

Taking control of your tax story

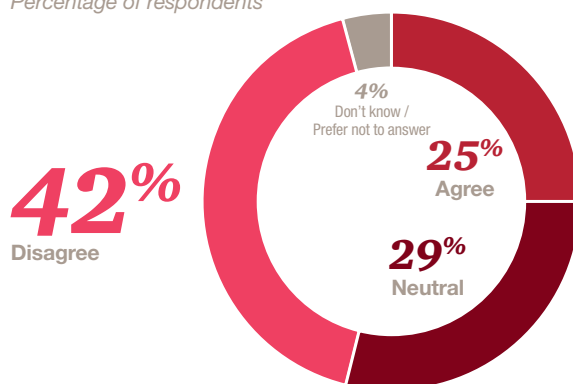


For the first time in its nine-year history, PwC's annual *Business Insights Survey* asked Canada's private company leaders about their satisfaction with provincial government tax policies and how they view the role of government in supporting private businesses. Beyond the expected—the majority, 75%, of respondents feel that their provincial government has not done enough to reduce the tax burden—findings that vary based on geography and company size.

Reducing the burden

Do you feel your provincial government has reduced the tax burden for private companies?

Percentage of respondents



Results by province

	BC	AB	ON	QC
Agree	37%	30%	26%	15%
Neutral	25%	33%	32%	22%
Disagree	29%	33%	39%	61%
Don't know/ prefer not to answer	9%	4%	3%	2%

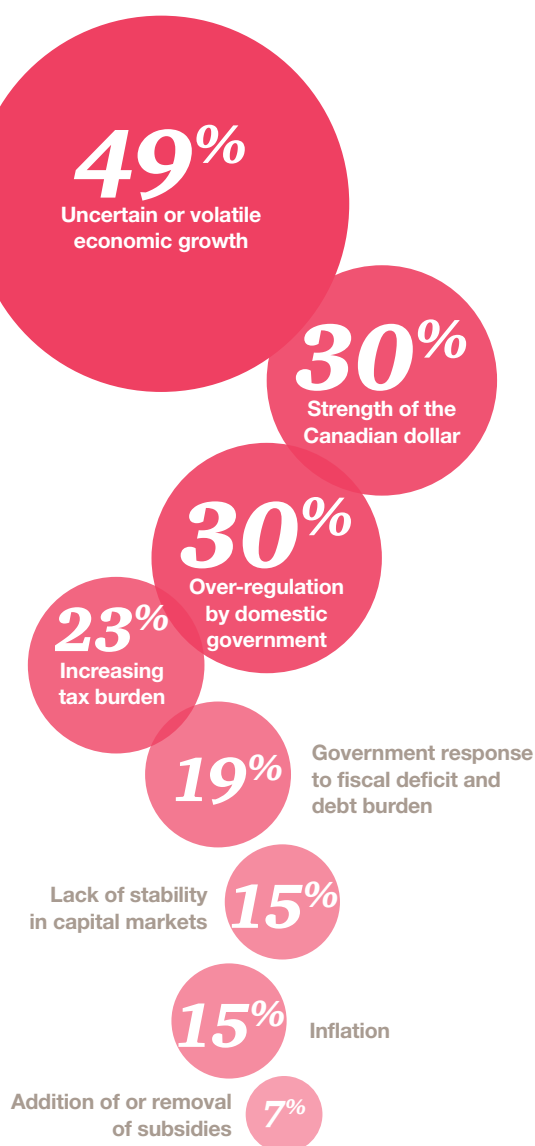
Effective tax and regulatory compliance strategies will help position Canadian entrepreneurial and private businesses for competitiveness and long-term success.

Saul Plener, National Leader, Private Company Services

Economic and policy threats

Which of the following economic and policy threats impact your growth prospects over the next 12 months? Identify the most significant, select up to three.

Percentage of respondents



For example, 25% of total respondents felt that their provincial government had reduced the tax burden for private companies. That number jumps to 37% for BC-based respondents, while Quebec-based private company leaders were the least likely to agree at 15%.

“As you go from west to east, the findings become increasingly negative, but the variances aren’t due to differences in the provincial corporate tax rates, which range from 25% in Alberta to 26.9% in Quebec,” says Jason Safar, PwC’s Private Company Services Tax Leader. This disconnect is likely one of perception versus reality. “The fact is, regardless of which province you’re located, Canada is one of the best countries in the world to start a business in large part because our overall tax rate is extremely competitive and the amount of time required to complete the necessary tax compliance is shorter than most other G8 nations.”

According to *Paying Taxes 2014*, a report by PwC, the World Bank and International Finance Corporation (IFC), Canada ranks eighth among 189 countries when it comes to the ease of paying taxes for the average mid-size business (the UK came in 14th and the US, 64th). “This isn’t a story you often hear, but it’s an important one,” says Safar. “Our total tax rate is the lowest at just 24.3%. And the government’s efforts to streamline reporting mean we spend less time than many of our global counterparts do in compliance. On the global stage, from a tax perspective, Canada is viewed in a positive light.”

Here at home, private companies with a bigger footprint seem to understand this. When size of business is factored into the equation, only 18% of companies with less than \$50 million in revenue agree that their provincial government had reduced their tax burden. This compares to 25% for companies with revenues between \$51 and \$100 million and 37% for companies with more than \$100 million in sales. “This is likely about the greater level of sophistication and an understanding and acceptance that tax is a business expense,” says Safar. “When you’re growing a small business, cash resources are tight, margins are thin; a small disruption can have a major impact.”

The key is to make sure that tax does not become a disruption, which raises another difference between large and small businesses. The bigger the company, the more likely it is to have a comprehensive tax plan. “Larger, more sophisticated businesses have understood the importance of having a tax plan in addition to cash flow forecasts and a budget,” says Safar. “You should know at the beginning of the year approximately what your taxes will be for the year based on your anticipated results. When it comes to taxes, the most damage comes from surprises. That’s why you need a plan.”

Building a sustainable future



How a well-planned tax strategy can help you stay ahead

"If your plan is to grow your business, then your tax strategy has to allow you to regularly reinvest as much money as you can into your corporate structure because you'll need a lot of cash to fund growth," says Safar. "Being in long-term reinvestment mode allows you to eliminate a large chunk of your taxable income because the tax system is designed to encourage business investment. Buying equipment and property, for example, triggers tax deductions such as mortgage interest and depreciation, which help to absorb taxable income."

Building a tax plan

Start with the long range objective. Where are you going? What are you trying to accomplish? What do you want from this business? Creating a business that funds your lifestyle is different from wanting to become the next Bill Gates and is different from growing a business to pass on to the next generation, says Nadja Ibrahim, Tax Partner, PwC. "In each case, the tax plan needs to mesh with the overall long range vision of what you are striving for."

Build a framework. Based on your objective, your tax advisor should be able to create a framework that outlines shorter term objectives and action steps to get you to your long-term goal in the most tax-effective manner. "In this way, you hit your milestones, there are no surprises," says Ibrahim. "You're not worried about taxes. You're focused on your business, which is the ideal goal."

We'll create a tax plan that will help you achieve your long-term objectives in the most tax efficient manner. "We have the expertise to deal with every industry, size and complexity of company and geography," says Ibrahim. "We will put the right team in place to help you."

For more information on this subject



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