

Consolidating the Administration of the Provincial and Federal Corporate Tax Compliance and Collection

Issue

Alberta is one of two remaining jurisdictions in Canada that has not consolidated its corporate income tax with the federal government. The duplication of filing requirements imposes an additional tax compliance burden and creates unnecessary compliance risks for Alberta businesses. Currently, an Alberta corporation must file one return with the Canada Revenue Agency and another with the Alberta Tax and Revenue Administration division of Alberta Finance. It was only last year that Alberta started permitting companies to file electronically under certain circumstances – making it the last provincial jurisdiction to do so in Canada. Online filing has simplified certain tax compliance functions, but there remain nine schedules which cannot be filed electronically, resulting in added complexity since certain returns can be electronically reported while others must be mailed or faxed. From a tax compliance perspective, this continued duplication of functions, including reporting, auditing, and returns, is a source of frustration and red tape that cannot continue within the current environment of spending restraints and austerity.

Background

A competitive tax system is essential to attract and retain business investment, as well as fostering economic growth in a highly competitive global economy. Improving our tax competitiveness, including simplification of compliance, continues to be a matter of crucial importance.

Since 1962 tax collection agreements (TCAs) have provided an administrative and legislative framework for the harmonization of tax structures, while respecting provincial and federal governments' rights to impose personal and corporate income taxes.

The TCAs do not prevent the provinces from continuing to establish their own tax calculations independently of the federal tax calculations. The agreements assign responsibility to the Canada Revenue Agency (CRA) to collect provincial corporate taxes and administer provincial taxes on behalf of the provinces. In 2006, Ontario signed a memorandum of understanding with the federal government to consolidate its corporate income tax system by December 31, 2008, leaving Alberta and Quebec as the only jurisdictions without TCAs.

According to a 2006 Ontario Fiscal Review, consolidation of the corporate income tax was expected to save Ontario businesses \$90 million annually from a consolidated tax base and an additional \$100 million annually in compliance costs.⁴³ In a 2008 report, PriceWaterhouse Coopers indicated that consolidation

⁴³ Ontario Ministry of Finance. Fall Statement – 2006 Ontario Economic Outlook and Fiscal Review – Annex IV. (2006, accessed 3 January 2012); available from <http://www.fin.gov.on.ca/en/budget/fallstatement/2006/06fs-paperd.html>; Internet.

would significantly reduce the compliance burden of tax filers.⁴⁴ The benefits of moving ahead with eliminating the duplication of corporate tax collection are proven with 11 out of 13 jurisdictions in Canada taking advantage of the cost savings and compliance efficiencies it creates.

The Alberta Chamber of Commerce recommends that the Government of Alberta:

1. Work with the Government of Canada to consolidate the collection and administration of its provincial corporate income tax.

⁴⁴ PricewaterhouseCoopers. Tax Memo: Ontario Tax Harmonization: What it Means for Corporations? January 11, 2008.