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*For Immediate Release*

# IIAC Responds to 2018 Federal Budget

### *Budget Measures Fall Short of Promoting Sustained Growth*

**Ottawa, ON, February 27, 2018** – The 2018 federal budget has not taken sufficient steps to ensure last year's strong economic rebound and job creation is sustained. At a time of resurgent growth and employment in the United States and across the global economy, the government projects real GDP growth averaging just below 2 per-cent over the five-year budget horizon, with the downside risks to growth understated. A steady and strongly growing economy, with expanding job opportunities, is fundamental to a thriving middle class in Canada.

Business spending is unlikely to provide much support to the economy in the next several years, with the outlook clouded by uncertainties related to the NAFTA negotiations, the impact of U.S. tax reform and business challenges in the energy sector. "Despite limited fiscal maneuverability, the government could have signaled positive support for capital formation and business expansion across the country, by introducing several specific budget measures. These measures would have bolstered business confidence and increased investment spending," said Ian Russell, President and CEO of the Investment Industry Association of Canada.

The budget has, once again, not put in place a defined fiscal target to guide public finances. "A credible fiscal plan underpins confidence in stable tax rates and government programs, even if business conditions worsen", said Russell, "and that, in turn, encourages investment spending."

The IIAC is disappointed the federal government has not introduced a targeted market-driven tax incentive to assist small and mid-size businesses access needed equity capital in domestic markets. Growing successful mid-sized businesses is the key to seizing business opportunities in Canada and in global markets. The IIAC had recommended a Canadian version of the successful UK Enterprise Investment Scheme.

The IIAC had also called for a comprehensive review of the Canadian tax system. Such a review is long overdue, given the complexities of Canadian tax rates, credits, and deductions, and the implementation of U.S. tax reforms.

Finally, further adjustments made to recent tax proposals for passive income in large private corporations will unlikely address the fundamental concerns the IIAC has with the government's proposals, nor do they acknowledge these companies as an important source of venture capital and the fairness of their effective tax rates.

We are pleased the federal government will undertake a comprehensive review of the protections for corporate pension plans in bankruptcies.

**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 123 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.

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