5 Minutes for Business:
A Royal Commission for a Royal Pain

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50 years of cutting and pasting has left Canadian taxation uncompetitive, cumbersome and inefficient. Now more than ever a Royal Commission on taxation, with everything on the table, is needed to align Canada's tax system with the economy of today and tomorrow.

Much has changed since the Carter Royal Commission created the basis of our tax system in the 1960s. New technologies, global supply chains and international competition have disrupted entire industries. Governments worldwide are competing to harness innovation by trying to understand how new developments like artificial intelligence and the sharing economy will reshape how we live and work, including how we tax.

The pace of change in today's economy requires capital investments, investments in talent and skills as well as organizational agility to keep up and compete. According to our report on Canadian tax competitiveness, which was released today, our tax system falls flat on all three counts. The Canadian business community believes the accelerated capital cost allowance measures announced in last year's Fall Economic Statement lack what is needed to spur the necessary investments. Our dauntingly byzantine federal tax system ranks 41st in the world in the time it takes to prepare and pay taxes. Canadian businesses are concerned the personal tax bracket structure on high income-earners will drive highly skilled workers elsewhere.

It is clear Canada's outdated tax system has real costs—both in terms of money and time—for Canadian business. It has real implications for strategic, tactical and operational decisions.

The changing global tax environment not only provides an excellent opportunity for Canada to rethink its own system but practically requires it. If we look at G7 and OECD countries, there is a prolonged trend toward greater tax competitiveness. The OECD has encouraged Canada to "[r]eview the tax system to ensure that it remains efficient—raising sufficient revenues to fund public spending without imposing excessive costs on the economy—equitable and supports the competitiveness of the Canadian economy." Similarly, the IMF executive board of directors has suggested Canada conduct "a careful and independent review of the overall Canadian tax system, weighing the pros and cons of incremental versus more radical approaches, and assessing their revenue implications and potential spillovers to other countries."

A Royal Commission's terms of reference should be guided by the principles of tax competitiveness, simplicity, fairness and neutrality. The inquiry should explore the following aspects of Canada's tax system through a comprehensive review:

- Broadening the tax base to explore the most effective tax policy solutions
- Adjusting the tax mix to better promote business investment and economic growth
- Bridging the digital tax divide to ensure a fair and equitable tax system
- Simplifying the tax filing experience with digital filing solutions
- Legislating a Taxpayer Charter of Rights to hold CRA accountable
- Providing a representative for small business to resolve conflicts with CRA
- Conducting regular comprehensive reviews to keep the tax system up to date

If Canada is serious about enhancing its competitiveness, we need to focus on how governments can use tax policy to harness disruption and new global business models. It is crucial we recognize a modernized tax system can be a key driver of Canada's business innovation and economic growth.

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