

IDA – Industry Association

ACCOVAM – Association professionnelle

Media Release

For immediate release

IDA – Industry Association urges more vigorous action on productivity agenda

May 2, 2006 (Toronto, Canada) - The IDA - Industry Association, the national professional association of the Canadian investment industry, gives the government high marks for positive steps taken in its first budget to improve the business climate and encourage investment and growth. The Association, however, cautions that more needs to be done to improve Canada's productivity.

"The federal government's reductions in the personal and corporate tax burden provide a sound foundation for growth and future prosperity. However, to realize our long-term potential, more needs to be done to deliver productivity growth on a sustained basis," said Ian Russell, President and CEO of the IDA – Industry Association.

Productivity growth depends on investment in skills and training, modern capital equipment and technology, and efficient processes. Improvements in productivity contribute to economic growth and job creation, boosting overall wealth and the standard of living of Canadians, Canadian families and Canadian businesses. The government plays a critical role in promoting productivity gains.

The announced reductions in corporate tax rates for small and large businesses and the lower effective tax rate on dividends will stimulate capital formation and economic growth. "Today's budget helps restore our competitiveness, improves our business prospects and puts more disposable income in the hands of average taxpaying Canadians," he added. "The much-needed tax relief will not only help boost business confidence at home and abroad, but should help re-channel disposable income into savings and investment."

The Association is pleased the federal government has voiced its commitment to working with the provinces and territories to remove structural impediments and improve the efficiency of Canadian capital markets. Collaborative efforts to achieve more uniform and effective regulation will enhance the competitiveness and integrity of Canada's markets.

The Association is disappointed, however, that the government has not signaled its intention to move forward with its promised elimination of the capital gains tax for individuals on the sale of assets when proceeds are reinvested. "Deferring capital gains tax would enable investors to achieve higher returns and better portfolio diversification and also enable companies to raise capital more cost-effectively," Russell said.

Capital gains tax relief, through deferral mechanisms or lower effective rates, stimulate the savings-investment process and should be central to the government's productivity agenda. The Association is convinced a workable and effective capital gains incentive can be constructed and urges consultations proceed immediately. Capital gains tax relief in the U.S. contributed to substantial investment growth and productivity gains. The investment industry continues to offer its expertise to design such measures in a cost-effective and timely way.

About the IDA – Industry Association

The IDA – Industry Association is the national professional association of the Canadian investment industry. The Association represents industry position on regulatory and public policy issues to promote efficient, fair and competitive capital markets for Canada.

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