the financial capital tax

- Reduction of business property tax rates
- A carbon tax

2009

- Submitted letter to the Honorable Graham Steele, Minister of Finance, on current Chamber policy concerns. Under taxation we recommended no further personal income tax cuts, and advocated for the reduction of the Small Business Tax Rate from 5% to 3% and the elimination of the capital tax on non-financial institutions.
- Provincial Issues Note; highlighted taxes as a key issue. Stated our support for a provincial tax review and growing our economy and tax base. Reiterated our advocacy issues and recommendations. Stated these same concerns and recommendations in our Provincial Pre-Budget Submission.

2010

- Provincial Issues Note; expressed concern about the HST hike from 13% to 15%, along with the lingering effects of the recession and the potential rate hikes from Nova Scotia Power and Halifax Water Commission. Recommended no further tax increases, a reduction in the Small Business Tax Rate from 4.5% to 3%, an increase in the small business threshold from \$400,000 to \$500,000 and recommended a reduction in the corporate tax rate of 16% to aid in stimulating the economy. Provided these same suggestions and recommendations in our Provincial Pre-Budget Submission.
- Benchmark research on taxation for our Pre-Budget Submission; looking elsewhere, one finds that there is no capital tax in PEI, Newfoundland & Labrador, BC, or Alberta, and lower corporate taxes in all provinces except PEI.
- Submitted letter to Minister Steele as part of our response to the provincial budget. Stated Nova Scotians have an excessive tax burden and demanded to know where the revenue from the HST hike will go as well as what the pension plan reform will mean for the average taxpayer. To date, these questions are still unclear.

2011

- Provincial Pre-Budget Submission; recommended no further tax increases and reduced regulatory burdens wherever possible, as well as a reduction in the Small Business Tax Rate from 4.5% to 3%. Reminded the province that we have one of the highest corporate tax rates in Canada (at 16%).
- Submitted letter to Minister Steele on the 2011-12 budget commending the government on reducing the Small Business Tax Rate to 4% - but held firm in our position that it should be reduced to 3%, and that we will still be looking for lower corporate tax rates and reduced regulatory burdens for businesses. The new provincial economic strategy entitled 'jobsHere' strategy is an opportunity to institute these changes.

PROGRESS IN OTHER CANADIAN REGIONS

Saskatchewan

The Saskatchewan Chamber of Commerce has recently been active in examining the issue of tax competitiveness for businesses within their province. At the request of the Saskatchewan Chamber and its funding partners, a report was developed and released in October 2010 by the Canada West Foundation, intended to aid public decision-makers answer two key questions – First, how competitive is Saskatchewan's tax policy? Second, if determined inadequate, what are some tax options and alternatives that could realistically be implemented to improve tax competitiveness?

The report went on to identify seven tax options that could establish a more competitive position for Saskatchewan. The seventh option speaks to improving the competitiveness of Saskatchewan business and easing the tax burden on capital investment. The report listed corporate income tax reform as a means to achieve this, which would involve reducing the general corporate income tax rate as well as the small business rate.

Saskatchewan's 2011 budget, tabled in March, announced a significant reduction in the Small Business Tax Rate from 4.5% to 2% (Effective July 1st, 2011). This new lower tax rate, along with a strong small business threshold of \$500,000, is a further step towards building a competitive tax climate in that province.

These tax reform options are bold and innovative, but realistic. Many of the reasons listed for pursuing tax reform in Saskatchewan are similar to ours here in Halifax – it's about improving fairness and equity, reducing complexity, increasing visibility, transparency, and accountability, improving tax administration, and employing taxes in a more economically neutral fashion.

Vancouver

For the past decade, the Vancouver Board of Trade has been advocating for a more balanced property tax structure between the residential and business sectors. The Board was a founder of the Vancouver Fair Tax Coalition, which works towards balancing taxation between businesses and residents.

The City of Vancouver established a Property Tax Policy Review Commission in response to concerns expressed by the business community about the impacts of the City's taxation policies on the health of Vancouver's economy. In September 2007, the Property Tax Policy Review Commission submitted a report to City Council which analyzed the property tax system in Vancouver, explored policy options, and recommended actions to city staff. The Commission concluded that business taxes in Vancouver are high relative to residential taxes and relative to business taxes in neighboring jurisdictions, and stated that further reductions in the non-residential share of taxes should be implemented.

Two key recommendations from the report were to reduce the tax share paid by non-residential property from the 2006 level of 55% to 48%, and to reduce the tax share borne by business by 1% each year until the 48% target is reached. This would be a slow and effective way to phase-in a property tax reduction for businesses. This recommendation was adopted by council, and the yearly shift of 1% tax from business to the residential sector is in effect for the fourth straight year.

Manitoba

Provinces across Canada are beginning to understand the correlation between increased economic activity and lower corporate tax rates. The race to reduce excessive tax burdens on businesses has begun, and failing to keep up with these policy changes means failing to maintain a competitive and attractive business environment as a Province.

On December 1st, 2010, Manitoba became the first Canadian province to have a zero percent Small Business Tax Rate. This represents a groundbreaking move in tax policy and results in a significant savings for small business owners in that province, which

can now be redirected elsewhere through reinvestment in their companies, employees, and communities. British Columbia, which already boasts one of the lowest Small Business Tax Rates in Canada, is also seriously considering a reduction to zero. A reduction was planned for April 2012 but will be postponed until the fiscal status of their government is stronger.

NOVA SCOTIA & HALIFAX ECONOMIC STRATEGIES

A competitive tax environment has always been a key focus of the Chamber's advocacy efforts, as it has direct implications for economic growth and competitive positioning – both of which are two important elements of our new Provincial and Municipal Economic Strategies.

The Municipal Economic Strategy for 2011-2016 focuses on five key goals:

1. Developing a vibrant Regional Centre that attracts \$1.5 billion in private investment and 8,000 more residents by 2016.
2. Promoting a business climate that drives and sustains growth by improving competitiveness.
3. Creating a welcoming community where the world's talent can find great opportunities and engaged employers.
4. Creating a unique, international city brand for Halifax.
5. Maximizing growth opportunities.

A more competitive tax environment, where businesses have more financial flexibility to invest in the growth of their business and in the hiring of more employees, would certainly contribute to each one of these strategic goals. Reducing excessive regulatory and tax burdens while exploring other policy issues that can inhibit development is one of the key five-year objectives of the strategy.

Meanwhile, our Provincial Economic Strategy, jobsHere, focuses on three key areas: learning the right skills for good jobs, growing the economy through innovation, and helping businesses compete globally. This Strategy plans to phase out the Large Corporations Tax by 2012 and has already implemented a reduction in the Small Business Tax Rate to 4%. The Province has also increased the Equity Tax Credit investment rate and will continue to review this credit for additional opportunities to those who support innovative and productive Nova Scotia businesses.

CONCLUSION

The Chamber's various positions on tax policy over the years have been well-informed and firm. We have never given up on issues of importance to us and to our members, and as a result witnessed government turn some of our recommendations into action. We will continue to advocate for our members until we become one of the most tax competitive environments for business to grow and prosper in Canada.

The Chamber's policies on taxation contained in this document stem from numerous meetings with government officials – our Provincial Pre-Budget Submission is hand-delivered annually to the Minister of Finance and discussed at length with the Minister and other Provincial colleagues. Our policy work is also a result of the direct input from the many experts and entrepreneurs involved in the Chamber – from property tax specialists to municipal law experts to accountants. The Chamber's policy committees have also been heavily involved in much of this work over the past ten years and will continue this level of involvement into the future.

CHAMBER ADVOCACY WORK

More information about the Chamber and its advocacy work can be accessed by contacting the office or visiting the Chamber web site at www.halifaxchamber.com.

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APPENDIX

1. Tax Rates across Canada. Comparative Tax Rates for 2011 Tax Year (as of April 26, 2011)

	NL	PE	NS	NB	QC	ON	MB	SK	AB	BC	Federal
Corporate Income Tax											
General Rate	14.00%	16.00%	16.00%	11%/10% (July 2011)	11.90%	12%/11.5 (July 2011)	12.00%	12.00%	10.00%	10.00%	16.50%
Man. & Processing	5.00%	16.00%	16.00%	11%/10%	11.90%	10.00%	12.00%	10%-12%	10.00%	10.00%	16.50%
Small Business Rate	4.0%	1.0%	4.5%	5.0%	8.0%	4.5%	0.0%	4.5%/2% (July 2011)	3.0%	2.5%	11.0%
Small Business Rate Threshold	\$500,000	\$500,000	\$400,000	\$500,000	\$500,000	\$500,000	\$400,000	\$500,000	\$500,000	\$500,000	\$500,000

Source: Nova Scotia Department of Finance <http://www.gov.ns.ca/finance/en/home/default.aspx>

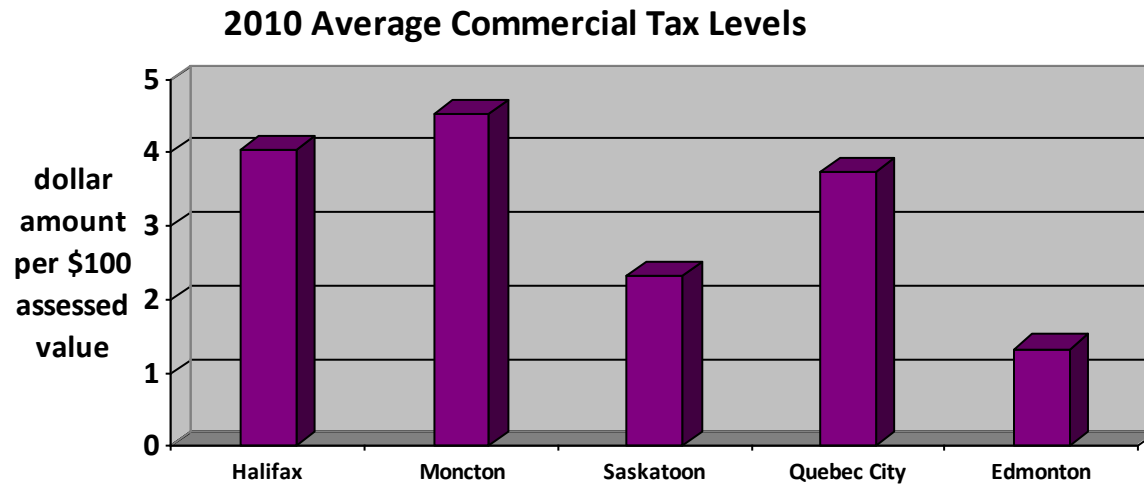
2. Assessment and Property Tax Comparison, Atlantic Provinces

	Average Assessment /ft ²	Average Tax /ft ²	N	Year
INDUSTRIAL				
Fredericton	\$ 35.90	\$ 1.58	10	2006
Charlottetown	\$ 44.65	\$ 1.72	12	2005
Saint John	\$ 35.24	\$ 1.75	37	2006
Moncton	\$ 41.93	\$ 1.99	179	2006
Dartmouth	\$ 48.63	\$ 2.42	296	2006
Halifax*	\$ 50.68	\$ 2.48	416	2006
Bedford	\$ 57.04	\$ 2.71	22	2006
Median	\$ 44.65	\$ 1.99		
OFFICE				
Mount Pearl	\$ 44.16	\$ 1.44	21	2006
Charlottetown	\$ 52.55	\$ 2.08	22	2005
Moncton	\$ 50.07	\$ 2.38	49	2006
Saint John	\$ 54.23	\$ 2.69	37	2006
St. John's	\$ 94.44	\$ 3.49	8	2005
Fredericton	\$ 86.02	\$ 3.78	34	2006
Halifax	\$ 90.44	\$ 4.50	159	2006
Median	\$ 54.23	\$ 2.69		

Source: Turner Drake and Partners Property Tax Division

* Former City of Halifax

3. 2010 Average Commercial Tax Levels by City



Source: 2011 City Economic Strategy Scorecard