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IIAC Responds to 2017 Federal Budget

Ottawa, ON, March 22, 2017 – Measures detailed in the 2017 federal budget to promote economic growth, while well-intentioned, do not go far enough, according to Ian Russell, President and CEO of the Investment Industry Association of Canada (IIAC).

“The government should be introducing bold measures to address continued weak economic conditions and the ongoing high levels of unemployment,” said Russell.

In this budget, the government has taken positive steps to improve growth, including the announced details of the Canadian Business Growth Fund and the Canada Infrastructure Bank that will channel public and private equity capital into infrastructure spending intended to boost productivity and stimulate the economy.

These measures, while positive, are insufficient to overcome Canada’s economic malaise, Russell warned, noting that more should be done to promote the start-up and expansion of businesses, which is the key to fostering innovation, job creation and economic growth.

“The Canadian Business Growth Fund is modelled after a UK program, but the government missed the opportunity to emulate a far more successful UK program—the UK Enterprise Investment Scheme (EIS),” Russell said. “In the last four years, the EIS has raised about £5.5 billion in equity capital for new and emerging businesses—ten times the amount made available by the UK Business Growth Fund,” he noted.

The EIS provides a personal tax credit for investment in EIS-eligible shares of small businesses, an exemption from capital gains tax for EIS shares held more than three years, and a rollover provision exempting capital gains tax on the sale of an asset, if the proceeds are reinvested in EIS-eligible shares. Over nearly 25 years, the EIS has raised more than £14 billion for approximately 25,000 UK small businesses. The tax expenditures of the Program are more than offset by the revenues generated from corporate taxes, taxes paid on salaries to employees and value-added tax paid by EIS-financed companies.

“We are disappointed that the government did not introduce a Canadian version of the EIS,” remarked Russell. “As is the case in the UK, an EIS-like program would complement the Canadian Business Growth Fund and other measures to promote small business expansion,” he added.

The IIAC’s summary of the 2017 federal budget is available [here](#).

The IIAC – Representing Canada’s Investment Dealer Firms

The Investment Industry Association of Canada (IIAC) is the national association representing the investment industry’s position on securities regulation, public policy and industry issues on behalf of our [130 IIROC-regulated investment dealer Member firms](#) in the Canadian securities industry. These dealer firms are the key intermediaries in Canadian capital markets, accounting for the vast majority of financial advisory services, securities trading and underwriting in public and private markets for governments and corporations. The IIAC provides leadership for the Canadian securities industry with a commitment to a vibrant, prosperous investment industry driven by strong and efficient capital markets. For more information, please visit www.iiac.ca.

Click [here](#) for the IIAC’s 2017 Federal Budget Summary.

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