



INVESTMENT INDUSTRY ASSOCIATION OF CANADA
ASSOCIATION CANADIENNE DU COMMERCE DES VALEURS MOBILIÈRES

News Release

For immediate release

Ontario Budget Responds to Economic Slowdown, but Tax Harmonization Framework Needs Adjustment

Toronto, March 26, 2009 – The comprehensive package of business tax reform released in today's Ontario Budget will bolster productivity and growth in response to the global financial crisis. A strong reduction of the general corporate income tax rate to 10% by 2013 and lowering taxes for small business, will foster capital investment and growth in Ontario. Once fully implemented, the government's tax reforms will cut Ontario's marginal effective tax rate on new capital investment in half, increasing the province's ability to compete internationally.

The province plans to harmonize the federal GST with the provincial sales tax. While this is done to improve the competitiveness of non financial business, the tax burden on some financial services will increase without appropriate exemption. "Sales taxes on investment management fees, including those on mutual funds, will increase unless exemptions are put in place," said Ian Russell, President and CEO, Investment Industry Association of Canada. "This will discourage savings and investment and undermine the competitiveness of the financial sector," concluded Mr. Russell.

Ontario's economy will also receive much needed support from \$32.5 billion in infrastructure spending. However, reduced provincial revenues, together with the proposed short-term measures to stimulate growth, will result in a deficit of \$3.9 billion next year and \$14.1 billion in 2009-10.

We are pleased the province remains committed to achieve a single securities regulator for Canada and willingness to partner with the private sector to advance Toronto's position as a global financial centre. The Association is also pleased that the province is moving ahead on our recommendation to allow investors to more easily designate beneficiaries for their Tax-Free Savings Accounts.

The Investment Industry Association of Canada (IIAC) advances the position of the Canadian investment industry on regulatory and public policy issues. As the professional association for the industry, IIAC has a mandate to promote efficient, fair and competitive capital markets for Canada while helping its member firms across the country succeed in the industry.

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