

April 2017: The 87 firms that took part in this survey contributed \$63.8 billion to public finances, comprising \$24.6 billion in taxes borne, \$33.1 billion in taxes collected and another \$6.1 billion in other payments to government. In addition, they employed over one million people, made capital investments of \$37.0 billion and spent \$1.5 billion on R&D.

Total Tax Contribution and the wider economic impact: Surveying Canada's leading enterprises



Remarks

Welcome to the fourth annual Total Tax Contribution (TTC) survey of Business Council of Canada members. Eighty-seven of Canada's largest businesses provided tax data for the 2015 fiscal year, demonstrating the significant contribution these large businesses make to public finances. This year's survey also includes information on the role large Canadian firms play in the economy through employment, capital investment and expenditure on research and development (R&D).

2015 was a challenging year for the Canadian economy, as falling natural resource prices led to weak GDP growth. The survey highlights that even in challenging times, large businesses make significant contributions to Canadian public finances.

The participating companies are significant taxpayers – \$63.8 billion. The survey found that they bore \$24.6 billion in taxes, collected \$33.1 billion on behalf of their employees and customers, and paid another \$6.1 billion in royalties and other fees. Federal corporate tax made up \$5.5 billion of this total, representing 14% of total federal corporate tax collected in Canada.

Corporate income tax is only one of 68 different taxes, fees and royalties large Canadian companies pay to the three levels of government. For every dollar paid in corporate income tax, companies surveyed paid another \$1.59 in other business taxes and \$0.63 in other payments to government. An additional \$3.48 is contributed through taxes collected from customers and employees. All told, the survey found that large companies collectively contribute more money to governments in taxes and other payments than they earn in after-tax profits.

Consistent with previous years, the survey illustrates the complexity of the tax system. Complying with both federal and provincial taxes requires companies to employ, on average, 18 full-time equivalent staff.

Tax payments represent only one component of the significant contributions made by these companies to Canada. The participating businesses employ over a million people, make major capital investments and drive innovation through spending on R&D.

Ensuring the success of large businesses is essential to growing the middle class and increasing prosperity for Canadians by creating well-paying jobs. In 2015, survey participants provided jobs for over 1 million people, paying an average wage of \$69,434 – well above the median Canadian wage of \$63,430.

These jobs generate valuable tax revenue for the government: among the participating companies, an average of \$25,101 was paid for every employee in the form of employment taxes.

This year's survey also collected data on capital investment and R&D. Capital investment in plant, equipment and machinery helps to boost productivity which in turn helps the economy to grow. Survey participants made capital investments of \$37 billion in 2015, 21% of total capital spending by the private sector that year.

The survey reinforces that R&D in Canada is driven by large businesses with the capacity to invest. While large businesses make up approximately 0.3 percent of all employer businesses in Canada, they account for over 50% of all R&D spending. According to the survey, participating companies contributed \$1.5 billion in R&D in 2015.

PwC thanks the Business Council of Canada for their continued support of this survey.

Peter van Dijk, PwC Canada



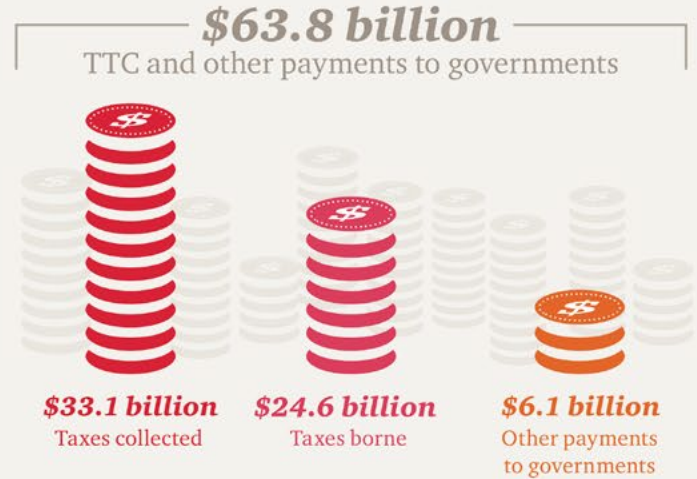
Andrew Packman, PwC UK



Key findings

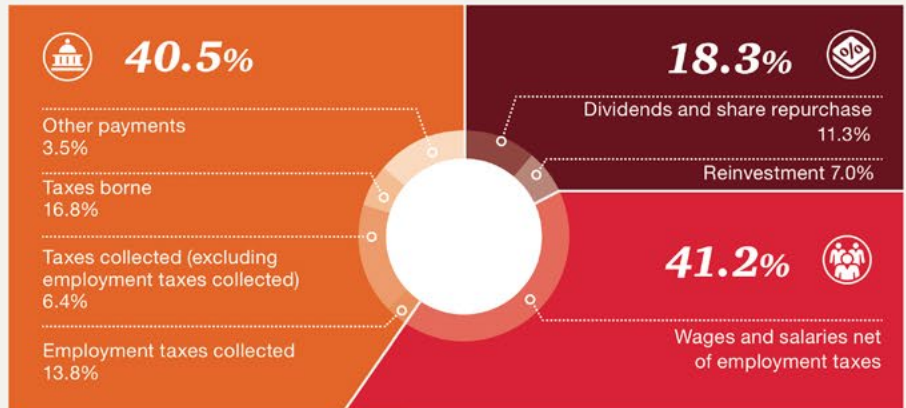
Total Tax Contribution

The Total Tax Contribution (TTC) for the participants in 2015 was \$63.8 billion: \$24.6 billion in taxes borne and \$33.1 billion in taxes collected. A further \$6.1 billion in other payments, such as royalties, were made.



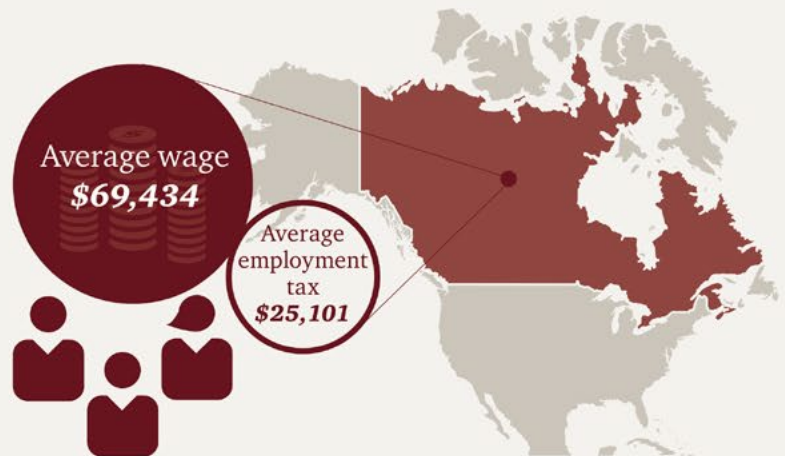
40.5% of value distributed goes to government

Governments at the federal, provincial/territorial and municipal level are the biggest beneficiary of value distributed by the 87 participants. Compared to wages paid to employees and profits retained in the business (paid as dividends or used for share purchases), 40.5% of value goes to one of three levels of government. Value distributed comprises earnings of the businesses adding back labour costs and all taxes borne by the businesses.



Council members are an important source of well-paid jobs in Canada

Participants provided employment to 1,058,450 people and paid an average wage of \$69,434. They also contributed an average of \$25,101 in employment taxes per employee, an increase of 2.7% compared to last year, on a like for like basis.



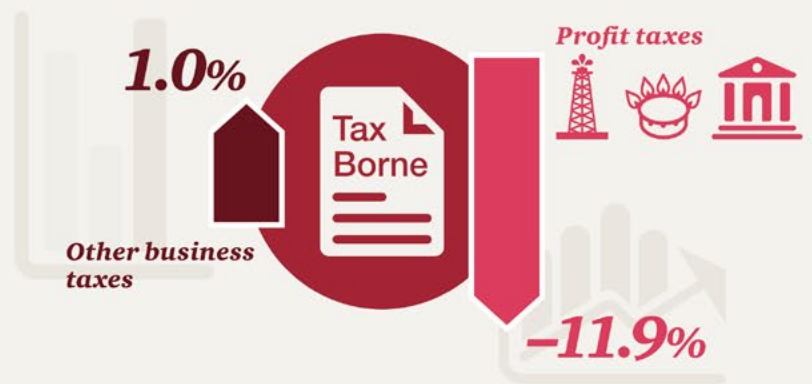
Wider economic contribution

Survey participants made a net investment of \$1.5 billion in R&D and \$37 billion in capital investment.



Challenging economic conditions for the oil and gas and financial services sectors led to a 10.9% fall in taxes borne between 2014 and 2015

The fall in taxes borne consisted of a 1.0% increase in other business taxes borne and an 11.9% decrease in profit taxes, reflecting falling profits and weaker GDP growth.



Total Tax Rate has increased

The Total Tax Rate is a measure of the total tax burden of participants. The calculation is total taxes borne – corporate income tax plus all other taxes borne – as a percentage of profit before taxes borne.

On average, the participants have a Total Tax Rate of 37.5%, an increase from 35.4% in 2014.



Corporate income tax is not the only tax paid

For every dollar of corporate income tax, the survey participants paid a further \$1.59 of other business taxes and an additional \$0.63 in other payments to government.

For every dollar of corporate income tax paid by the participants, there was another \$3.48 (2014: \$3.15) in taxes collected. There is a greater emphasis on non-profit taxes in 2015 compared to the first survey in 2012.

2015



2012



14% of federal income (profit) tax

Survey participants contributed 14% (\$5.5 billion) of total federal corporate income tax revenue.

Total federal corporate income tax \$5.5 billion



The burden of tax compliance

On average, the 87 participants spent \$3.73 million and employed 18 full time employees to comply with Canadian tax legislation.



18 full time employees

\$3.73m
spent

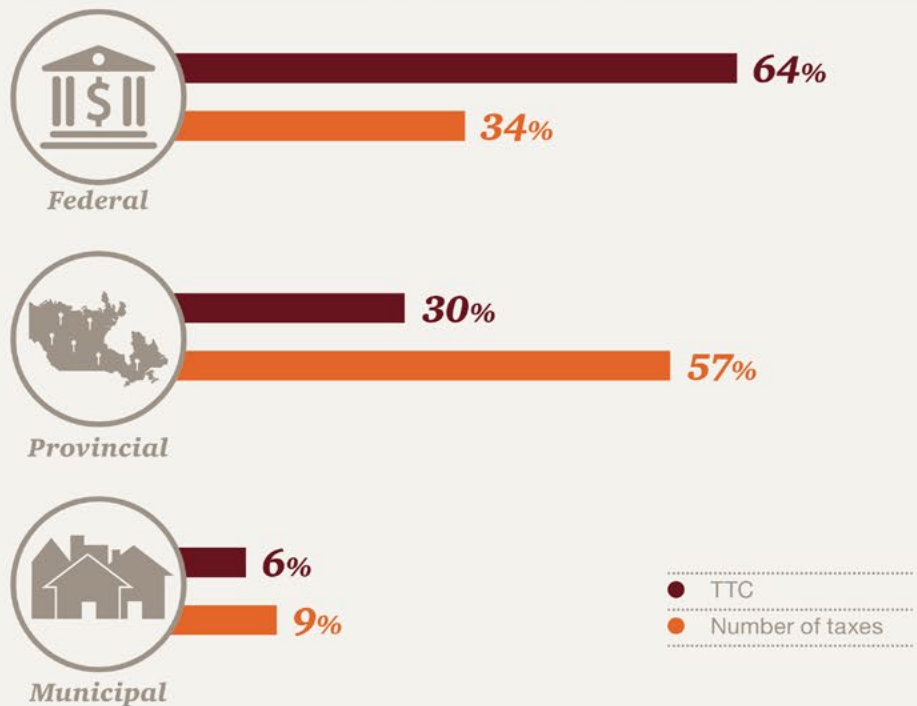


Total Tax Contribution by level of government

Federal taxes are responsible for 64% of the Total Tax Contribution of the companies surveyed. In total, this federal tax revenue was collected from 19 different taxes, representing 34% of the total number of taxes paid by participants.

At the provincial level, 30% of the Total Tax Contribution was collected from 32 different taxes, representing 57% of the total number of taxes paid by participants.

The remaining 6% was collected through municipal taxes.



87 companies provided data for the Total Tax Contribution survey

This represents 54% of the Business Council of Canada's membership.



About the Business Council of Canada

The Business Council of Canada is a not-for-profit, non-partisan organization composed of the CEOs of Canada's leading enterprises. The Council engages in an active program of research, consultation and advocacy on issues of national importance to the economic and social fabric of Canada.

Member CEOs and entrepreneurs represent all sectors of the Canadian economy. The companies they lead collectively administer \$7.5 trillion in assets, have annual revenues in excess of \$1.1 trillion, and are responsible for the vast majority of Canada's exports, business investment, private-sector research and development, and employer sponsored education and training. Find out more by visiting thebusinesscouncil.ca.

About PwC

PwC Canada helps organizations and individuals create the value they're looking for. More than 6,500 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 208,000 people in 157 countries. Find out more by visiting us at www.pwc.com/ca

About the Total Tax Contribution

The Total Tax Contribution methodology identifies taxes borne and taxes collected. Taxes borne by a company are a cost to the company and reflected in its financial results, e.g. federal and provincial corporate income (profit) tax and irrecoverable sales taxes.

Taxes collected are those generated by a company's operations, but do not affect its results, e.g. payroll taxes withheld from employees and remitted and GST/HST collected from customers and remitted.

We identified 68 business taxes and other payments to governments in this survey under the Total Tax Contribution methodology. Taxes are categorized into five tax bases, i.e. profit taxes, production taxes, employment taxes, property taxes and environmental taxes.

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