III. THE CASE FOR INVESTING IN CANADA

Canada offers many competitive advantages for investment in the pharmaceutical industry, and companies operating in Canada experience a range of economic and business advantages:

- **tax incentives;**
- **the promotion of medical research and clinical trials;**
- **research funding;**
- **effective regulations, clear laws and less litigation;**
- **a quality work force and comparable labour costs;**
- **an advantageous location; and**
- **the presence of other multinationals.**

III. 1 TAX INCENTIVES

Tax in Canada is collected at both the federal and provincial levels. The federal corporate rate of 21.84 per cent, coupled with an average provincial manufacturing and processing tax of 13 per cent, offers an average combined tax rate of 34 per cent in Canada, which compares favourably to the average corporate taxation rates in the United States and other industrialized countries.

Canada offers the most attractive tax incentive package for manufacturing companies to engage in R&D when compared to the tax systems of such industrial countries as the United States, Japan and Western Europe. This is the result of a strong federal tax incentive package enhanced by the tax treatment of R&D in the provinces that offer it. The federal corporate tax, coupled with the varying provincial manufacturing and processing taxes, result in combined tax rates generally in the range of 18 to 23 per cent for small companies and 31 to 39 per cent for large companies. A 1994 study conducted by The Conference Board of Canada revealed that the Canadian corporate tax system provides greater overall incentive for companies to engage in R&D than do the tax systems of 10 other leading industrialized countries.