

---

# ***Total Tax Contribution Surveying the Canadian Council of Chief Executives***

*April 2014*



<http://www.pwc.com/ca/en/tax>

---

### ***About the Canadian Council of Chief Executives***

The Canadian Council of Chief Executives (CCCE) is a not-for-profit, non-partisan organization composed of the CEOs of Canada's leading enterprises. The CCCE engages in an active program of public policy research, consultation and advocacy. The CCCE is a source of thoughtful, informed comment from a business point of view on issues of national importance to the economic and social fabric of Canada.

CCCE members represent all sectors of the Canadian economy. The companies they lead collectively administer \$4.5 trillion in assets, have annual revenues in excess of \$850 billion, and are responsible for the vast majority of Canada's exports, investment, research and development, and training. For a list of CCCE members, see Appendix IV.

### ***About PwC***

PwC Canada helps organizations and individuals create the value they're looking for. Our 5,700 partners and staff in offices across the country are committed to delivering quality in assurance, tax, consulting and deals services. PwC Canada is a member of the PwC network of firms with more than 184,000 people in 157 countries. Find out more by visiting us at [www.pwc.com/ca](http://www.pwc.com/ca).

---

# Contents

---

Preface	5
At a glance - the survey findings	6
Executive summary	8
Background and participation	10
Total Tax Contribution of large companies in Canada	11
<hr/>	
Table 1 - Total Tax Contribution reported by participants	11
Figure 2 - Taxes borne by participants	12
Figure 3 - Taxes collected by participants	13
Figure 4 - Total Tax Contribution by percentage	14
<hr/>	
Complexity of the tax system in Canada	15
<hr/>	
Table 5 - Taxes borne and number of taxes by levels of government	15
Table 6 - Taxes collected and number of taxes by levels of government	15
Figure 7 - Total Tax Contribution compared to number of taxes by levels of government	16
Table 8 - The compliance costs by different taxes	17
Figure 9 - Tax revenue vs. compliance cost by participants	18
Table 10 - Correlation between tax revenue and compliance cost	18
<hr/>	
Putting the tax payments in context	19
<hr/>	
Table 11 - Total Tax Rate for participants	20
Figure 12 - Taxes borne and collected as a percentage of value distributed	21
Table 13 - Employment data by participants	22
<hr/>	
Appendices	23
<hr/>	
Appendix I - Taxes borne and Other payments to government reported by participants	24
Appendix II - Taxes collected reported by participants	27
Appendix III - Glossary	28
Appendix IV - Membership of the CCCE at the time of the survey	30
PwC contacts	32





---

# Preface

Welcome to the Total Tax Contribution survey for the Canadian Council of Chief Executives. In recent months, there has been great public interest in how much tax large companies pay and whether companies are paying “the right amount” of tax in Canada. Transparency around tax policy and tax payments is receiving greater attention from a range of stakeholders, including civil society organizations, media, the public and government. The focus of this attention has primarily been on the corporate income tax contribution made by companies. However, corporate income tax is only a component of the contributions made by Canadian companies to public finances.

The Total Tax Contribution survey takes into account not only corporate income tax, but all taxes borne and collected by a company. The survey provides an analysis of tax data for sixty-three member companies of the CCCE and highlights the contribution made by these companies to Canadian public finances. It also provides valuable insights into the complexity of the Canadian tax system.

Over the last few years the world has experienced an extraordinary financial and economic upheaval. As Canada seeks to re-establish strong economic growth, it is vital that business and government at all levels work together to create investment and employment opportunities. This can be achieved by making Canada one of the most competitive places in the world for business with a tax system that is both predictable and internationally competitive.

This survey analyses the cash payments made by CCCE members to all levels of government in Canada. The report finds that the sixty-three CCCE members surveyed are significant taxpayers, responsible for a Total Tax Contribution of \$40.6 billion in 2012. In fact, these sixty-three members were responsible for 17% of Canadian federal corporate income tax revenue in 2012.

There are many other taxes - other than profit taxes - that companies pay to the federal, provincial and municipal levels of government, regardless of corporate profitability. These other taxes are substantial: for every \$1 of corporate income tax paid, businesses surveyed paid an additional \$0.94 of other business taxes and \$0.59 of other payments to government. Taking into account the corporate income tax and other business taxes, the survey finds that CCCE members have an average Total Tax Rate of 33.4%.

The survey results show that there are numerous taxes at all levels of government that create a costly administrative burden for corporations (so-called tax red tape). On average, survey participants have 22 full time employees working on compliance. PwC’s economic analysis in the report *Paying Taxes 2013* showed that reducing the complexity in tax administration is important for governments when considering how best to stimulate and sustain economic growth.

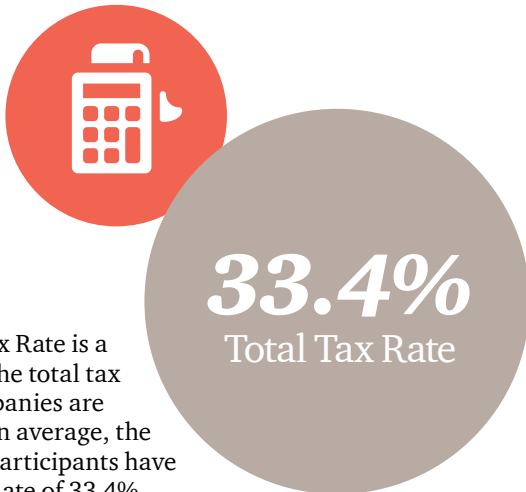
This survey provides robust information and data on the tax contributions made by large businesses and helps to inform the dialogue around corporate tax policy and we thank the CCCE member companies for their participation in the survey.

Lincoln Schreiner  
PwC Canada

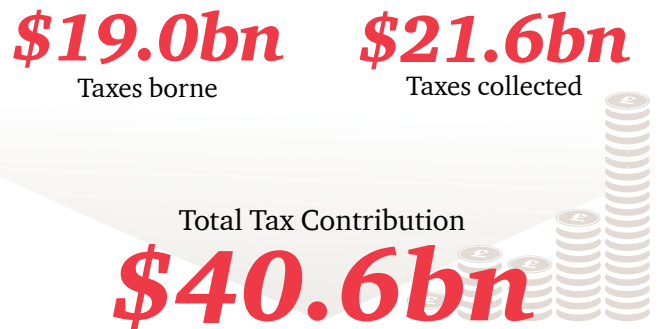
Andrew Packman  
PwC UK

# At a glance

## The survey<sup>1</sup> findings

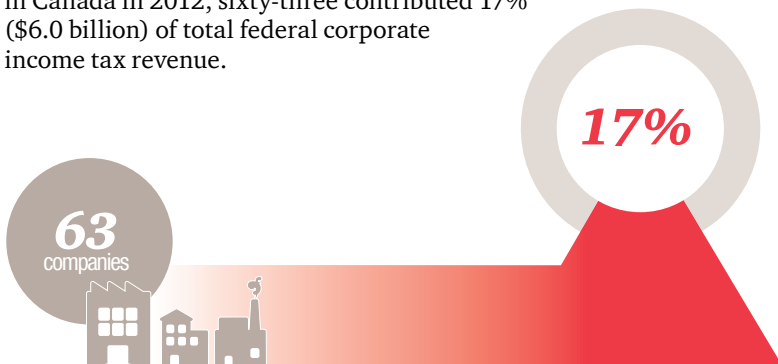


The Total Tax Rate is a measure of the total tax burden companies are subject to. On average, the sixty-three participants have a Total Tax Rate of 33.4%.

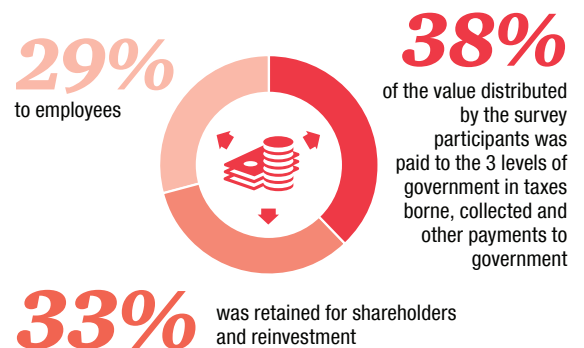


Survey participants made a Total Tax Contribution of \$40.6bn consisting of \$19.0bn in taxes borne and \$21.6bn in taxes collected, and another \$5.7bn in other payments to government. This underlines the importance of these companies to Canadian public finances.

Sixty-three companies made a significant contribution to federal revenues. Of over 1 million<sup>3</sup> tax paying employer businesses in Canada in 2012, sixty-three contributed 17% (\$6.0 billion) of total federal corporate income tax revenue.



Three levels of government are the largest beneficiaries of the value distributed<sup>2</sup> by the survey participants.



<sup>1</sup> The survey follows the PwC Total Tax Contribution framework. Taxes borne are a cost of business and affect financial results. Taxes collected are not a direct cost of the business, but collected on behalf of government from others.

<sup>2</sup> The value distribution is a measure of the value distributed by the company to 3 stakeholders: (a) net wages to employees; (b) taxes borne and collected and paid to all 3 levels of government; and (c) profits retained in the business for dividends and reinvestment.

<sup>3</sup> Key Small Business Statistics, August 2013.



### Compliance costs

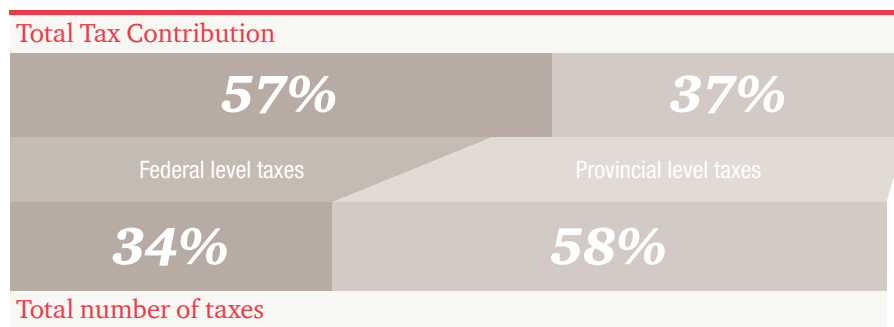
# \$4.5m

Compliance costs impose a burden on survey participants. On average, the sixty-three companies spent \$4.5 million and employed twenty-two full time employees to comply with Canadian taxes.



**twenty-two** full time employees

Federal taxes are responsible for 57% of the Total Tax Contribution of the companies surveyed. In total, this federal tax revenue was collected on 18 different taxes, representing 34% of the total number of taxes paid by participants. At the provincial level, 37% of the Total Tax Contribution was collected on 30 different taxes, representing 58% of the total number of taxes paid by participants. This means that the federal government collects more revenue from fewer taxes than provincial governments.



Corporate income tax is not the only tax cost for the survey participants. For every \$1 of corporate income tax paid, the survey participants paid a further \$0.94 of other business taxes, and an additional \$0.59 in other payments to government. For every \$1 of corporate income tax paid by the participants, there is another \$2.21 in taxes collected.



Sixty-three companies in the Canadian Council of Chief Executives provided data on their Total Tax Contribution, showing strong support for the survey.



# 0.8m \$65k \$22k

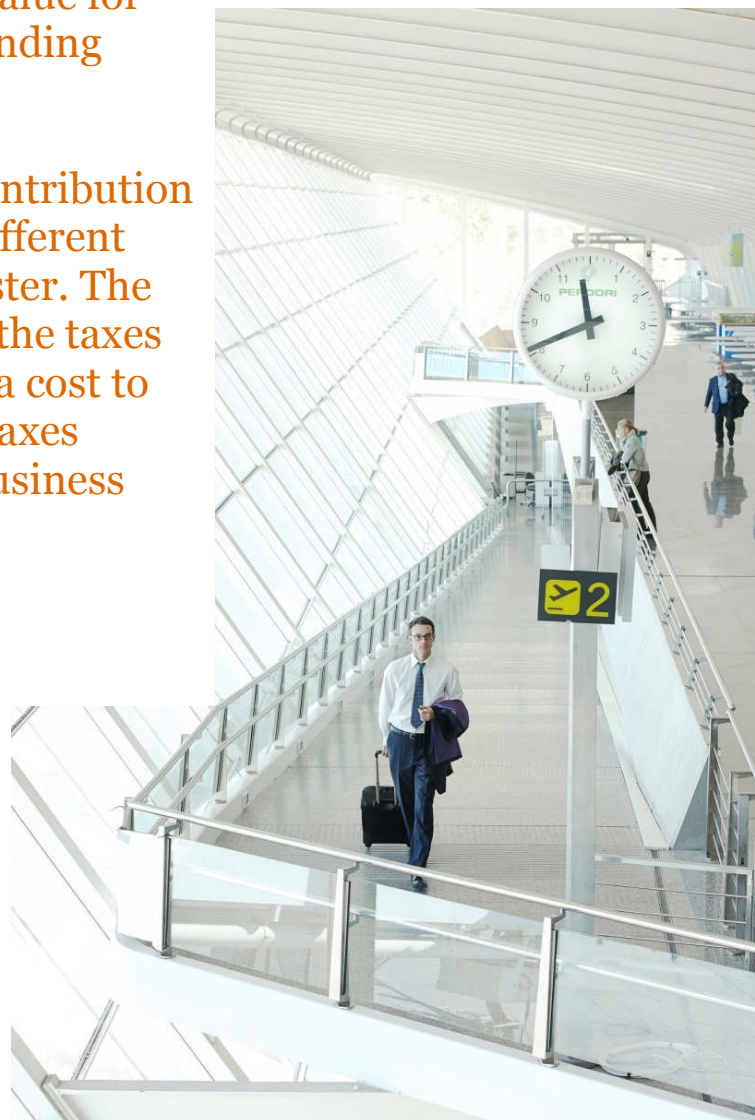
Survey participants are an important source of well paid jobs in Canada. They provided employment to 759,276 people and paid an average wage of \$64,781. They also contributed an average of \$22,180 in employment taxes per employee.

# *Executive Summary*

The purpose of the survey is to show the tax contribution of large businesses to public finances in Canada and provide insight into the complexity of the tax system.

The Total Tax Contribution survey of CCCE members has attracted a large number of participants. Sixty-three companies took part in the survey, providing data on their largest Canadian taxes borne and collected in the accounting year to 31 December 2012. The high participation level demonstrates the value for companies in preparing and understanding their TTC data.

The survey uses the PwC Total Tax Contribution methodology, which looks at all the different taxes that companies pay and administer. The Total Tax Contribution includes both the taxes borne by a company (taxes which are a cost to the business) and taxes they collect. Taxes collected are not a direct cost of the business but are administered on behalf of the government.





---

## ***The Total Tax Contribution***

Sixty-three participants made a significant contribution to the Canadian economy. They contributed \$40.6bn to all levels of government, comprising of \$19.0bn in taxes borne and \$21.6bn in taxes collected. The participants also paid an additional \$5.7bn in other payments to government. Corporate income tax is the largest tax paid by the participants. In 2012, these companies paid a total of \$6.0bn in federal corporate income tax or 17.0% of federal corporate income tax receipts.

The survey collected data on sixty-four Canadian taxes and other payments to government. On average, for every \$1 of corporate income tax paid, there was another \$0.94 in other taxes borne such as employment taxes paid by the employer, unrecoverable sales taxes (GST, HST, QST, PST) paid on business inputs, and property taxes paid on property, \$0.59 in other payments to government, and \$2.21 in taxes collected such as people taxes collected from employees.

People taxes are the largest element of the Total Tax Contribution by percentage for the participants, accounting for 41.5% in the survey. This is followed by product taxes of 26.2%, and profit taxes of 25.5%.

## ***The complexity of the tax system***

A good tax system raises revenue to fund public expenditure and at the same time minimizes the administrative burden on business. The federal tax system collects over half of the tax revenue from only a third of the number of taxes for the survey participants. The sixty-three companies contributed \$23.0bn in Total Tax Contribution (including \$8.9bn of taxes borne and \$14.1bn of taxes collected) to the federal government in 2012.

The survey also collected data on the cost of complying with the tax legislation. Tax compliance activities include preparing tax figures, completing and filing tax returns and paying taxes. On average, participants have twenty-two full time equivalent employees working on Canadian tax compliance. For all taxes, the cost on average is 0.9% of their taxes borne, effectively representing an additional cost of doing business.

## ***Putting the Total Tax Contribution data in context***

The average Total Tax Rate (TTR) for the sixty-three companies in the survey is 33.4%. The Total Tax Rate measures the cost of all the different taxes borne against profitability.

Government takes the largest share of the total value distributed by the sixty-three study participants in the Total Tax Contribution survey. The companies paid 38% of their value distributed to government in the form of taxes borne, taxes collected and other payments to government, 33% went to shareholders or was retained for reinvestment, and 29% went to employees.

The companies taking part in the survey are large Canadian employers. Employment is a major way in which companies contribute to the economy. They employed 759,276 employees<sup>4</sup> in 2012 with total employment taxes borne and collected of \$16.8bn. The jobs that the participants created, and the employment taxes that were paid in respect of those jobs, are an important part of their contribution to the economy.

The survey participants employ skilled, well paid workers. They paid an average wage of \$64,781 and employment taxes of \$22,180 per employee. This is a measure of the taxes directly generated through jobs created by these large employers.

---

<sup>4</sup> The employment data was based on the total number of employee T4 slips issued by the sixty-three participant companies.

---

# *Background and participation*

The survey uses the PwC Total Tax Contribution methodology, which looks at all the different taxes that companies pay and administer, including employment taxes, sales taxes (GST, HST, QST, PST), and other taxes, as well as corporate income tax. The Total Tax Contribution includes both taxes borne by a company and taxes they collect and administer on behalf of the government. By looking at all tax payments, Total Tax Contribution provides a measure of the participants' contribution to Canadian public finances.

The survey looks at the Total Tax Contribution of large companies in Canada for the year to 31 December 2012<sup>5</sup>, and was carried out for the CCCE. The purpose of the survey is to estimate the contribution of large businesses to tax revenues in Canada, and also to provide insights into the complexity of the tax system in Canada.

Taxes borne are a cost to companies and affect their financial results. They include federal and provincial corporate income tax, irrecoverable sales taxes and property taxes. Taxes borne are a direct contribution that companies pay to government. Taxes collected are those which are generated by a company's operations but which do not impact on the financial results; the activities of a company give rise to its obligation to collect taxes.

The survey was designed to collect data on the largest taxes in Canada rather than an in-depth study covering all taxes. This approach reduced the burden on business compiling the data and, as a result, a high level of participation was achieved.

The analysis is based on data provided by sixty-three members of the CCCE on their main Canadian tax payments. These members covered a wide range of industries in Canada, including retail, banks, insurance, telecommunications and extractive industries. The participants represent a good mixture of listed and private owned businesses. Of the sixty-three participants, thirty-nine were listed on the Toronto Stock Exchange and twenty-four were Canadian-owned private businesses, partnerships or income trusts. This survey collected data for 40% of the entire CCCE membership by number, representing 57% market capitalisation of the listed members.

The survey results provide information which would not otherwise be in the public domain, as this is not information the companies are required to disclose in their financial reports. PwC has anonymised and aggregated the data provided by the participants to produce the survey results. PwC has not verified, validated, or audited the data and cannot therefore give any undertaking as to the accuracy of the survey results.

---

<sup>5</sup> Sixty-three companies participated in the 2012 survey providing data on their tax payments in their accounting year ending in the 2012 calendar year. For the majority (80%), this was their December 2012 year end.

# Total Tax Contribution of large companies in Canada

The sixty-three members of the CCCE that participated in the survey made a large contribution to Canadian public finances.

In total, these companies paid taxes borne of \$19.0bn and taxes collected of \$21.6bn, making a Total Tax Contribution of \$40.6bn.

In addition, the companies made another \$5.7bn in other payments to government. Further details of these payments are shown in Appendices I and II. Federal corporate income tax for the survey participants was \$6.0bn in 2012, which represents 17% of total federal government corporate income tax revenue<sup>6</sup> in Canada. Table 1 summarizes the figures reported by survey participants.

**Table 1 - Total Tax Contribution reported by participants**

Survey participants	\$ (in millions)
<b>Corporate Income Tax Borne</b>	
• Federal Corporate Income Tax	5,961
• Provincial Corporate Income Tax	3,812
<b>Total Corporate Income Tax Borne</b>	<b>9,773</b>
<b>Other Taxes Borne</b>	<b>9,232</b>
<b>Total Taxes Borne</b>	<b>19,005</b>
<b>Total Taxes Collected</b>	<b>21,570</b>
<b>Total Tax Contribution</b>	<b>40,575</b>
<b>Total Other Payments to Government</b>	<b>5,729</b>

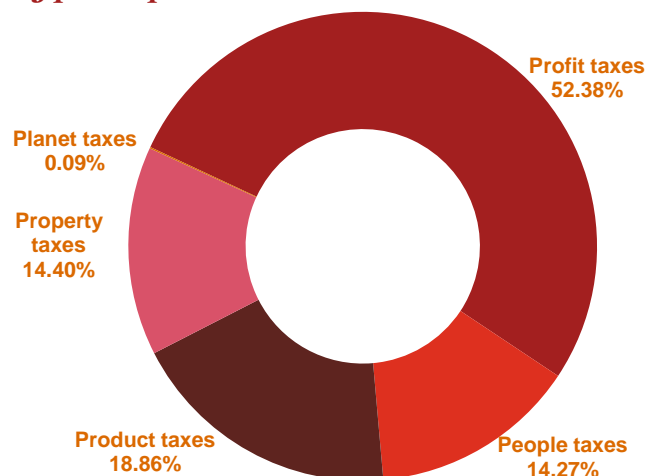
PwC Total Tax Contribution methodology makes a distinction between taxes borne and other payments to government. A tax borne is a compulsory payment to central or local government which does not result in a specific return of value to the company for a right or asset used in the business. This is in line with the definition set by the OECD principles. Other payments to government reflect the fact that value has been received by the company for the payment made such as the right to extract natural resources or use a portion of the radio frequency spectrum.

<sup>6</sup> Annual Financial Report of the Government of Canada (Fiscal Year 2012-2013), Public Accounts of Canada 2013.

## Taxes borne

Figure 2 shows the profile of taxes borne for the sixty-three participants.

**Figure 2 - Taxes borne by participants**



The profile refers to five categories of taxes under the PwC Total Tax Contribution<sup>7</sup> framework, including Profit taxes (taxes levied on income, profits or capital gains), People taxes (all taxes and social contributions in relation to the employment of staff), Product taxes (taxes and duties levied on the production, sale or use of goods and services), Property taxes (taxes levied on the acquisition, disposal, ownership or use of tangible and intangible property) and Planet taxes (taxes and duties levied on the supply, use or consumption of goods or services which are potentially harmful to the environment). Please refer to Appendix III - Glossary for further details.

Profit taxes are the largest taxes borne, accounting for 52.4% of the total.

However, corporate income tax is not the only tax cost for the participants. For every \$1 of corporate income tax paid, participants paid a further \$0.94 of other business taxes yet there is usually little visibility of these other non-profit based business taxes.

Product taxes are the next largest tax borne, at 18.9% of the total. Irrecoverable sales taxes impact the financial services sector (bank and insurance companies) more than others and therefore are a major cost for these companies. Please see Appendix I for a detailed list of taxes borne included in the survey.

Property taxes and the employer's portion of employment taxes are also a large cost to the participants, at 14.4% and 14.3% of the total, highlighting that these companies occupy large business premises and they are also large Canadian employers.

Aside from the taxes borne, the participants also paid \$5.7bn in other payments to government, comprising largely of license fees and royalties for extractive industries. For every \$1 of corporate income tax paid, participants paid an additional \$0.59 in other payments to government.

**Taxes borne are a direct cost to these companies and have an impact on their financial results. Apart from corporate income tax, many taxes are “above the profit before tax line” and not separately disclosed in financial statements.**

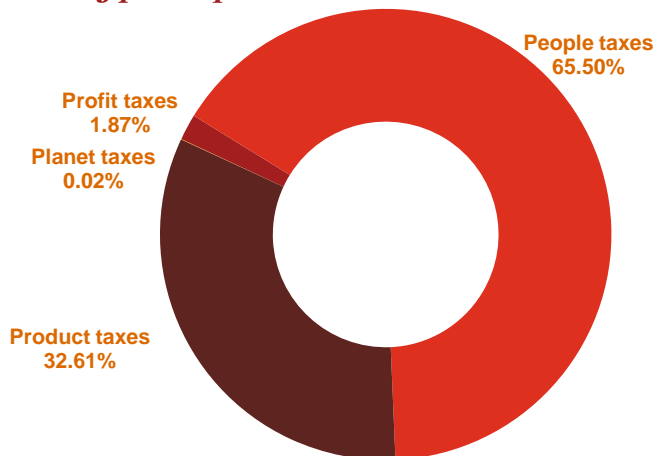
<sup>7</sup> <http://www.pwc.co.uk/tax/total-tax-contributions.jhtml>



### ***Taxes collected***

Figure 3 shows the profile of taxes collected for the sixty-three participants providing data.

***Figure 3 - Taxes collected by participants***



The figures for taxes collected are larger than taxes borne and represent a significant compliance burden for large Canadian businesses. For \$1 of corporate income tax paid by survey participants, there is another \$2.21 in taxes collected.

People taxes are the largest portion of taxes collected, at 65.5% of the total. This comprises combined federal and provincial employment taxes withheld from employees and remitted.

The members of the CCCE also play a significant role in administering taxes collected on behalf of the Canadian government.

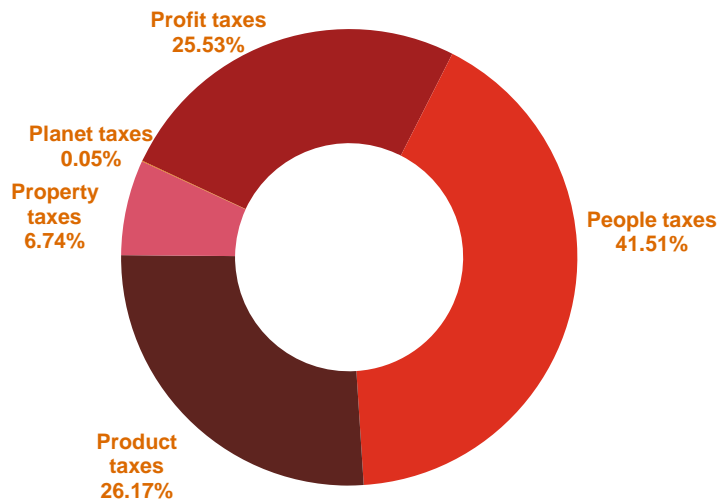
**Taxes collected from employees and customers are not a direct cost to the companies, but there is a cost of administration. The companies are responsible for administering these taxes and paying the amounts collected over to the government, and we are therefore able to measure the cash contribution to Canadian tax revenue.**

---

### **Total Tax Contribution**

Figure 4 combines the figures for taxes borne and taxes collected to show the Total Tax Contribution profile.

**Figure 4 - Total Tax Contribution by percentage**



Employment by the participants generates the largest amounts of tax paid into public finances. People taxes borne and collected are (41.5%) of the Total Tax Contribution.

# Complexity of the tax system in Canada

## Looking at federal, provincial and municipal levels of tax and the time and cost of compliance

As well as the amount of tax paid, the complexity of the tax system and the cost of compliance have an impact on the competitiveness of a tax regime. The survey collected data by levels of tax (federal, provincial, and municipal) to provide insight into the complexity of the tax system.

### Taxes by levels of government

Table 5 shows the total taxes borne at the federal, provincial and municipal levels of government. Federal tax is the largest tax borne for the sixty-three participants, accounting for 47% of the total taxes borne and representing 4.3% of the total Canadian federal government receipts<sup>8</sup> for the year 2012/2013. This is followed by provincial tax, at 40% of the total taxes borne and municipal tax at 13%.

**Table 5 - Taxes borne and number of taxes by levels of government**

Survey participants	Total \$ (in millions)	Federal	Provincial	Municipal
Total Corporate Income Tax	9,773	5,961	3,812	0
Total Other Taxes Borne	9,232	3,032	3,692	2,508
<b>Total Taxes Borne</b>	<b>19,005</b>	<b>8,993</b>	<b>7,504</b>	<b>2,508</b>
<b>% of the Total Taxes Borne</b>	<b>100%</b>	<b>47%</b>	<b>40%</b>	<b>13%</b>
<b>Number of taxes<sup>9</sup></b>	<b>40</b>	<b>13</b>	<b>23</b>	<b>4</b>

Table 6 shows total taxes collected at the federal, provincial and municipal levels of government. This shows a similar picture to the taxes borne, where federal tax is the largest tax collected for the sixty-three participants, accounting for 65% of the total taxes collected and 6.7% of total Canadian federal government revenue. This is followed by provincial tax, at 35%.

**Table 6 - Taxes collected and number of taxes by levels of government**

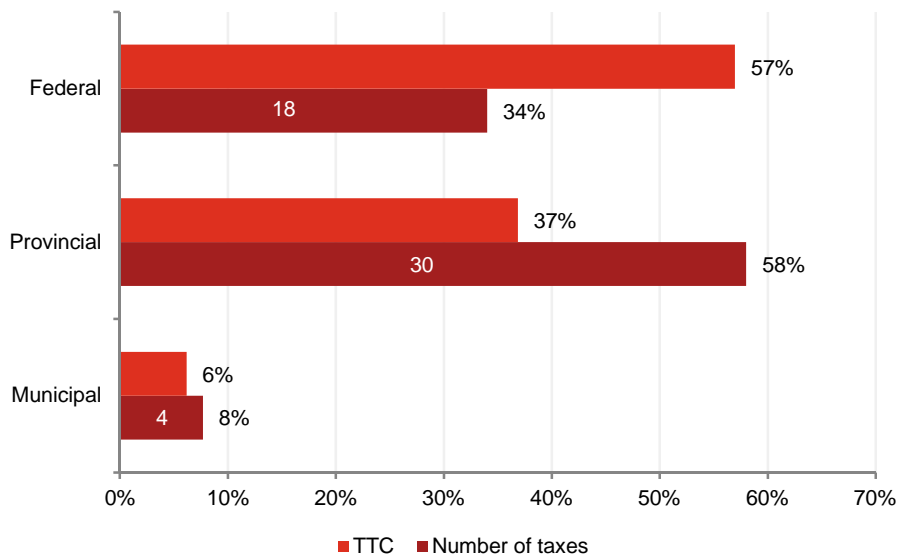
Survey participants	Total \$ (in millions)	Federal	Provincial	Municipal
Total Taxes Collected	21,570	14,121	7,449	0
<b>% of the Total Taxes Collected</b>	<b>100%</b>	<b>65%</b>	<b>35%</b>	<b>0%</b>
<b>Number of taxes<sup>9</sup></b>	<b>12</b>	<b>5</b>	<b>7</b>	<b>0</b>

<sup>8</sup> Annual Financial Report of the Government of Canada (Fiscal Year 2012-2013), Public Accounts of Canada 2013.

<sup>9</sup> Number is not in millions.

Figure 7 shows the Total Tax Contribution at the federal, provincial and municipal levels of government and the number of taxes required to generate this level of contribution for the survey participants.

**Figure 7 - Total Tax Contribution compared to number of taxes by levels of government**



57% of the Total Tax Contribution of participants was paid at the federal level, equivalent to 11.0% of total Canadian federal government federal tax receipts<sup>10</sup>. The survey included eighteen different federal taxes, 34% of the total number of taxes included in the survey.

In contrast, the government collected 43% of the Total Tax Contribution from thirty-four different taxes at the provincial and municipal levels, equivalent to 66% of the total number of taxes in the survey.

A good tax system raises revenue to fund public expenditure and at the same time minimizes the administrative burden on businesses. Figure 7 demonstrates that the federal tax system collects over half of the tax revenue from only a third of the number of taxes for the survey participants.

The largest share of other payments to government for the survey participants was made to the provincial level of government in Canada.

The Canadian tax system is complex and costly for business to comply with, mainly due to the complexity of Canadian tax legislation, the number of taxes companies are subject to and the multi-jurisdictional tax system.

<sup>10</sup> Annual Financial Report of the Government of Canada (Fiscal Year 2012-2013), Public Accounts of Canada 2013.



## Compliance costs

The survey asked for details of costs companies incurred in complying with tax legislation. Tax compliance activities include preparing tax figures, completing and filing tax returns and paying taxes. Participants provided data on the estimated amount of time spent on tax compliance and on fees paid to internal and external providers for all tax compliance services, including taxes borne, taxes collected and other payments to government. Internal cost refers to the total salary based on an estimated number of full-time employees dealing with each tax. External cost refers to the estimated external tax consultant costs incurred in dealing with each tax. The figures are estimates only. Table 8 shows different types of compliance costs reported by the survey participants.

**Table 8 - The compliance costs by different taxes**

<b>\$ (in thousands)</b>	<b>Average estimated internal cost per company</b>	<b>Average estimated external cost per company</b>	<b>Average total compliance cost per company</b>	<b>% of Total compliance cost per company</b>
<b>Income tax compliance</b>	976	589	1,565	35%
<b>Sales tax (GST, HST, QST, PST) compliance</b>	342	175	517	11%
<b>Employment tax compliance</b>	318	659	977	21%
<b>Property tax and business license compliance</b>	237	151	388	9%
<b>Other taxes compliance</b>	543	550	1,093	24%
<b>Total</b>	<b>2,416</b>	<b>2,124</b>	<b>4,540</b>	<b>100%</b>

For every participant, the cost of compliance for all taxes on average in 2012 was 0.9% of the total taxes borne<sup>11</sup>, effectively representing an additional tax burden on these companies.

**“On average, participants employ twenty-two full time employees and spend \$4.5m to comply with all tax legislation and compliance activities in Canada.”**

Figure 9 shows the Total Tax Contribution and other payments to government<sup>12</sup> by taxes compared to compliance cost by taxes. Employment taxes contributed 33% to the total contribution but represented only a fifth (21%) of the total compliance cost, showing that employment taxes are a relatively straightforward type of tax to administer. In contrast, corporate income tax contributed 26% of the Total Tax Contribution and cost participants more than a third (35%) of the total compliance cost. For property taxes and sales taxes, the revenue costs are more equally balanced.

<sup>11</sup> Comparison was only made for companies providing both compliance cost and relevant tax data.

<sup>12</sup> Including other payments to government and showing the corporate income tax separately.

**Figure 9 - Tax revenue vs. compliance cost by participants**

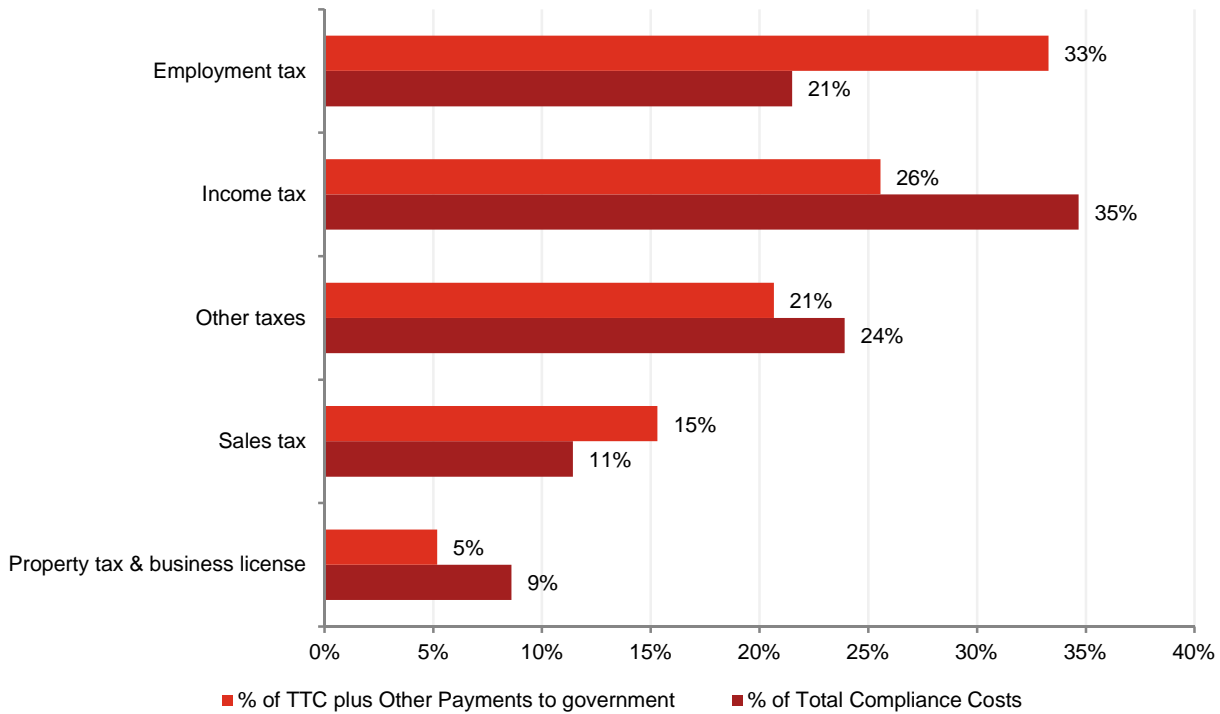


Figure 9 includes data of companies providing both compliance costs and tax data.

Table 10 shows the total tax revenue raised for every \$1 in tax compliance costs incurred by the survey participants. For every \$1 participants spent on tax compliance, companies contributed \$229 in tax revenue to the Canadian federal government.

Participants raised most tax revenue from employment taxes. For every \$1 of compliance costs, companies contributed \$483 in employment tax revenue and \$115 in corporate income tax revenue.

**Table 10 - Correlation between tax revenue and compliance cost**

Revenue raised from \$	Per \$1 of total compliance cost incurred	Per \$1 of internal cost incurred	Per \$1 of external cost incurred
Income taxes	115	38	77
Sales taxes	240	50	189
Employment taxes	483	207	276
Property tax and business license	187	57	131
Other taxes	389	106	283
<b>Total average</b>	<b>229</b>	<b>73</b>	<b>156</b>

PwC’s economic analysis in the Paying Taxes 2013<sup>13</sup> showed that reducing the administrative burden on business appeared to be linked with economic growth more strongly than cutting tax rates. Reducing the complexity in tax administration, that is the number of tax payments and the time and cost taken to deal with tax matters is important for governments when considering how best to stimulate and sustain economic growth.

<sup>13</sup> <http://www.pwc.com/gx/en/paying-taxes/assets/pwc-paying-taxes-2013-full-report.pdf>

---

# *Putting the tax payments in context*

*Of profits, employees, wages and value distributed*

The Total Tax Rate is a measure of the burden of tax on companies. The survey finds that on average, the sixty-three survey participants have a Total Tax Rate of 33.4% (35.5% including other payments to government).



## Total Tax Rate

The Total Tax Rate is a measure of the cost of taxes borne in relation to profitability. The calculation is total taxes borne (corporate income tax plus all other taxes borne) as a percentage of profit before all those taxes borne. Taxes borne that are deductible in calculating the profit before corporate income tax are added back to arrive at a profit before total taxes borne. For the purpose of comparison, we also calculated Total Tax Rate including other payments to government in a separate calculation. Taxes collected are not included in the Total Tax Rate calculation.

**Table 11 - Total Tax Rate for participants**

Total Tax Rate	Percentage
Overall average TTR <sup>14</sup>	31.72%
Mean average TTR <sup>15</sup>	33.40%
Median average TTR <sup>16</sup>	27.60%

An example of the Total Tax Rate calculation is illustrated as follows.

### Assumptions:

1. Profit before total taxes borne \$40
2. Book-to-tax adjustments (\$10)
3. Statutory corporate income tax rate 25%
4. For every \$1 of corporate income tax paid, there is another \$1 of other business taxes paid.
5. Other payments to government are not considered in the illustration.

Items	\$	Reference
Profit before total taxes borne	40	(A)
Other business taxes borne	6	(B)
Profit before income tax	34	(C) = (A)-(B)
Book-to-tax adjustments	-10	(D)
Taxable profit	24	(E) = (C)+(D)
Statutory corporate income tax rate	25%	(F)
Corporate income tax	6	(G) = (E)*(F)
Total taxes borne	12	(H) = (B)+(G)
Total Tax Rate	30%	(I) = (H)/(A)

<sup>14</sup> The overall average is calculated as a single sum for all participants.

<sup>15</sup> The mean average is calculated by adding all the individual company results and dividing by the number of those participants. This measure gives equal weight to all companies.

<sup>16</sup> The median average is the middle value of the individual company results ordered from lowest to highest, i.e. the middle observation.

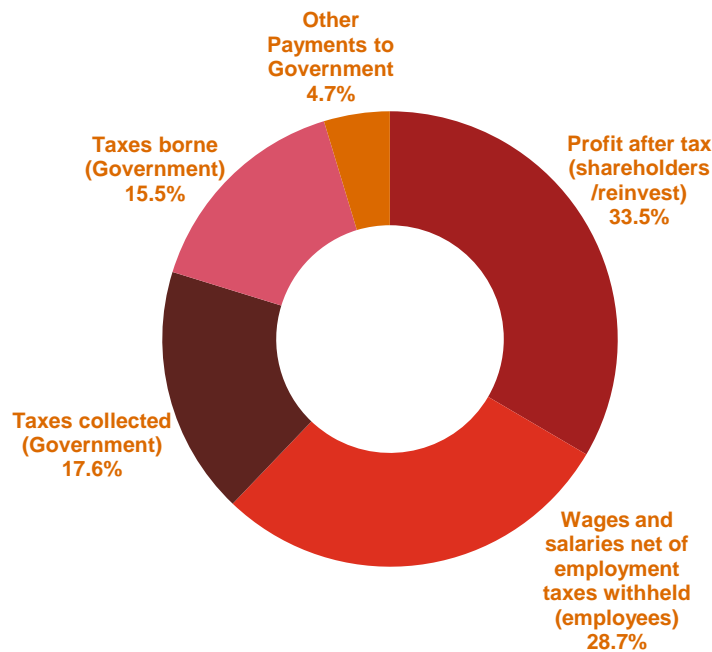


## Value Distributed

In addition to Canadian taxes borne and collected, the survey participants also provided data on other aspects of their Canadian economic activity, including wages and salaries paid to employees, and profit after taxes (amount retained in the company for reinvestment and distribution to their shareholders). We can show the amounts paid to government compared to the value distributed to employees and shareholders.

Figure 12 shows that 38% of value distributed by survey participants is paid to government (in taxes borne, taxes collected and other payments to government), 33% is paid to shareholders or retained for reinvestment, and 29% is paid to employees (wages and salaries net of employment taxes).

**Figure 12 - Taxes borne and collected as a percentage of value distributed**



## Employment

Employment is an important way in which the participants contribute to the Canadian economy and the sixty-three members of the CCCE are an important source of well paid jobs in Canada. They provide employment to 759,276 people, and pay an average annual wage of \$64,781<sup>17</sup>, well above the Canadian national wage of \$58,328<sup>18</sup>. For every person employed, the participants contributed an average of \$22,180 in employment taxes<sup>19</sup> to public finances in 2012.

Table 13 shows employment taxes for survey participants totalled \$16.8bn. This comprises the employment taxes borne of \$2.7bn and employment taxes collected of \$14.1bn.

**Table 13 - Employment data by participants**

Survey participants	\$ (in millions)
Total number of employees <sup>20</sup>	759,276
Gross employment income	49,187
Average wages per employee <sup>20</sup>	<b>64,781</b>
Employment taxes borne	2,712
Employment taxes collected	14,129
Total employment taxes borne and collected	<b>16,841</b>
Employment taxes borne and collected per employee <sup>20</sup>	<b>22,180</b>

<sup>17</sup> The average wage per employee was calculated by using total wages & salaries paid divided by the total number of employee T4 slips issued by the sixty-three participant companies. There are different methods of calculating average wage per employee. One of the methods is to calculate the ratio for each company and average by company. Using this method the average was \$83,698, the median average was \$71,375, and the range of results was \$19,476 to \$253,003.

<sup>18</sup> Source: OECD [http://stats.oecd.org/Index.aspx?DataSetCode=AV\\_AN\\_WAGE](http://stats.oecd.org/Index.aspx?DataSetCode=AV_AN_WAGE)

<sup>19</sup> The average employment taxes contribution per employee was calculated by using total employment taxes borne and collected divided by the total number of employee T4 slips issued by the sixty-three participant companies. There are different methods of calculating average employment taxes per employee. One of the methods is to calculate the ration for each company and average by company. Using this method the average employment taxes borne and collected per employee was \$28,493, the median average was \$23,845, and the range of results was \$5,040 to \$72,788.

<sup>20</sup> Number is not in millions.

---

# *Appendices*

## Appendix I - Taxes borne and Other payments to government reported by participants

TAXES BORNE	\$ (in thousands)
<b>Profit Taxes</b>	<b>9,954,306</b>
<b>Corporate Income Tax</b> Federal Corporate Taxes <ul style="list-style-type: none"> <li>• Federal Corporate Income Tax</li> <li>• Tax on taxable dividends received by a private corporation</li> <li>• Tax on dividends on certain preferred shares received</li> <li>• Tax on dividends paid on taxable preferred shares</li> </ul> Provincial Corporate Taxes <ul style="list-style-type: none"> <li>• Agreeing Provinces (included in Federal T2, other than Alberta and Quebec)</li> <li>• Alberta Provincial Tax</li> <li>• Quebec Provincial Tax</li> </ul>	<b>9,772,891</b>
<b>Profit Taxes from the specific sector</b> <ul style="list-style-type: none"> <li>• Tax on Investment Income of Life Insurers</li> <li>• Capital Tax on Insurance Companies &amp; Financial Institutions</li> <li>• Provincial Capital Tax paid by Insurance Companies &amp; Financial Institutions</li> <li>• Provincial Logging Tax</li> </ul>	<b>181,415</b>
<b>People Taxes</b> <ul style="list-style-type: none"> <li>• CPP Contributions Paid by the Business</li> <li>• QPP Contributions Paid by the Business</li> <li>• Employment Insurance Paid by the Business</li> <li>• QPIP Contributions Paid by the Business</li> <li>• Quebec Health Services Fund (QHSF) Contributions</li> <li>• Payments to Commission Des Normes Du Travail (CNT - Quebec)</li> <li>• Payments to Fondes National de Formation De La Main-d'oeuvre (WSDRF - Quebec)</li> <li>• Health &amp; Drug Insurance Taxes Paid by the Business (eg. Ontario Employer Health Tax)</li> <li>• Workman's Compensation Premiums Paid by the Business</li> </ul>	<b>2,712,259</b>
<b>Property Taxes</b> <b>Property and business taxes</b> <ul style="list-style-type: none"> <li>• Property Taxes Paid on Owned Property</li> <li>• Property taxes Paid on Leased Property</li> <li>• Total cost of business licenses</li> </ul> <b>Property Taxes from the specific sector</b> <ul style="list-style-type: none"> <li>• Provincial Capital Tax paid by on Insurance Companies &amp; Financial Institutions</li> </ul> <b>Land Transfer Tax</b> <ul style="list-style-type: none"> <li>• Provincial Land Transfer Taxes Paid on Purchase of Real Property</li> <li>• Municipal Land Transfer Taxes Paid on Purchase of Real Property</li> </ul>	<b>2,736,225</b>
<b>Subtotal of the above</b>	<b>15,402,790</b>

(Appendix I continued)

<b>TAXES BORNE</b>	<b>\$ (in thousands)</b>
<b>Subtotal carry forward from previous page</b>	<b>15,402,790</b>
<b>Product Taxes</b>	<b>3,585,356</b>
<b>Sales Tax</b>	
<ul style="list-style-type: none"><li>• Unrecoverable GST/HST paid on business inputs (no input tax credit recovery)</li><li>• Unrecoverable QST paid on business inputs (no input tax credit recovery)</li><li>• Unrecoverable PST paid on business inputs (no input tax credit recovery)</li></ul>	
<b>Customs Duties</b>	
<ul style="list-style-type: none"><li>• Unrecoverable Customs Duties Paid (not refundable)</li></ul>	
<b>Fuel duties</b>	
<ul style="list-style-type: none"><li>• Federal Fuel Taxes Paid by the Entity on Inputs</li><li>• Provincial Fuel Taxes Paid by the Entity on Inputs</li><li>• Total Federal Excise Tax on Insurance Premiums Purchased</li></ul>	
<b>Product Taxes from the specific sector</b>	
<ul style="list-style-type: none"><li>• Provincial Surcharge</li><li>• Provincial Insurance Premium Tax</li><li>• Provincial Compressor Fuel Tax</li></ul>	
<b>Planet Taxes</b>	<b>16,568</b>
<ul style="list-style-type: none"><li>• Motor Vehicle Licensing Payments</li><li>• Environmental Tire Taxes Paid on the Purchase on Tires</li><li>• Fees Paid to Stewardship Ontario</li><li>• Other Provincial Surcharges</li></ul>	
<b>TOTAL TAXES BORNE</b>	<b>19,004,714</b>

(Appendix I continued)

<b>OTHER PAYMENTS TO GOVERNMENT</b>	<b>\$ (in thousands)</b>
<ul style="list-style-type: none"><li>• Fees Paid to Obtain Provincial/Territorial Mining Prospecting Licenses and Other Environmental Permits</li><li>• Application Fees and Rents/Leases Payments Paid for the Use of Crown Land and Other Assets</li><li>• Mining taxes to the Government based on Extraction, Proceeds, Revenue, and/or Profits</li><li>• Fees Paid to Obtain Well Licenses and other Environmental Permits</li><li>• Application Fees and Rents/Leases Payments Paid for the Use of Crown Land and Other Assets</li><li>• Royalties Paid to the Government on Conventional Oil and Natural Gas Production</li><li>• Royalties Paid to the Government on Oil Sands Production</li><li>• Municipal Tax on Oil Sands Projects</li><li>• Stumpage Fees</li><li>• Spectrum License Fee</li><li>• Media Infrastructure Expenses</li><li>• Provincial Surcharges</li></ul>	<b>5,728,531</b>



## Appendix II - Taxes collected reported by participants

<b>TAXES COLLECTED</b>	<b>\$ (in thousands)</b>
<b>People Taxes</b> <ul style="list-style-type: none"> <li>• Total Income Tax Withheld from Employees and Remitted</li> <li>• CPP Contributions Collected from Employees</li> <li>• QPP Contributions Collected from Employees</li> <li>• Employment Insurance Collected from Employees</li> <li>• QPIP Contributions Collected from Employees</li> </ul>	<b>14,128,703</b>
<b>Product Taxes</b> <p><b>Sales Tax</b></p> <ul style="list-style-type: none"> <li>• GST/HST refund claimed or amount remitted to the government</li> <li>• QST refund claimed or amount remitted to the government</li> </ul> <p><b>Other Product Taxes</b></p> <ul style="list-style-type: none"> <li>• Total Provincial Duties Remitted of the Sale Alcohol Products</li> </ul> <p><b>Product Taxes from the specific sector</b></p> <ul style="list-style-type: none"> <li>• Provincial Insurance Premium Taxes</li> <li>• Retail Sales Tax levied on Insurance Premiums</li> </ul>	<b>7,034,151</b>
<b>Planet Taxes</b> <p><b>Planet Taxes from the specific sector</b></p> <ul style="list-style-type: none"> <li>• Environmental Handling Fee</li> </ul>	<b>3,495</b>
<b>Profit Taxes</b> <ul style="list-style-type: none"> <li>• Withholding Tax on Payments to Foreigners</li> </ul>	<b>403,661</b>
<b>TOTAL TAXES COLLECTED</b>	<b>21,570,010</b>

## Appendix III - Glossary

<b>Compliance cost</b>	Internal and external costs incurred by the company for preparing tax figures, completing and filing tax returns and paying taxes.
<b>Employment taxes borne and collected (People taxes)</b>	People taxes include all taxes and social contributions in relation to the employment of staff, including both employment taxes and contributions which are borne by the company and those which are the cost of the employee and administered by the employer deduction through the payroll.
<b>Other payments to government</b>	These are the payments made to the government for the return of value to the company for a right or asset used in business.
<b>Planet taxes</b>	Planet taxes include taxes and duties levied on the supply, use or consumption of goods or services which are potentially harmful to the environment, including: <ul style="list-style-type: none"> <li>• taxes and duties which are borne by companies in relation to their own consumption of goods and services, notwithstanding that these may be paid to the supplier of the goods or services, rather than directly to Government;</li> <li>• taxes and duties charged on and collected by the companies supplying these goods and services to their customers.</li> </ul>
<b>Product taxes</b>	Product taxes include taxes and duties levied on the production, sale or use of goods and services, including taxes and duties levied on international trade and transactions, including: <ul style="list-style-type: none"> <li>• taxes and duties which are borne by companies in relation to their own consumption of goods and services, notwithstanding that these may be paid to the supplier of the goods or services, rather than directly to Government;</li> <li>• taxes and duties charged on and collected by companies on the sale of goods and services to their customers.</li> </ul>
<b>Profit taxes</b>	Profit taxes include taxes levied on income, profits or capital gains, including: <ul style="list-style-type: none"> <li>• corporate income taxes which are borne by companies and which may be levied at the federal and provincial level;</li> <li>• income taxes collected by companies by withholding tax at source on payments such as interest, royalties and dividends.</li> </ul>
<b>Property taxes</b>	Property taxes include taxes levied on the acquisition, disposal, ownership or use of tangible and intangible property.  Property taxes will be borne by all companies in relation to their own property or transactions. In some cases companies may also collect property taxes and pay these over to a government.

<b>Taxes borne</b>	Taxes borne are a cost of business and affect financial results.
<b>Taxes collected</b>	Taxes collected are not a direct cost of business, but collected on behalf of government from others. Taxes collected are administered by enterprises and involve costs of compliance.
<b>Total Tax Contribution (TTC)</b>	Total of all taxes borne and all taxes collected.
<b>Total Tax Rate (TTR)</b>	Compares the total of all taxes borne with the profit before taxes borne.
<b>Value distribution</b>	A measure of the value distributed by the company to 3 stakeholders: (a) net wages paid to employees; (b) taxes borne and collected and paid to all 3 levels of government; and (c) profits retained in the business for dividends and reinvestment.

## ***Appendix IV - Membership of the CCCE at the time of the survey***

1	3M Canada Company	56	Ericsson Canada Inc.
2	Accenture Inc.	57	Ernst & Young LLP
3	Aecon Group Inc.	58	Fairfax Financial Holdings Limited
4	AGF Management Limited	59	Federal Express Canada Ltd.
5	Agrium Inc.	60	Fednav Limited
6	Aimia Inc.	61	Finning International Inc.
7	Air Canada	62	First National Financial LP
8	Alberta Newsprint Company	63	FirstEnergy Capital Corp.
9	AltaCorp Capital Inc.	64	Ford Motor Company of Canada, Limited
10	Andrew Peller Limited	65	GE Canada
11	Aon Reed Stenhouse Inc.	66	Giant Tiger Stores Limited
12	ArcelorMittal Dofasco Inc.	67	GMP Capital Inc.
13	ATCO Group	68	GreenField Ethanol Inc.
14	Barrick Gold Corporation	69	Great-West Lifeco Inc.
15	BCE Inc. and Bell Canada	70	H.Y. Louie Co. Limited
16	Bentall Kennedy Group	71	Harvard Developments Inc. – A Hill Company
17	BHP Billiton Canada Inc.	72	Hewlett-Packard (Canada) Co.
18	Bison Transport Inc.	73	Home Depot of Canada Inc.
19	BMO Financial Group	74	HSBC Bank Canada
20	BNP Paribas (Canada)	75	Hudson's Bay Company
21	Bombardier Inc.	76	Husky Energy Inc.
22	Brookfield Asset Management Inc.	77	IBM Canada Ltd.
23	Bruce Power	78	Imperial Oil Limited
24	CAE Inc.	79	Intact Financial Corporation
25	Canaccord Genuity Group Inc.	80	Irving Oil Limited
26	Canadian Oil Sands Limited	81	James Richardson & Sons, Limited
27	Canadian Pacific Railway	82	JPMorgan Chase & Co.
28	Canadian Tire Corporation, Limited	83	Keg Restaurants Ltd.
29	Canfor Corporation	84	KingSett Capital Inc.
30	Canon Canada Inc.	85	Kinnear Financial Limited
31	Cargill Limited	86	KPMG
32	CCI Thermal Technologies Inc.	87	Linamar Corporation
33	Cenovus Energy Inc.	88	Loblaw Companies Limited
34	CGI Group Inc.	89	Maclab Enterprises
35	Chevron Canada Limited	90	Manulife Financial Corporation
36	Chrysler Canada Inc.	91	Maple Leaf Foods Inc.
37	CIBC	92	Marsh Canada Limited
38	Cisco Systems Canada, Co.	93	Matco Investments Ltd.
39	Clearwater Fine Foods Inc.	94	Mattamy Homes Limited
40	Clearwater Seafoods Limited Partnership	95	McKesson Canada
41	CN	96	McKinsey & Company
42	ConocoPhillips Canada	97	Mercer (Canada) Limited
43	Coril Holdings Ltd.	98	Microsoft Canada Inc.
44	Corus Entertainment Inc.	99	Mitsubishi Canada Limited
45	Crosbie Group Limited	100	Mitsui & Co. (Canada) Ltd.
46	Deloitte	101	MTS Allstream Inc.
47	Desjardins Group	102	National Bank of Canada
48	Dow Chemical Canada ULC	103	Nexen Energy ULC
49	E.I. du Pont Canada Company	104	Nordion Inc.
50	Edco Financial Holdings Ltd.	105	OpenText Corporation
51	E-L Financial Corporation Limited	106	Palliser Furniture
52	Empire Life Insurance Company	107	PCL Constructors Inc.
53	Enbridge Inc.	108	Persis Holdings Ltd.
54	Encana Corporation	109	Pfizer Canada Inc.
55	Enerplus Corporation	110	Polygon Homes Ltd.

111	PotashCorp	133	Suncor Energy Inc.
112	Power Corporation of Canada	134	TalentEgg
113	Power Financial Corporation	135	Talisman Energy Inc.
114	Precision Drilling Corporation	136	TD Bank Group
115	PricewaterhouseCoopers LLP	137	Teck Resources Limited
116	Richardson International Limited	138	TELUS
117	Rio Tinto Alcan	139	Tenaris
118	Rocky Mountaineer	140	The Cadillac Fairview Corporation Limited
119	Rogers Communications Inc.	141	The Co-operators Group Limited
120	Royal Bank of Canada	142	The Katz Group of Companies
121	SAP Canada Inc.	143	The North West Company Inc.
122	Saputo Inc.	144	The Standard Life Assurance Company of Canada
123	Scotiabank	145	The Woodbridge Company Limited
124	Sears Canada Inc.	146	Tim Hortons
125	ShawCor Ltd.	147	TMX Group Limited
126	Shell Canada Limited	148	TransAlta Corporation
127	Sherritt International Corporation	149	TransCanada Corporation
128	Shoppers Drug Mart Corporation	150	Vale Canada Limited
129	Siemens Canada Limited	151	Western Manufacturing Ltd.
130	SNC-Lavalin Group Inc.	152	Wittington Investments, Limited
131	Stone Creek Resorts Inc.	153	Zurich Canada
132	Sun Life Financial Inc.		

---

## ***PwC contacts***



***Lincoln Schreiner***

+1 604 806 7713

lincoln.schreiner@ca.pwc.com



***Andrew Packman***

+44 (0) 189 5522 104

andrew.packman@uk.pwc.com

***Janet Kerr***

+44 (0) 20 7804 7134

janet.kerr@uk.pwc.com

***Hong Wang***

+44 (0) 20 7212 5096

hong.h.wang@uk.pwc.com

***Sean Burke***

+1 604 806 7739

sean.m.burke@ca.pwc.com

***James Pan***

+44 (0) 20 7212 6003

jia.lu.pan@uk.pwc.com

This document has been prepared for the intended recipients only. To the extent permitted by law, PricewaterhouseCoopers firms do not accept or assume any liability, responsibility or duty of care for any use of or reliance on this document by anyone, other than (i) the intended recipient to the extent agreed in the relevant contract for the matter to which this document relates (if any), or (ii) as expressly agreed by the relevant PricewaterhouseCoopers firm at its sole discretion in writing in advance.

© 2014 PricewaterhouseCoopers LLP, an Ontario limited liability partnership. All rights reserved.

PwC refers to the Canadian member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see [www.pwc.com/structure](http://www.pwc.com/structure) for further details.