



INVESTMENT INDUSTRY ASSOCIATION OF CANADA
ASSOCIATION CANADIENNE DU COMMERCE DES VALEURS MOBILIÈRES

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The Honourable Dwight Duncan
Minister of Finance and Revenue, and Chair of
Treasury Board/Management Board of Cabinet
c/o Budget Secretariat
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Investment Industry Association of Canada's 2009 Pre-Budget Recommendations

The Investment Industry Association of Canada (IIAC) welcomes the opportunity to provide our comments and recommendations for consideration as part of the 2009 pre-Budget consultation.

The IIAC represents over 200 investment dealers employing 42,000 individuals across Canada. Our Association's role is to promote efficient, fair, and competitive capital markets.

There are 130 investment dealers headquartered in Ontario and over 2,500 member offices operating in the province - employing approximately 30,000 Ontarians. In 2007, investment dealers paid over \$1 billion in federal and provincial income tax.

Current Economic Climate

The Ontario, and Canadian, economy is in the midst of a significant economic slowdown. Spill-over effects of the global financial crisis, falling commodity prices, and added strains on Canada's manufacturing sector have eroded business, consumer and investor sentiment. As a result, the province's economic growth has slowed, and Ontario's real GDP growth is now expected to be only 0.1% for 2008, compared to 1.1% at the time of the 2008 Budget. The government is also projecting a \$500 million deficit for 2008-09 due to lower revenue growth and increased spending. Tax policies are desperately needed that will restore economic growth and employment. As Canada's largest capital market, Ontario should also have a strong interest in implementing policies that promote capital

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formation in order to stimulate business activity and growth. It is with these goals in mind that we submit our pre-Budget recommendations

Policy Recommendations

1. Increase Ontario's Tax Competitiveness by Reducing Corporate Tax Rates

We commend the Ontario government for taking steps toward eliminating capital taxes in the province, scheduled for July 1st 2010. However, more must be done to improve Ontario's tax competitiveness. Specifically, the Ontario government must follow in the federal government's footsteps and *reduce corporate income tax rates*. This will encourage domestic and foreign investment in the province, make available additional earnings for reinvestment in Ontario businesses, and lead to the creation of new employment opportunities for Ontario residents. Ontario's corporate income tax rate continues to be one of the highest in Canada, and reducing the corporate tax rate would be in line with the principles of the province's Five Point Economic Plan – encouraging innovation and reducing business costs.

2. Reducing the Administrative Burden through PST/GST Harmonization

Harmonization of the provincial sales tax with the federal GST would also improve Ontario's tax competitiveness by reducing the administrative burden for Ontario businesses. We encourage Ontario to work with the federal government and industry to explore options that maximize the benefits of a harmonized PST/GST without adversely impacting exempt services, such as financial services. Ontario cannot afford to fall behind other provinces in reducing the administrative costs of doing business. In this regard, the IIAC welcomes your government's recent initiative to harmonize the Ontario corporate income tax administration with its federal counterpart – a move that is expected to save Ontario businesses hundreds of millions of dollars. Similar consideration should now be made to GST/PST harmonization.

3. Take Further Steps to Promote Savings and Investment

The Ontario government can provide support to Canadian capital markets by taking steps to promote further savings and investment. The Tax-Free Savings Account (TFSA), recently introduced by the federal government, is an excellent vehicle with which to encourage Canadians to save and invest. Ontario can support the TFSA *by ensuring that investors are able to designate beneficiaries when opening these accounts*. Currently, Ontario investors are only able to designate beneficiaries for their new TFSAs through

their wills – a costly and time-consuming exercise that may discourage some from utilizing a TFSA. A simple amendment to the *Succession Law Reform Act (Ontario)* would provide investors with the ability to designate beneficiaries directly on the TFSA account opening form, in the same manner as an RRSP or RRIF. Other provinces have already recognized the importance of this measure and have responded. In December,

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Alberta enacted Regulation 228/2008. This regulation made pursuant to their province's *Trustee Act* will allow individuals in Alberta to designate a beneficiary directly on the TFSA documents. Similar legislative amendments have already been proposed or enacted in Nova Scotia, Prince Edward Island and British Columbia.

4. Infrastructure spending must Remain Focused and Disciplined

The Ontario government should *invest in select infrastructure projects designed to increase the province's long-term productivity*. It will be important for the government to continue its plans for renewing the province's infrastructure, particularly in such areas as transportation and energy, as part of its approach for improving Ontario's economy.

5. Taking the Lead in National Securities Regulation

As Canada's largest capital market, Ontario needs to take a leading role in national securities regulation. An effective regulatory structure is important in the development of vibrant and efficient capital markets. The recent financial crisis has raised the profile of regulatory reform and emphasized the need for structural changes to the regulatory framework to mitigate systemic risk in the financial sector, deliver more cost-effective regulation, and facilitate a national market perspective on securities regulation. *The Ontario government should continue to take the lead in promoting the establishment of a single securities regulator and a common securities act in Canada*, as recommended by the Expert Panel on Securities Regulation in its Final Report. A single securities regulator will ensure that Canada, and Ontario, remain competitive in an increasingly globalized capital marketplace, and will improve Canada's ability to strengthen its securities enforcement and to deal quickly and effectively with issues, such as the ABCP crisis, that arise and require a unified Canadian response. The Ontario government should also encourage securities regulators to adopt principles-based and proportionate regulations to lower the regulatory burden on market participants.

In these times of economic uncertainty, the Ontario government has a responsibility to act quickly and with leadership, taking the necessary steps to promote economic growth and job creation in Ontario, and to work effectively with other levels of government and other key partners to ensure that Canada and Ontario can compete on a global scale.

The IIAC and its members would be pleased to discuss these matters with you and the members of your staff at any time.

Yours sincerely,

