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## NEWS RELEASE

### ***New IRPP Study Proposes a Tax Strategy to Help Canada Become a “Northern Tiger”***

***The current tax burden falls too heavily on savings and investment,  
says one of Canada’s top public finance experts.***

**Montreal** – The Institute for Research on Public Policy (IRPP.org) today released a study by Jonathan Kesselman entitled “Tax Design for A Northern Tiger,” which argues that excessive taxation of savings and investment impedes the efficiency and competitiveness of Canada’s economy.

Kesselman, holder of the Canada Research Chair in Public Finance at Simon Fraser University, draws on a large body of research to propose changes in personal, payroll, sales and business taxes that will bolster economic performance and increase Canada’s policy autonomy relative to the US.

The study calls for a shift in the public debate from tax reduction to tax reform. The author argues that “if the mix and structure of taxes are efficiently designed, the level of taxes in Canada will not hinder competitiveness,” and thus governments will continue to be able to fund the level of public services demanded by Canadians.

“The most vital improvement in Canada’s tax design would be to reduce the burden of business taxes on investment,” Kesselman maintains. These taxes are among the most inefficient in terms of cost per dollar of revenue generated.

With respect to personal taxes, in Kesselman’s view “the highest priority is to shift further toward a consumption base” in order to reduce taxes on personal savings and capital income. Taxation of consumption (as opposed to income) not only improves economic efficiency but is also more equitable, since it does not penalize those who choose to save early in their lives.

Kesselman says that if Canada wants to become a Northern Tiger, the goals for tax policy are clear. Tax designs should create unique attraction to invest and to conduct business on the Canadian side of the border. And they should serve to nurture and retain skilled and talented workers in this country.

“In an increasingly integrated North American and global economy, Canadian tax policies must operate to minimize obstacles to specialization, investment and trade and reduce the effects of the border,” concludes the author.

“Tax Design for a Northern Tiger” is the latest *Choices* study to be released as part of the Economic Policy and Growth research program. It is now available on-line in Adobe (.pdf) format on the Institute’s Web site ([www.irpp.org](http://www.irpp.org)).

For more information or to request an interview, please contact the IRPP.

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Founded in 1972, the IRPP is an independent, national, nonprofit organization based in Montreal.

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**Contact:**

Jasmine Sharma ([jsharma@irpp.org](mailto:jsharma@irpp.org))  
Director of Communications and Public Relations  
IRPP.org  
(514) 985-2461