

Advisory Panel on Canada's System of International Taxation
Submission
333 Laurier Avenue West, 15th Floor
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To the Advisory Panel on Canada's System of International Taxation,

Please allow me to thank you for reviewing my submission to the panel. Many citizens around the globe do not get to make submissions regarding government policy, and it is a privilege I think many Canadians do not appreciate, nor take advantage of.

I will be as brief as I can in this submission (and somewhat broad), specifically on the topic of inbound investment, so that the panel will have time to consider the many other submissions I'm sure it has received.

Inbound Investment

Historically, Canada has relied on foreign investment. Canada is a resource rich, technologically advanced society, which provides ample opportunities for investors. I would submit that the Government of Canada should aggressively encourage foreign investment, promoting Canada as a politically stable, prosperous nation. That statement even carries more weight now, due to various political and economic instabilities across the globe. Even the United States housing and credit concern has made investors pull their investment, and look to Europe and Asia for better opportunities. If Canada were ever to revert to more protectionist tax policies, it would do much more harm than good, and investors would seek out opportunities elsewhere.

Canada is viewed internationally as a highly taxed society. Due to provisions of government spending, and sparsely populated nature of our country, these taxes are necessary to support infrastructure and the health of our citizens. Unfortunately to the non-resident investor, these taxes are simply viewed as a cost. On a typical investment in a Canadian business, the investor is looking at property taxes, payroll taxes, sales tax, provincial and municipal levies and taxes, and withholding tax on income. While these monies eventually make their way to the benefit of Canadians, the foreign investor simply has to accept it as a cost. Therefore I would submit that the Government should provide for an ample amount of tax incentives to foreign investment, as a means to encourage growth and stability in this country.

Of course, we simply just can't let foreign investment enter our market, make a huge profit, and then "take the money and run", so to speak. I do believe foreign investment should be taxed, just minimally. If you will allow me, I would compare it to how Wal-Mart does business. Wal-Mart is the most successful retail chain in North America not because they charge \$30 for a chocolate bar or \$200 for a chair, but simple because of volume. They make a minimal profit on most goods, however because of the huge amount of volume they do, the minimal profit adds up to billions of dollars. I think Canada's tax system should not be all that different. Minimal tax on foreign investment, so that Canada has a high volume of foreign investment. I believe there are currently enough rules in place to keep Canada from being "foreign owned". Foreign investment creates jobs, creates tax revenue, and creates opportunities for Canadians. This creates economic prosperity, and I've been told "economic prosperity" is an easy thing for politicians to promote come election time.

Inbound investment of tax-exempt organizations

I would like to briefly touch upon inbound investment of tax-exempt organizations. I will sum up my view of tax-exempt organizations in one statement:

They should not be tax exempt.

As has been demonstrated, some tax-exempt organizations aren't the most efficient of organizational models. Some exempt organizations spend more money on internal administration than they do pursuing the mandate of their organization (I would submit MADD as an example). While their intentions may be good, which is why they were granted exempt status to begin with, I do not believe they always deliver on those intentions. I would submit Canada should not give exempt status to investment from domestic or foreign-based tax-exempt organizations only so that the monies made off those investments can be used to fund internal administration.

Corporations can not be that inefficient. They would be out of business if they were spending 70% of revenue on internal administration. Therefore the monies earned by corporations have to be spent effectively, or the corporation will cease to exist. Such a rule does not exist for tax-exempt organizations. Citizens and corporations give money to tax-exempt organizations, however, how many of those donors actually see results from their donations? I would submit very few.

I would submit some corporations do more good than some tax-exempt organizations do. I will cite as an example the oil sands in Alberta. Obviously corporations are fuelled by the fact there is a large profit to be made there. However, because of the investment of infrastructure and personnel in northern Alberta, it has created jobs, and a wealth of tax revenue for the province of Alberta. Some Canadians think that profits for corporations are bad or "evil". I do not. It encourages further development and investment. As well, those revenues are taxed, and Canadians see the

benefit of it. So why should tax-exempt organizations benefit from what corporations do not? My submission is that not all corporations are “bad” or “evil” and not all tax-exempt organizations are “good” or “pure”. Therefore I would submit that all foreign investors, tax-exempt or not, be subject to the same taxes.

With that, I conclude my submission to the panel. I thank you again for allowing me to voice my thoughts on the subject, and please feel free to contact me at any time if you have any questions. You may use this submission freely and without restriction.

In trust,

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