

Competitiveness in canada essay examples

[Business](#), [Company](#)



The need for increased competitiveness of Canadian firms is more imperative now as the federal and local governments report surpluses. There is need to ensure that the products of Canadian firms are competitive in the future against those from other regions which are undertaking aggressive implementation of policies to improve their manufacturing capabilities and technological advancement, of note being the United States. This need for competitiveness in Canada is mainly hindered by two factors, poor tax policies of in both federal and local government jurisdictions and the poor organization of transport logistics in the country. These two factors, if not looked into and decisive measures taken to rectify the situation, may have an adverse impact in the future on Canada's competitiveness.

Situation Analysis

Tax competitiveness in Canada has been progressing over the past few years through the reduction of corporate income and capital taxes, but this is being undercut by Canadian governments who implement tax policies which impose unequal tax burdens across assets and industries (Chen and Mintz, 2008).

Although the federal marginal effective tax rate on capital has fallen from 31.9 percent in 2007 to 29.1 percent in 2008 with expected further reductions, some provinces still have in place tax policies which levy high marginal effective tax, with a high of 34.8 percent in Manitoba. Also, in many of the provinces, there is an increasing variation of tax burdens on business activities. There is also a policy of having in place tax policies which support declining industries at the expense of industries which will be important to the industrial future of the country (Chen and Mintz, 2008).

Economic Analysis

The reduction in corporate and individual income taxes in the provinces will ultimately result in a reduced effective marginal tax rate for Canada. Lower effective marginal tax rates are bound to increase the attractiveness of doing business in Canada by investors, and increased investment in the provinces will result not only in the relative incomes by the provinces, but also in increased labour income to the residents. Though initially the need for the lowered rates of taxes on investment may seem to have more upsides, this analysis indicates that both the provincial governments and the federal governments stand to gain more if such policies are implemented. The benefits of lowering the tax rates far outweigh the costs that may be associated with such a move.

Risk analysis

Option analysis

The available options are reduction in corporate tax rates, the removal of targeted preferences for specific industries, sales tax harmonization by provinces with the federal GST and further reductions in personal income taxes to relieve the tax burden on labour income.

Assessment of proposal and personal recommendations

The proposal is rather exhaustive on the tax policies taken by various provincial governments and the effect of the tax policies currently on the future economic growth prospects. However, since different regions are faced with different scenarios regarding the economic environment, and thus the recommendation for a harmonization of provincial corporate tax rates

may not be viable. Each province should be instead encouraged to implement reduction strategies to the lowest point where it is possible for each particular case. I would also recommend federal intervention to ensure that preferential treatment of some industries on tax are done away with, with federal legislation dealing with green energy policies that cut across all industries so that it is no longer used as a basis to seek preferential tax treatment.

Bibliography

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