

Investment and Investment Income

4.1 The White Paper proposals shift the tax burden from personal taxes to corporate and sales taxation. From Table 3, business will pay an additional \$3.845 billion in taxes over the four year period, 1988/89 to 1991/92. And unless the provinces reduce their corporate rates, business could pay almost this much again in additional provincial corporate taxes. Given the nature of the U.S. reforms, which also saddle business with additional taxes, this shifting of the tax burden is not entirely unexpected. Indeed, representatives of some industries (e.g. financial institutions) recognized that they ought to shoulder a larger tax burden provided it was allocated fairly across the corporate sector.

4.2 However, some perspective is needed here. Even prior to the reform proposals, Canadian corporations already bear corporate taxes that are higher than the average for developed countries. Data contained in the C.D. Howe submission indicated that as a percentage of gross domestic product (GDP), Canada's corporate burden in 1984 amounted to three percent of GDP, slightly above the Organization for Economic Cooperation and Development (OECD) average of 2.9 percent, but sharply above that of the U.S. (2.1 percent), West Germany (2.0 percent), Sweden (1.9 percent) and France (1.9 percent). As a share of total taxes, the 8.8 percent for Canada is also above the OECD average of 7.9 percent. What we heard time and again from the business community was that at the very least the *quid pro quo* must be swift action in terms of replacing the MST with the multi-stage sales tax. The concern that there may be a delay in introducing the second stage is considerably heightened by the Canada-U.S. free trade agreement, in light of the fact that the MST penalizes our exports and encourages imports. The Committee supports these observations.

4.3 The thrust of this chapter is different, although related. Specifically, the Committee is concerned that the White Paper proposals embody an "anti-risk" and "anti-equity" bias. While some of the following measures proposed by the White