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# News

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## **Canada's Tax-Friendly Environment for Business Ranks Second Ahead of Largest Western Economies – KPMG Study**

*Vancouver, Montréal, and Toronto place in top five with lowest business tax costs out of 41 global cities*

Canada has the second lowest tax cost for businesses among 10 countries studied by KPMG for a special report on tax in *Competitive Alternatives 2010*, the firm's guide to international business location.

*Special Report: Focus on Tax* assesses the general tax competitiveness of 95 cities in 10 countries, focusing on 41 major cities with populations greater than 2 million, and compares the total tax burden faced by companies, including income tax, capital tax, sales tax, property tax, miscellaneous local business taxes, and statutory labour costs.

Mexico came in first in the country rankings, with Canada second and the Netherlands third, followed by Australia, the United Kingdom, the United States, Germany, Italy, Japan, and France. Canada has moved up from third place in 2008's special report on tax.

"Canada has done well in reducing both its federal and provincial corporate tax rates," says Greg Wiebe, KPMG's Managing Partner, Tax. "These changes plus the upcoming Harmonized Sales Tax (HST) in Ontario and BC contributed to Canada's improved ranking in this year's report."

**Tax Competitiveness – 2010 and 2008 Rankings by Country:**

Rank	Country	Total Tax Index 2010	2008 Rank
1	Mexico	59.9	1
2	Canada	63.9	3
3	Netherlands	76.4	2
4	Australia	80.8	4
5	United Kingdom	88.0	6
6	United States	100.0	5
7	Germany	124.1	8
8	Italy	129.6	9
9	Japan	138.0	7
10	France	181.4	10

Source: KPMG’s *Competitive Alternatives 2010, Special Report: Focus On Tax*

The report ranks 41 major international cities, with Vancouver ranking first, Montréal fourth, and Toronto fifth. The second- and third-ranked cities are located in Mexico.

The report compares the total tax cost between countries and cities using a Total Tax Index (TTI) score for each location, expressed as a percentage of total taxes paid by corporations in the US. A lower score is better since it means lower tax costs for businesses.

By this measure, Vancouver, with a score of 50.5, compares favourably with Seattle, its natural US counterpart, which scored at 92.1.

A similar advantage is shown for Toronto (67.6) and Montréal (60.3) compared to cities in the US eastern corridor, such as New York City (101.9), Philadelphia (88.9), and Boston (87.9).

Although not included on the list of 41 large international cities, other Canadian cities, such as Halifax (55.2), also compare favourably with their US counterparts, such as Bangor, Maine (84.6).

Montréal’s high rank for R&D among international cities reflects the province of Quebec’s commitment to developing its R&D sector,” says Carl Deslongchamps, Tax Business Unit Leader for KPMG’s Montréal office.

The report also compares tax costs between industries, which vary widely. In a breakdown by business sectors, Canada comes second in manufacturing with a score of 67.7, compared to 100 for the US, with Vancouver, Toronto, and Montréal placing in the top five cities. For the corporate and IT services sector, Canada ranks second behind Mexico and, again, the three major Canadian cities studied place in the top five.

Tax costs in the R&D sector vary significantly from other sectors and the overall results due to the impact of tax incentives targeted to foster R&D activity. In this industry, Canada ranks second, after Australia, and Montréal, Vancouver, and Toronto rank second, fourth, and seventh among the 41 large international cities.

“Tax policy choices by all levels of government can significantly affect Canada’s competitiveness,” says Greg Wiebe. “If our governments continue to reduce their tax rates, Canada’s advantage will be enhanced.”

KPMG’s *Competitive Alternatives 2010* report and its *Special Report: Focus on Tax* are both available at [www.competitivealternatives.com/download](http://www.competitivealternatives.com/download).

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