

Harmonization of Alberta and Federal Corporate Income Tax Collection

Background

Since 1962, Tax Collection Agreements (TCAs) have provided an administrative and legislative framework for the harmonization of tax structures, while respecting provincial and federal governments' right to impose personal and corporate income taxes.

Currently, all provinces and territories except Quebec, Ontario and Alberta have TCAs with the federal government to collect and administer corporate income taxes. The agreements assign responsibility to the federal government, through the Canada Revenue Agency (CRA), to collect provincial corporate taxes and to administer the provincial tax system, using the same determination of a corporation's taxable income for both federal and provincial tax purposes.

The TCAs do not prevent the provinces from continuing to establish their own tax calculations, independently of the federal tax calculations.

Benefits

The main benefits of the TCAs include:

- Reduction in overlap and duplication (both procedural and administrative);
- Improvements in efficiency and cost-effectiveness; and
- Improved compliance (through the elimination of differing rules and procedures)

The result is a reduction in compliance costs for business; and the avoidance of provinces needing to set up, and separately administer their corporate tax collection and audit functions.

Recent Change

On October 6, 2006, the Canadian and Ontario governments signed a Memorandum of Agreement, whereby the federal government would collect and administer Ontario's corporate income tax. Under the Agreement, corporations will make combined payments starting in 2008, and will file a single return in 2009. The Government of Canada estimates that Ontario businesses will save \$100 million in annual compliance costs.

Recommendation

The Alberta Chambers of Commerce recommend the Government of Alberta:

1. Harmonize the collection of its provincial corporate income tax with the Government of Canada by 2009 or earlier.