



News

For Immediate Release

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Vancouver Has Canada's Lowest Business Tax Costs, Placing First Out of 41 Global Cities – KPMG study

Canada's tax-friendly environment for business ranks second ahead of largest western economies

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 costs.

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.

The report ranks 41 major international cities, with Vancouver ranking first, Montréal fourth, and Toronto fifth. The second and third cities are located in Mexico. Vancouver moved up from fourth place among a similar group of 35 large international cities studied in 2008.

“Vancouver moved up in this year's report thanks to continued federal and provincial corporate tax rate cuts and the upcoming change to the Harmonized Sales Tax (HST)”, says Walter Pela, Partner-in-Charge of Tax for KPMG's Vancouver office. “Vancouver's first place ranking among international cities in terms of tax competitiveness highlights just one of the many benefits of doing business in BC. These findings come on the heels of Vancouver's recent profile on the world stage and its improved position in overall business cost competitiveness, as reported in March in our broader study *Competitive Alternatives 2010*. The city seems set to capture global attention as a good place for business.”

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.

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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) and 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). The other BC city in the report, Prince George, also scored well at 54.0.

In the country rankings, Mexico came in first, with Canada second and the Netherlands third, followed by Australia, the UK, the US, Germany, Italy, Japan, and France.

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.

Vancouver also topped the chart among the 41 cities for the corporate and IT services industries with its improved tax regime benefiting Vancouver firms in this sector, including software and video game developers, corporate regional offices, and firms managing international financial and logistics activities between Canada and Asia.

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.

“These rankings reflect our tax policies and efforts to enhance R&D incentives relative to developments elsewhere,” says Walter Pela. “Despite these good results, there’s always room for improvement across all sectors, but it’s also fair to say that around the world expectations for further tax cuts or incentives will have to be curtailed by the impact of the global economic downturn—with falling tax revenues from lower corporate profits and mounting deficits, many governments will have fewer options. Canada is in relatively better shape considering public debt levels in other parts of the world, which suggests Vancouver may be able to sustain its competitive tax advantage as other jurisdictions feel greater pressure to raise taxes.”

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

Results for Major International Cities

Rank	City	Total Tax Index
1	Vancouver, CA	50.5
2	Monterrey, MX	59.8
3	Mexico City, MX	60.0
4	Montreal, CA	60.3
5	Toronto, CA	67.6
6	The Hague, NL	76.1
7	Amsterdam, NL	76.7
8	Manchester, UK	77.4
9	Melbourne, AU	78.9
10	Baltimore, US	81.8
11	Sydney, AU	82.8
12	Minneapolis, US	86.5
13	Boston, US	87.9
14	Philadelphia, US	88.9
15	Detroit, US	90.7

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About KPMG

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