# The Need for Sales Tax Harmonization in Saskatchewan

Without including the provincial government's administrative costs,  Saskatchewan businesses, on estimate, spend about 160,000 hours per year to keep track and administer PST; this is an unproductive cost of $5,000,000 per year for the business sector alone.

Research & Preparation
Imran Shahid
Research Assistant
Greater Saskatoon Chamber of Commerce

Supervision
Kent Smith Windsor
Executive Director
Greater Saskatoon Chamber of Commerce

Contact Information:

Imran Shahid
Research Assistant
Greater Saskatoon Chamber of Commerce

345-3rd Avenue South
Saskatoon SK S7K 1M6
Phone: (306) 244-2151
Fax: (306) 244-8386
Email: imran.shahid@usask.ca
Web: www.eboardoftrade.com

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# Abstract

The objective of every effective economic system is to facilitate and enhance the citizens' standard of living and promote economic growth and stability. The achievement of this objective is dependent on sustaining and increasing the level of investment in the economy and the resulting improved standards of living. Everywhere in the world, basic economic success depends on the following three major elements:

- National and international terms and regulations of trade in a country;
- Creation of employment in the economy driven largely by investments; and,
- The level of productivity, driven by a number of social and economic factors.

The above three factors can be impacted by a single lever. What is that lever? That lever is the role that governments' policy plays on both the existing and the potential business activity in the economy. In the same context, taxation is a powerful policy tool in addition to its role as a source of government revenue. The economic effectiveness of a tax policy for specific industries depends neither on high tax levels nor low tax levels. Rather, compatibility of a tax system along with the needs of the market is what should determine the level as well as the structure of a tax policy.

In a competitive environment, tax differentials relative to marginal effective tax rates (METR), play a crucial role in classifying a location as investment friendly or unfriendly. Similarly, higher business sales taxes in Saskatchewan, relative to other competitive alternative locations, simply make Saskatchewan a secondary choice for investors. This leads to numerous economic weaknesses both in the short and the long run. As a result, all else equal, higher provincial corporate tax rates make investment in a given jurisdiction less attractive. In addition, higher taxes reduce the amount of return available on an after tax basis for aggregate businesses. The business sales tax in Saskatchewan puts burdensome pressure on local businesses, while making it difficult for new and expanding businesses to invest in the province. Therefore, the above factors exemplify 'The Need for Sales Tax Harmonization in Saskatchewan'.

# Introduction

Due to its nature, governments' business taxation policies heavily impact the ongoing business investment in any jurisdiction. This analysis focuses on sales tax policy and its effects on business competitiveness in Saskatchewan. The more competitive the business climate, the more business investment takes place within the framework of a given set of economic circumstances. A low level of business investment and slower business growth rate not only reduces the general standard of living but, in turn, negatively impinges the economic and social fabric of a jurisdiction.

This paper looks at a number of issues that address the uncompetitive nature of the sales tax system in Saskatchewan, in addition to the negative impacts on the local corporate sector. The paper highlights the fact that in today's fast paced business world, with the availability of the latest technology and information, and growing commerce and e-business facilities, business location decisions have become exceptionally flexible. Therefore, the key to retaining, inviting and attracting investment at any location is in providing a favorable corporate taxation and regulatory environment. A favorable and regulatory business climate can be described in terms of promoting a competitive corporate sector that is capable of receiving higher levels of investment.

Investment is often referred to as the 'life blood' of an economy. A surprising reality: "from the perspective of non-government equity investors [is that] Saskatchewan has traditionally attracted approximately [only] two percent (2%) of the total dollars invested in Canada." (The StarPhoenix) This figure needs to increase for the long-term economic viability of Saskatchewan. "Sure, [Saskatchewan] need[s] good public services, but at the end of the day high relative taxes, especially in the very mobile world", only promotes stagflation (Peter M. Holle). One of the fundamental requirements for economic growth is the creation of wealth. Wealth is created when risk capital is successfully invested with the view of generating a positive return. Hence, wealth creation is impossible without taking measures to accommodate investment. This, in case of Saskatchewan, can be acquired by harmonizing the sales tax system, thus creating a suitable and competitive business climate.

A surprising reality: "from the perspective of non-government equity investors [is that] Saskatchewan has traditionally attracted approximately [only] two percent (2%) of the total dollars invested in Canada." This figure needs to increase for the long-term economic viability of Saskatchewan.

Comparable and competitive tax policy accelerates business investment levels. In addition, it would support Saskatchewan's efforts to improve the youth retention rate and provide a broader and deeper tax base from which to fund needed public services. In simple terms: more tax payers, not more taxes.

## The Choice of Taxes and Taxpayers:

Higher comparative taxes in Saskatchewan diminish attractiveness for new investors within and outside Canada. The present economic potential of Saskatchewan should in fact be explored by means of rectifying and harmonizing business policies like sales tax harmonization. Now, what does this mean in real terms? This means to provide incentives for businesses in terms of cost effectiveness in order to help the business sector in Saskatchewan to perform economically, while utilizing their full potential. Moreover, to grow and prosper, a jurisdiction must effectively attract capital.

The prevalence of higher business tax levels in Saskatchewan or elsewhere has a negative impact on the investment rate. If not altered or modified, higher taxes in Saskatchewan will remain a threat to investment attraction in the province. The current tax policy structure is likely to further lower the level and rate of investment in a competitive environment. Over time, modifications in government policies would not only help to maintain investment but also increase the policy effectiveness. It is unfortunate, but the fact is with the current sales tax structure, the Government of Saskatchewan has hardly been able to keep the existing businesses in the economy, while attracting new businesses, relative to the potential present in Saskatchewan, seems to be out of reach. More recent robust demand for Saskatchewan commodities risks disguising the embedded policy flaws, thus, subtly but materially lowering the investment rate in the province even in the face of significant demand for Saskatchewan commodities.

The presence of enormous resources in Saskatchewan provides a huge scope of opportunities for different industrial sectors to practice their businesses in the province. However, the present tax regime does not match this scenario. The tax policy system in Saskatchewan, if rectified and made competitive and used appropriately, would play a critical role in stimulating existing businesses. As well, it would likely attract counterpart-operations of different local and foreign industrial sectors creating opportunities for an over all smoother business operation. Comparable and competitive tax policy will accelerates business investment levels. In addition, it would support Saskatchewan's efforts to improve the youth retention rate  and provide a broader and deeper tax base from which to fund needed public services. In simple terms: more tax payers, not more taxes.

Cumbersome tax regulations can reduce gross margin on operations.

## Why Rectify the Sales Tax System in Saskatchewan?

The proponents of higher taxes often say “state and local taxes are relatively a small burden on businesses and reduce profit rates by [comparatively] small amounts” (Robert G. Lynch). Indeed, this might hold true, but only for a few businesses that either face limited competition or have a set demand in market places: for example, businesses providing commodities of daily use like gasoline and food items to a local that is far from a competing service centre. On the other hand, businesses like those in the manufacturing sector industry, when reaching maturity and entering into the phase of expansion and/ or relocation decisions, mostly look and ultimately prefer to choose a location that has comparative after tax cost advantages. As they operate in a progressively more competitive environment. Failure to follow this discipline places the business at the hands of a competitor who does follow this discipline. Capital and other business taxes, like PST in Saskatchewan, tend to inflate the cost of doing business increasing the relative amount of equity and investment level without a commensurate increase in return. This increases the amount of equity required to finance a project. Cumbersome tax regulations can reduce gross margin on operations through administrative overburden. As a result, the business community can experience all or any one of the following consequences:

- The business may not be able to keep up with the extra costs imposed by taxes in the long run, leading to operational failure.
- Presuming the tax costs are transferable to customers, businesses may decide not to shutdown operations, but rather, start passing on the tax costs to the consumers in the form of higher prices. This can lead to a number of economic complications, like, significantly rising inflation rates. At the same time, costs driven by provincially based tax policies are rarely capable of being passed on to external markets where market competition sets the price. This is particularly true for the trades in commodity markets. This cost transfer analysis is really only applicable to indigenous service businesses with no external competition. With global communication, this category of business sector becomes smaller as internet based competition expands. As a consequence, the businesses that are no longer able to transfer costs while maintaining customer base, experience margin compression compared to competitors who discipline their investments to after tax rate of return on equity analysis.

- The differential in sales tax rates across jurisdictions tends to drive up the final purchasing prices at locations with higher sales tax, even though the selling prices or the cost of producing remain closely competitive. This benefits neither the producer nor the consumer. In such cases, sales taxes, like the PST in Saskatchewan, end up only decreasing the quantity produced and consumed creating deadweight loss. In other words, reducing consumer and producer surpluses. This means lower economic activity, lower investment rates and slower job creation rates.

The above possible scenarios raise the following question:

Is our government or the whole public sector so oblivious to think that, businesses are somehow locked in the province, and that there is no other place in Canada or elsewhere to move the business where all extra taxes and the associated unproductive efforts  can be avoided?

The answer is perhaps, No, although, to some it may seem to be an unmindful situation.  Next door to Saskatchewan, in Alberta, incoming businesses feel far more confident and hopeful by getting a chance to save some dollars that they would have to pay in the form of taxes like the PST in locations like Saskatchewan. With increasing competition levels, availability of the latest infrastructure, and abundant accurate information, businesses opt for the practical approach and choose to relocate to a place that does not unnecessarily encroach their business revenues in the form of extra taxes, and to avoid all the associated unproductive efforts to manage the tax in their books. This makes a considerable difference in the long run. This observation is emphasized in a report published by the National Post in March 2007, by the name; “A tale of two provinces”. The report contrasts Alberta and Saskatchewan investment in Lloydminster. Although “cheaper Saskatchewan real estate has traditionally helped balance the costs, the divide in commercial development remains all too visible in [the province of Saskatchewan]”. This highlights the need to rectify government policies, such as introducing harmonized sales tax. The above is not to say that the government should not have any revenue in the form of taxes, but that the current sales tax system in Saskatchewan is not investment neutral. Government revenue has its own significance and critical importance, but taxes must be structured to ensure they do not negatively affect investment or the ability of businesses to experience an after tax rate of return that is superior or equivalent to investment location alternatives. Even in Alberta there are continuous comments that taxes are too high and should be lowered. Given Alberta’s history of tax cuts leadership, investors have come to rationally expect that tax rates will, if anything, be still lower in Alberta in the future. This rational expectation has the consequence of providing an inherent preference for Alberta versus Saskatchewan

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investment.

The fact is that Saskatchewan lags in investment growth in relative terms. This imposes a danger for economic sustainability in the coming years. In brief, the public sector in Saskatchewan can shape a tax system that: treats the public with a supportive view instead of looking at the public or investors as just a source of tax revenue; supports the business community at large; promotes economic growth; and, adds stability for the people of the province and for the generations that are yet to come.

## Managing Business Sales Taxes in Saskatchewan: Red Tape Costs Money.

Industries within the manufacturing sector use a number of raw material components to manufacture the final products. These businesses often end up paying PST on components that for them are raw material and should in fact be tax free.

Primarily, an uncompetitive tax system creates a wedge between marginal benefits and marginal costs. "In any case, firms that are driven appreciably by perception and are less attuned to the facts about costs and benefits are more likely to be unsuccessful and few in number, as they tend to get driven out of business by their more savvy competitors." Our Chamber has reviewed studies that show, a one percent increase in costs can lead to a decrease in investment in machinery and equipment by as much as one percent. In Saskatchewan, every business with gross sales of over $30,000 must register and administer federal GST. These businesses also must comply and conform to provincial sales tax. All manufacturers in Saskatchewan must collect the tax on taxable sales. If the goods sold are for resale or further manufacture, the purchaser must quote their Provincial Sales Tax license number to obtain the goods without tax. This exemplifies the difficulty in correctly identifying, as well as increases the probability of missing out the good that should be taxed and which should not. For example, industries within the manufacturing sector use numerous products as raw material components to manufacture the final product. These businesses often end up paying PST on components that for them are raw material and should in fact be tax free. Arguing a sales tax ruling can be time consuming and costly, so many businesses, as a consequence, just bear an incorrect tax load.

Every business's PST return is due by the 20th day of the month, following the end of the reporting period. This gives an ultimatum to be met in time and forces businesses to divert their resources to comply with the tax system rather than concentrating on other productive business activities. "The completed form [PST return] must be returned, with the cheque or money order, by the due date shown on the return to avoid the application of penalty and interest". This indeed promotes inefficiency in business activity and ultimately does not work in favor of the overall economic setup. Not only that – below is a list of the unproductive activities that engages the corporate sector to completely abide by the PST system in Saskatchewan.

Following are some vendor responsibilities/duties in order to survive in Saskatchewan:

As a vendor under *The Provincial Sales Tax Act* you are required to:

- "Quote your vendor's license number when you buy goods tax free from your suppliers for resale. Remember that a vendor's license does not allow you to purchase goods that are not for resale without paying the tax. Charge the correct amount of tax at the time of sale or rental of taxable goods and services.
- Collect the tax on used assets sold, allowing a $300 exemption per item when the goods (excluding vehicles) are sold to individuals for non-business use. Apply the tax to the total selling price of the goods after deducting any early payment discount, trade discounts or volume discounts. Show the tax as a separate amount on all sales documents provided to your customers.
- Refund the tax on returned merchandise in instances where the full purchase price is refunded to the customer.
- Pay the tax on goods or services for your own use that were taken from inventory or purchased from a supplier who did not charge sales tax. If they were purchased from an unlicensed supplier located outside Saskatchewan, the tax must be submitted with your return and is based on the laid down cost, which includes currency exchange, transportation charges, customs and excise duties, and importation charges, but not the GST.
- Keep complete records of all business transactions. Businesses must not destroy records unless you first obtain permission from the sales tax Revenue Division. Records that are at least six years old may be destroyed without obtaining permission.
- Remit the tax collected by the due date shown on the return. Corporate directors may be held personally liable for taxes collected but not remitted by a corporation. To avoid liability, the director must demonstrate that he or she took reasonable steps to ensure that the corporation remitted its tax collections.
- Notify the Revenue Division if the business is discontinued or sold, or if there is a change in the business name, business location or mailing address.
- Remit the tax on credit sales, with the next tax return, whether or not the customer has paid their account in full."

According to an educated estimate, every business on average spends about twenty minutes per month in calculating, managing and reporting PST... For Saskatchewan as a whole, it is estimated to be about 160,000 hours, which is an estimated cost of $5,000,000 per year for all businesses.

If the later dollar amount were to include the provincial government's administrative costs, it would be a significantly larger number, highlighting the immense need for sales tax harmonization in Saskatchewan.

Harmonized sales tax system in Saskatchewan, on the other hand, will lower the costs and unproductive efforts required to comply with and manage the system. According to an educated estimate, every business on average spends about twenty minutes per month in calculating, managing and reporting PST. This means 240 minutes per year or about four hours, which is the minimum required number of hours. For Saskatchewan as a whole, it is estimated to be about 160,000 hours, which is an estimated cost of $5,000,000 per year for all businesses. The later dollar amount does not include the provincial government's administrative costs. If looked upon collectively, it would be a significantly larger number, highlighting the immense need for sales tax harmonization in Saskatchewan.

## PST adds Substantial Risks to the Transportation Sector in Saskatchewan:

Does the current sales tax system foster a competitive transportation system? Unfortunately the answer to this question is NO!

It may be surprising to some, but the reality discovered is that under the current PST policy for the inter-jurisdictional carriers': "All base equipment located in Saskatchewan is subject to the Provincial Sales Tax. Satellite tracking charges are subject to tax as a telecommunication service… satellite tracking equipment installed in the vehicle is subject to tax as a taxable accessory".

The performance of the transportation sector in Saskatchewan is hindered by the current sales tax system. Every now and then we hear about the 'frail transportation system' in Saskatchewan and how if this sector is regulated in terms of being: economical, versatile, more reliable and efficient, it can immensely help local businesses become financially and organizationally stronger. This is dramatically underscored by the export and trade development nature of the Saskatchewan economy. Everybody agrees that the transportation sector is central and directly related to almost all economic activities in North America, including many social and environmental priorities. In addition, transportation is a 'major input into trade liberalization as it links all facets of the economy with different regions of the world'. Due to changing markets, specialization in production and increasing demand and need for international trade, there is a need for a more efficient transportation system to weave a net of physical connectivity.

In the same context, there is an old saying that goes:

"If you got it – a truck brought it!"

In fact the above holds true not only in Canada, but in North America as a whole. We all know that rapid development in information technology (IT) has introduced an endless means of improvement and digitization of the way things were done some years ago. IT has helped the transportation sector become more viable, economical, track able and environmentally feasible. This is done with the assistance of Satellite Monitoring System (SMS), which, over time reduce a great deal of effort and associated costs. SMS technology is rapidly becoming necessary to facilitate the effective operation of the entire transportation sector. This makes it possible for the trucking sector to make the best use of every road trip; hence, making the whole transportation sector reliable and relatively far more environmental friendly.

Knowing the importance of the transportation sector, the following comes to mind:

In metaphorical terms, to some, the presence of the above and other similar policies, may sound like saying:

Don’t you dare try to do any kind of developmental work in Saskatchewan!

Hence, sales taxes in the above mentioned sector and in other similar situations tends to work like an obstruction instead of working as a facilitator in the process of increasing the ability, productivity, competitiveness and functionality of the industrial sector in Saskatchewan.

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The above levy simply means an extra percentage of cost has to be paid if the transportation sector wants to keep serving, facilitating and helping the local economy. As a matter of fact, the government should be welcoming the transportation sector to adopt the economical SMS technology. Indeed, the lack in ability to facilitate the transportation system represents just one of the leaky holes in the tax system in Saskatchewan.

Furthermore, do the current sales tax system foster modernized mechanical systems and building standards? Unfortunately the answer is NO! The engineering and architecture services for site-specific developments of facilities or projects located in Saskatchewan are also subject to sales tax, whether the services are provided by an engineer, geoscientist, or an architect within the province or outside Saskatchewan. Now, this definitely is like pushing and forcing both the investors and the skilled workers to go invest and work elsewhere.

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The 'good' standing of Saskatoon may actually do less good for our economy, unless, we also have a competitive METR relative to other competing locations that may otherwise be preferred by prospective investors.

For potential investors, high marginal tax rates reduces the appetite to assume risk. In comparison to other OECD countries "Canada imposes a very high effective tax rate on production capital, [which is] almost three times higher than Sweden". This explains the reason for a lower level of investment in Canada and varying provincial investment levels caused by different tax regimes within Canada. Different tax rates in neighboring Saskatchewan and Alberta is a good illustrative example.

## Do Sales Taxes Affect Rates of Return? Analysis says YES!

Do sales taxes reduce after tax rates of return on investment in Saskatchewan? Unfortunately the answer is YES! Saskatoon, being the largest employer base as a proportion of Saskatchewan, is used as an example later in the paper to explain the importance of the after tax rate of return and its relation to future investments. According to the KPMG Competitive Alternatives study, superficial analysis has found that Saskatoon among mid sized cities ranks No.1 in terms of costs. After hearing this news a foreign person or a person unaware of economic theory may think this to be good news for Saskatoon. At the first glance, and in a way, news reports do make it sound like Saskatoon is or will be home, for many businesses in the IT industry. As a matter of fact, the above may create a wonderful yet illusionary picture, but this ranking is in fact not the case from an after tax return on equity perspective. If we look at Saskatoon's ranking with an after tax return on equity perspective, the reality is not as wonderful as the news reports make it appear. It appears that the above 'good' standing of Saskatoon may actually do less good for our economy, unless, we also have a competitive marginal effective rate of taxes relative to other competing locations that may otherwise be preferred by prospective investors. "Although, politicians often claim that taxes levied on capital investments fall on the rich and powerful, more evidence suggests that workers bear the brunt of corporate taxation. A recent UK paper (Arulampalem, Devereux and Maffini 2007) estimated that 54 percent of the corporate tax reduces employment income in the short run while more than 100 percent of the tax falls on employment income in the long run due to reduced worker productivity. Corporate taxes have little short run effect on the Toronto Stock Exchange after-tax profitability earned by shareholders (Mintz 2006), thereby implying that corporate tax ultimately falls primarily on labour incomes, consistent with the UK study." (Chen, Mintz, Tarasov July, 2007.)

## A Look at Marginal Effective Tax Rates (METR):

All else being equal, the user cost of capital represents the annualized cost of purchases of additional units of capital. Firms prefer to invest at locations where the user cost of capital is lowest. Certainly, in comparison to international tax reform reductions, the progress both at the national and provincial level in Canada has been very slow. Higher marginal effective tax rates tend to reduce the level of economic motivation for businesses to sustain their operations. For continuing businesses, a high marginal tax rate reduces returns as well

In addition to the above, Canadian tax system is not competitive relative to the international tax rates. While within Canada, Saskatchewan ranks even poorly at 6th place when compared to the provinces and territories.

According to another study on foreign direct investment, a 1% reduction in the effective tax rate on capital can nearly amplify the foreign direct capital stock (or investment) by 3.3% (CD Howe, 2006 Tax competitiveness report). The investors, therefore, find it much easier for their businesses to relocate, refurbish and reestablish at a place that offers lower marginal effective tax rates.

as the incentive to put in additional hours at work and possibly causes a significant decline in productivity levels. For potential investors, high marginal tax rates reduces the appetite to assume risk. In comparison to other OECD countries "Canada imposes a very high effective tax rate on production capital, [which is] almost three times higher than Sweden". This explains the reason for a lower level of investment in Canada and varying provincial investment levels caused by different tax regimes within Canada. Different tax rates in neighboring Saskatchewan and Alberta is a good illustrative example.

Economic literature and data suggests that lower effective tax rates on capital tend to attract foreign direct investment (FDI). Foreign investment, as a share of GDP, is relatively high in Ireland (18.2 percent), Singapore (14.1 percent), Hong Kong (15.2 percent) and Sweden (8.2 percent). When we compare these jurisdictions to Canada and Germany, we find these jurisdictions have relatively lower marginal effective tax rates on business activity. Foreign direct investment is much lower, at 3.8, in Canada, and 2.7 percent of GDP in Germany. This is at least partially because Canada and Germany have higher marginal effective tax rates. Supposing a manufacturing business earns a risk and inflation adjusted rate of return (ROR) on an investment project of 15 percent, but this ROR is reduced by taxes by one half to 7.5 percent. If 7.5 percent is as good as what an investor could get elsewhere on an after-tax, risk-adjusted basis for an investment, then the investor would be willing to provide funds to the business to undertake the project. In addition to the above, the Canadian tax system is not competitive relative to international tax rates. While within Canada, Saskatchewan ranks poorly at 6th place when compared to the provinces and territories. The situation in Canada at the time is such that all jurisdictions have a dissimilar base of tax system. Comparing Saskatchewan tax system with that of Alberta clarifies this point. Saskatchewan collects 6% GST, in addition to a 5% PST; 11% in total. On the other hand, Alberta collects only 6% GST. This plants a growing incentive for the investors to choose Alberta over Saskatchewan. Having very similar social and climatic atmosphere; the above differential provides an easily achievable incentive for many businesses currently located in Saskatchewan to relocate to places in Alberta and save tax money and the associated administrative costs.

A study for the three major tax revisions in the postwar period in the United States on changes in tax policy and the impacts on investment behavior, suggests that tax policy is highly effective in changing the level and rate of investment expenditures over time (Hall and Jorgenson – 1967). In short, marginal effective tax rates impact the proportion of income that is left after taxes. The thought cycle of every investor revolves around the fact that a little saving in the short run often makes a huge and critical difference in the long run.

This analysis shows that Saskatchewan's historically high marginal effective tax rate is the primary reason for the provincial trend of attracting only 2% of the total investment in Canada per annum.

According to another study on foreign direct investment, a 1% reduction in the effective tax rate on capital can nearly amplify the foreign direct capital stock (or investment) by 3.3% (CD Howe, 2006 Tax competitiveness report). The investors, therefore, find it much easier for their businesses to relocate, refurbish and reestablish at a place that offers lower marginal effective tax rates. In addition, it is not favorable for a person, an organization, or any of their product/ resulting outcome, to intentionally become 'an odd ball' and then wish to be the favorite of all at the same time. Similarly, sales tax policy in Saskatchewan does not match those that compete with Saskatchewan in investment. Table.1 shows the current and the expected METRs in 2010. The table indicate the uncompetitive position of Saskatchewan relative to other jurisdictions that compete in acquiring higher investment levels. New Brunswick, for example, has harmonized its tax system and thus has a much more competitive and favorable sales tax system. The established business community can therefore avoid unnecessary efforts and extra costs associated with managing "extra" taxes in these jurisdictions. This puts Saskatchewan at a clear cut comparative disadvantage under the current system. This analysis shows that Saskatchewan's historically high marginal effective tax rate is the primary reason for the provincial trend of attracting only 2% of the total investment in Canada per annum. The prevailing sales tax rate is a comprehensible indicator of additional costs to be paid on every additional dollar generated through current and additional investment in Saskatchewan.

## METR and Economics in Saskatchewan:

When the marginal effective tax rate of Saskatchewan is compared to tax regimes within Canada, like New Brunswick and Alberta, it is just not competitive enough. In fact, Saskatchewan had the highest general corporate tax rate and corporate capital tax on capital investments of all jurisdictions in 2005. Saskatchewan's ranking over the coming years needs to be 'the most' competitive in order to divert this trend and to see the required minimum investment levels and economic activity in different industrial and agricultural sectors. This indeed appears to be the 'need of the time' for long term economic stability and for Saskatchewan to be able to compete at the national and international level. The aggregate provincial combined marginal effective tax rates (shown in Table. 1), highlight Saskatchewan's ongoing/expected uncompetitive position in the year 2010. With this date, Saskatchewan has an aggregate METR of 31.7%. With the complete harmonization of the sales tax system, the aggregate METR for Saskatchewan moves from 31.7% to 27.5%, improving the current rank of Saskatchewan from 6th to 5th out of the ten provinces. This improves the outlook of the Canadian economy while making the provincial economy much more competitive. Potential investors for Saskatchewan too often end up going to other locations with lower marginal effective tax rates. Indeed, it is bad for the Canadian economy as a whole when one jurisdiction pushes away investment with higher tax levels to the neighbor next door or elsewhere. The latter may hold true, if, the very goal is to have the capital and young people to move next door [or elsewhere, with] more economic opportunities. Certainly, “tax competitiveness is an important consideration for Saskatchewan policy makers, because of both the investment climate and the labour market effects.” (Saskatchewan Check up, 2006.) The above point illustrates how the business tax regime in Saskatchewan hinders investment and depletes potential in the province, and is forcing the economy to stagger due to the uncompetitive tax policy framework.

Potential investors for Saskatchewan too often end up going to other locations with lower marginal effective tax rates. Indeed, it is bad for the Canadian economy as a whole when one jurisdiction pushes away investment with higher tax levels to the neighbor next door or elsewhere. The latter may hold true, if, the very goal is to have the capital and young people to move next door [or elsewhere, with] more economic opportunities. Certainly, “tax competitiveness is an important consideration for Saskatchewan policy makers, because of both the investment climate and the labour market effects.”

Other things aside, with the current tax system, it is not really a surprise for Saskatchewan’s economy to expect lower investment levels, due to the simple reason that businesses are increasingly more sophisticated in their investment analysis and project location options. Location sensitivity increases dramatically in many knowledge driven industries like software development and information technology. The reason being is that these kinds of businesses are not location bound for their operations to succeed. Therefore, they settle in a location that does not, directly or indirectly, threaten their revenues and hence their day-to-day operations. To select an investment location, investors often follow the prudence principle. According to the prudence approach, potential profits are slightly deflated and costs are slightly inflated in startup location analysis, this creates a safety margin for the operation of business in question. Therefore, the location that offers relatively more profitability or safety margin after taxes gets a better ranking in terms of the investment location preference. In other words, businesses are in a way bound to seek the highest after tax return on their risk capital; because to do otherwise puts the business in an uncompetitive situation verses a competitor that takes advantage of the after tax return differential.

## The Business sector in Saskatchewan deserves Sales Tax Harmonization:

Even after the 2006 tax cuts, aggregate corporate taxes in Saskatchewan are one of the highest in the country . “Saskatchewan companies are paying 14% on their 2006 income. Although [this] figure will fall to 12% for 2008 earnings, it is still higher than Alberta’s corporate tax rate of 10%. And, while it will be phased out by 2009, Saskatchewan still levies capital taxes.” (National Post: A Tale of Two Provinces)

The reason for Saskatchewan's slower rate of investment, particularly in equipment and machinery, has other components but the present business sales tax regime is certainly part of the problem.

The Harmonization between the federal and provincial tax system would help Saskatchewan become more competitive and attractive for investors. What will this do? This will result in an enhanced level of investment, expansion of the economy, and most importantly, will provide incentive for people to come and work in Saskatchewan. This will in turn broaden the tax base and spin out additional job creation rates.

The above reality underlines how far out of line Saskatchewan's tax policies were prior the 2006 business tax cuts. With a harmonized taxation policy framework, Saskatchewan is likely to boost business investment, increase job creation and enhance general income levels. It is also likely to improve overall productivity levels of the corporate sector. The prevailing uncompetitive, and therefore ineffective, sales tax system in Saskatchewan tends to inflate costs, either directly or indirectly for all businesses, in addition to reducing the level of return on investment. Consequently, the sales tax system also reduces income level and the retention rate of local businesses and the general population. This in turn reduces real market based wage rates and the level of investment itself. Investment growth in Saskatchewan may particularly help "Saskatchewan's labour force [in] acquiring...the physical means to work smarter and [to learn to] produce more without necessarily working longer." (Sask Check Up, 2006.) According to an estimate, in 2005, 3,800 new jobs were created in Saskatchewan by the goods producing sector alone. This indicates the tendency and inclination towards business expansion indicating the presence of unexploited potential in Saskatchewan's economy. The reason for Saskatchewan's slower rate of investment, particularly in equipment and machinery, has other components but the present business sales tax regime is certainly part of the problem.

To justify an investment, it is important for businesses to earn a positive return on investment. Businesses seek to operate within a safety margin of profitability to further expand in the future. Businesses prefer maximum possible safety margin to take care of the extra costs of taxes on one side and improve after tax return on the other. This helps expansion of the local sub economies to support the overall economic expansion. Therefore, it all depends on the public sector to provide a competitive and suitable tax policy structure instead of a tax system that engages businesses in unproductive efforts and forces investors to pay extra costs associated with a weak tax structure.

The Harmonization between the federal and provincial tax systems would help Saskatchewan become more competitive and attractive for investors. What will this do? This will result in an enhanced level of investment, expansion of the economy, and most importantly will provide an incentive for people to come and work in Saskatchewan. This will in turn broaden the tax base and spin out additional job creation rates.

"For the past 25 years ... 80% of the growth has been on the Alberta side. The primary reason for this lopsided growth [is] taxes." Recent Stat Canada census underlines this fact. From 2001 to 2006 the population growth on Saskatchewan side of the city is 3.5% while the Alberta side shows a 21.0% growth.

"There's a new industrial block on the Alberta side (of the city), and there has to be 60 businesses in there, oil-field services companies, that sort of thing and there's absolutely nothing like it on the Saskatchewan side. Indeed there isn't even a grocery store on the Saskatchewan side of the border." Thus, the situation in Lloydminster perfectly represents the drawbacks of the uncompetitive nature of Saskatchewan policies for the business sector.

## If You Believe Sales Taxes Do Not Matter, Visit Lloydminster.

Having said the above, if a Saskatchewan resident thinks that we still do not need tax harmonization, needs to pay a visit to the city of Lloydminster. It is a medium sized city located right on the border of the province of Saskatchewan and Alberta ~ half on each side and intersected by Yellowhead highway # 16. The Saskatchewan side of the city follows Saskatchewan tax policies and the Alberta side follows Alberta tax policies. The above characteristics make the city a perfect micro economic example representing the outcomes and impacts of government policies followed on each side of the city. Surprisingly enough, there is a visible difference in the overall standard of living on each side. All the shopping malls, most chain-outlets, hotels, grocery stores, restaurants, other shops and businesses are mostly located on the Alberta side of the city which has no PST at all. This helps businesses on the Alberta side save the PST cost of 5% that they would have to pay and keep track of, if located on the Saskatchewan side. The operating costs for businesses are also higher on the Saskatchewan side. "Ross Ulmer, owner of Ross Ulmer Chevrolet Cadillac Ltd., [Lloydminster, SK] reckons [that] it [presently] costs him an extra 1% to 2% to run his car dealership on the Saskatchewan side of the border." (National Post, April, 2007.) Furthermore, everyday, later in the evening, there is hardly any traffic on the Saskatchewan side while every evening is full of lively activities on the Alberta side. Investment and job growth are directly affected by government policies and "for the past 25 years ... 80% of the growth has been on the Alberta side. The primary reason for this lopsided growth [is] taxes." (National Post, April, 2007.) The recent Statistics Canada census underlines this fact. From 2001 to 2006 the population growth on Saskatchewan side of the city is 3.5%, while the Alberta side shows 21.0% growth. Although harmonization of the tax system will not fully address the situation in Lloydminster, it may affect business locations near Lloydminster on either side of the border. This example similarly illustrates the economic drawbacks of business taxation policy in Saskatchewan as a whole. In the words of a resident of Lloydminster "there's a new industrial block on the Alberta side, and there has to be 60 businesses in there, oil-field services companies, that sort of thing and there's absolutely nothing like it on the Saskatchewan side. Indeed there isn't even a grocery store on the Saskatchewan side of the border." Thus, the situation in Lloydminster perfectly represents the drawbacks of the uncompetitive nature of Saskatchewan policies for the business sector.

## Tax Harmonization and Economic Competitiveness of Saskatchewan:

Saskatoon's ranking from the perspective of return on equity (ROE) before and after the harmonization of taxes show that an investment in the IT sector ranks Saskatoon in the 8th place before harmonization, and 6th after implementation. Similar results hold true for other industries shown in detail in Appendix. 1.

With sales tax harmonization, businesses in Saskatchewan will be able to avoid these individual costs and when it comes to investment location decision, Saskatchewan would be in a better position. However, "if the differences in the primary location factors at alternative sites are relatively small", the effects of harmonizing the current tax system will be minimal. However, this is not the case in Canada or at the international level. "Goss and Phillips found a negative and statistically significant effect of state and local personal taxes on state employment growth rates". "Several [other] recent economic studies suggest that state and local tax cuts and incentives may have a positive effect on economic growth, provided that government services are not reduced to pay for the tax cuts." (C.D. Howe Institute, June 2006) Despite opportunities for manufacturing activity in Saskatchewan, the province still does not have a lot of manufacturing or product design companies operating in the province. So, reasonably, we as an economy may have more opportunities to attract more investments by introducing the HST. Appendix-1 shows a detailed comparison of Saskatoon and other competing locations in Canada for all industries in KPMG analysis. The cost side of taxes plays a major role in the analysis and puts Saskatoon at an unfavorable rank. Saskatoon's ranking from the perspective of return on equity (ROE) before and after the harmonization of taxes show that an investment in the IT sector ranks Saskatoon 8th out of nine places before harmonization, and 6th after implementation. Similar results hold true for other industries shown in Appendix.1. No doubt sales taxes affect the businesses in terms of higher operating costs and higher startup investment costs. A more detailed analyses for industries is likely to reveal an even greater improvement in after tax return on equity. Following are some impacts that include, but are not limited to the impact of the current sales tax system on the business sector in general:

i. Higher operating costs, hence lower margins due to Sales Tax administrative overhead costs;

ii. Sales Taxes on operational incidentals like stationary, utilities, cleaning supplies etc;

iii. Sales Taxes on software upgrades;

iv. Sales Taxes costs on professional services;

v. Sales Taxes on maintenance costs; and,

vi. Sales Taxes create higher initial investment in building costs, supplies, equipment, engineering, consulting services etc.

Thus requiring more equity relative to the scale of the investment. The combined effect of these costs is higher investment level, required to achieve the same scale of business volume hence an even further lowering of the rate of return on investment.

In the same context, taxes in Saskatchewan, and therefore in Saskatoon, make the expected rate of return on an after tax basis look rather discouraging in comparison to other places. This discourages investors from choosing jurisdictions within Saskatchewan, like Saskatoon, as priority locations over other alternatives to setup and operate businesses. The results shown in Appendix.1 for most industries indicate an improvement in Saskatoon's ranking as a result of sales tax harmonization. This clearly indicates that sales tax harmonization is very likely to help Saskatchewan attract investment in different sectors, like manufacturing, research and development, and other developing sectors like green energy production facilities.

The solution seems to be in governments' stepping forward to create a policy framework that facilitates investment. Investment growth results in higher standard of living. This achieves the goal of providing benefits to the general public at large. Also, it is likely to increase the number of businesses, hence, increasing the stream of revenues for government.

Undeniably, restructuring provincial retail sales taxes would make a significant contribution to Canada's tax advantage. If the remaining five provinces with retail sales taxes moved to a value added tax (VAT) harmonized with the GST, Canada's overall METR would improve by 6.2 percentage points. An improvement of this magnitude would have a significant impact on the competitiveness of Canadian businesses and the standard of living of Canadians. Canada as a democratic society has a public sector that is charged by the public to provide services based on a general consensus view. Business operations and the rate of their growth are directly affected by the costs and levies imposed by the government to partly fund these services. Therefore, it is the authority imbedded within the public sector and government representatives that can impact and help the economy to be a success story.

One of the fundamental requirements for successfully running a business is the ability to make efficient use of capital. This efficient use of capital ultimately rewards employees through wage level growth and motivates both the labour force and the investor to increase productivity levels in general. At the end of the day, the question is: how can these effective and positive spillover effects on the economy be achieved? The solution seems to be in governments stepping forward to create a policy framework that facilitates investment. Investment growth results in a higher standard of living. This achieves the goal of providing benefits to the general public at large. Also, it is likely to increase the number of businesses, hence, increasing the stream of revenues for government. The above is important for the government to be in a better position to provide services and support the economic and social fabric of Saskatchewan. Many businesses are hesitant from investing and doing business in Saskatchewan, due to a fear of not making a level of profit on an after tax basis that is equal to or better than alternative investment locations. The current tax regime in Saskatchewan seems to be inherently uncompetitive. This is due in significant measure to the provincial sales tax (PST) system. Alberta and Quebec, along with most of the Maritime provinces, instead have a harmonized sales tax system. Following are some of the consequences of current sales tax system in Saskatchewan:

1. In economic theory, savings are assumed to be equivalent to investment either in or out of the economy. However, higher taxes "affects the amount of goods and services that Canadians (registered customers) can buy or spend money elsewhere either today, or later in the form of their savings in the future." (C. D. Howe Institute - 2006 Tax Competitiveness Report ).

2. Higher prices due to taxes reduces purchasing power. This leads to lower quality labour efforts in the long run. Moreover, it reduces per capita personal/real income, and thus lowers the competitive success of businesses.

3. Cost increases for businesses, such as the administrative costs involved in the collection, treatment, and management of the PST, directly lower business productivity levels and indirectly lowers the overall standard of living for citizens.

## Economic Benefits of PST Harmonization:

A harmonized sales tax system in Saskatchewan will shape a stronger business community and improve the province's lowest ranking of long term employment growth as shown in Chart. 1.

PST harmonization is likely to help minimize distortions in investment decisions resulting in more investment in the economy. Beside the macro level benefits, harmonization of sales tax, will also help business to economize the costs of inputs. In addition, harmonization will eliminate the tax cascade that is inherent in existing provincial retail sales tax systems. Existing provincial sales taxes do not have a proper mechanism to define tax free raw material purchases by businesses. Therefore, in the course of producing goods and services, taxes often end up increasing the cost. Ultimately the selling prices of goods and services produced must rise, in a competitive environment where costs cannot be transferred, margins (profitability) are reduced. As margins are reduced, investment also declines. A vicious cycle of lower investment, wages and an eroding tax base ensues. A key advantage of a harmonized sales tax (HST) will also be the removal of embedded extra taxes which for the current corporate sector are more like a burden beyond capacity. Furthermore, harmonization will make the tax payable on goods and services more transparent for consumers as well. Saskatchewan companies will be able to price their goods more competitively. In the same context, HST will enhance the international trade of Saskatchewan-made goods and services. The resulting new system will provide a better chance for small businesses to thrive. In addition to the promotion of fiscal co-operation and harmonization among federal and provincial governments, a harmonized sales tax would also reduce overall government overhead costs. “In 2005, Saskatchewan posted one of the highest ratios of after-tax profits to GDP, at 15.9 percent.” This clearly suggest that Saskatchewan’s economy is almost doing the best it can with the present cost structures that are associated with the government tax policies. Regardless of the business size, tax harmonization in the coming years is likely to have a greater prospective impact to help the after tax profits of each and every local business in Saskatchewan. The increasing after tax profits mean a more successful operation and having lower taxes will be like a booster for economic growth. All the above benefits of a harmonized sales tax system in Saskatchewan will shape a stronger business community and improve the province’s lowest ranking of long term employment growth as shown in Chart. 1.

## Tax Harmonization; One Rate, One Set of Rules:

Prolonging the time in achieving a competitive tax regime in Saskatchewan will prolong lower levels of investment and employment growth. The sooner this change takes place, the sooner the benefits will occur.

The portability of investment based on the usability and availability of near-accurate financial information has indeed become a reason for businesses to establish themselves in an economy with relatively greater expected after tax returns.

For simplicity, assume two similar and equivalent companies operating in the same market, for instance companies in the IT industry. It is reasonably true to say that the company with a higher marginal rate of return (ROR) would be the ultimate winner in the long run. Therefore, companies need to retain and sustain a competitive position. In order to do so, businesses need a tax system that gives them the capability to sustain a competitive position at the local and foreign level by having a positive ROR after taxes, which also represents the marginal rate of profits. Appendix. 1 shows the ROE for the industries used in the KPMG analysis. The analysis for each industry benchmarks Saskatoon against alternative locations in Canada. The tables also show the positive impact on the return on equity (ROE) in Saskatoon initiated by the harmonization of the sales tax system, and the relevant ranking for each city before and after harmonization in Saskatchewan. Harmonization of sales taxes as shown in Appendix.1, would help the Information Technology/ Software Industry ROE to improve by 5.6%. Furthermore, according to Lorwertha and Danforth, a 10% reduction in the cost of capital in Canada can increase investment in machinery and equipment by 10%. Holding all else constant, the above will likely be true for rest of the industrial sectors as well.

Prolonging the time in achieving  a competitive tax regime in Saskatchewan will prolong lower levels of investment and employment growth. The sooner this change takes place, the sooner will the benefits start emerging. Following are summary points of some of the prominent and potential benefits of  HST in Saskatchewan:

1. Businesses will be better able to provide their employees with compensation packages and other fringe benefits (education, training and so on), adequately increasing the quality and attracting a greater quantity of labour, thus improving the productive capacity of human resources.

2. Higher profits at the margin will foster greater investment levels and the accompanying growth in employment rates.

3. Higher real income for individuals and higher profits for the industrial sector encourages further investment, thus improving productivity levels and the standards of living.

4. Greater economic activity encourages the potential to specialize and creates opportunities to earn higher profits; opens the door for the labour force to acquire professional education and learning . This provides a reason for other businesses to effectively adopt new technology. Hence, this all leads to an overall benefit for all parties engaged in an economy.

5. The expanded tax base can increase revenue for the Saskatchewan government in the long run. Initial tax cuts will also reduce tax avoidance, and is likely to result in more hours worked and more investment.

Saskatchewan governments taxation policies can pave the way for investment and harmonization is an important means to that end

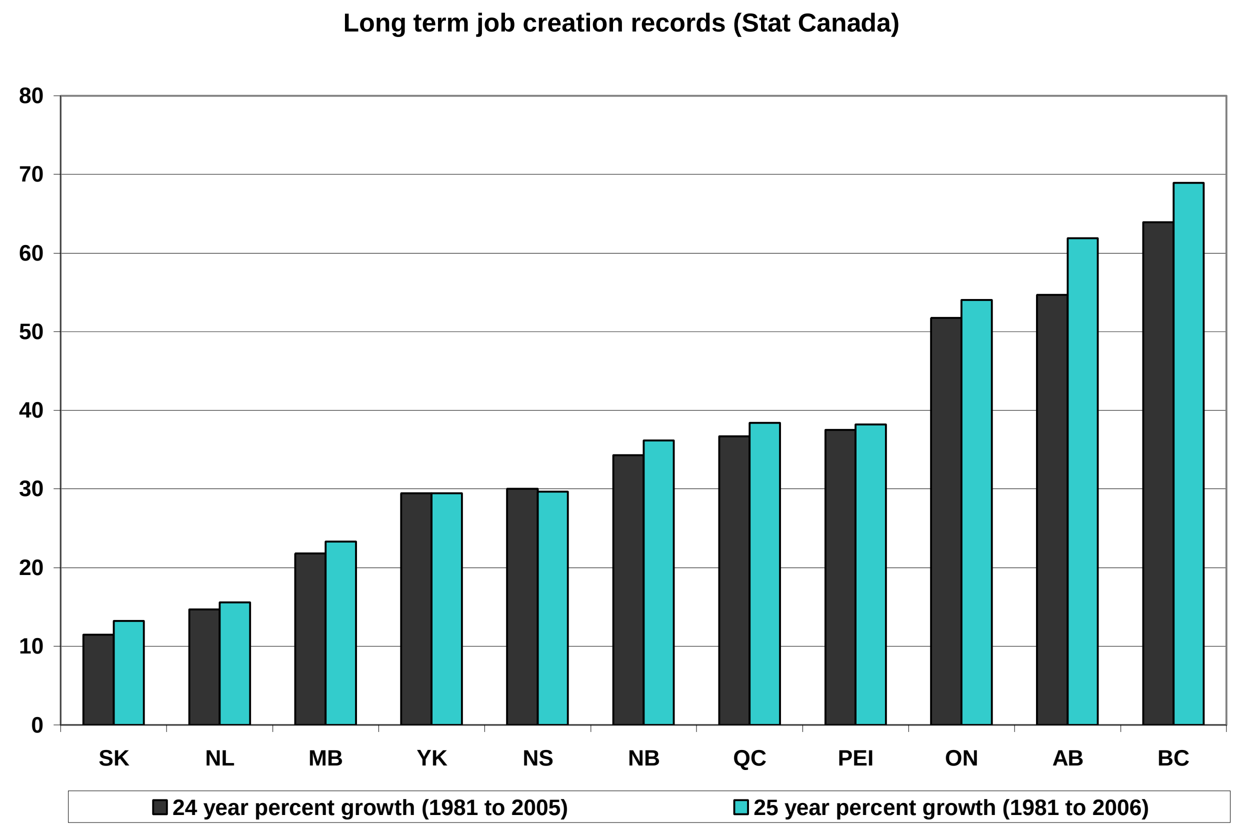
Efficiency and economic gains always requires some kind of effort. The negative effects of higher taxes associated with the current tax regime reduces the reward for additional effort. With the current tax system in Saskatchewan, efficiency is largely restricted to increasing effort levels and more hours worked. Sales taxes in present form turn out to be an ‘extra tax expenditure’ and a associated extra effort for both businesses and employees. To sustain business activity in the short run or grow business activity in the long run requires equivalent or superior after tax rates of return. Sales taxes generally apply to business inputs that contribute to making Canadian businesses less competitive due to higher production costs. Provincial governments have an important role to play in making Canada’s economy more competitive through better tax policy. Saskatchewan government’s effective taxation policies can pave the way for investment in Saskatchewan and harmonization is an  important means to than end.

# Conclusion

A harmonized tax system can help the Saskatchewan economy to focus on three influential factors to make Saskatchewan a better place to live, work, as well as invest. Certainly, "if the province wants to protect [and increase revenues in the long run] while helping investment and capital formation, [and job growth], it should harmonize the PST and GST. This would end the imprudence of making businesses administer two parallel sales tax bases while jump-starting investment." The potential in Saskatchewan can be better used to attract investments and disperse material productivity and prosperity.

For a sustainable future, the marginal rate of return after taxes has to be competitive in order to sustain and attract future investments. The current business sales tax in Saskatchewan puts burdensome pressure on the local businesses, while making it difficult for new and expanding businesses to stay and invest in Saskatchewan. At the same time, there is a heightened need to expedite the investment process, and sustain and improve the level of productivity. "Tax reform to remove sales tax levied on business inputs should be a significant part of the policy agenda in ... Saskatchewan." Harmonization of the tax regime in Saskatchewan is likely to provide an important tool to attract local and foreign investment and bring prosperity for the people of Saskatchewan and for the economy in general. In simple words, Saskatchewan government taxation policies can pave the way for investment in Saskatchewan and harmonization is an important means to that end.

# Chart.1


Long term job creation records (Stat Canada)
80
70
60
50
40
30
20
10
0
SK
NL
MB
YK
NS
NB
QC
PEI
ON
AB
BC
24 year percent growth (1981 to 2005)
25 year percent growth (1981 to 2006)

# Table.1

**C.D. Howe Institute Provincial Rankings by METR in 2010 - Without Sales Tax Harmonization in Saskatchewan:**

| Province | BC | AB | SK | MB | ON | QC | NB | NS | PEI | NL |
|---|---|---|---|---|---|---|---|---|---|---|
| METR | 34.9 | 25.8 | 27.5 | 33.2 | 38.6 | 31.0 | 9.7 | 20.0 | 33.7 | 15.3 |
| Rank | 9 | 4 | 5 | 7 | 10 | 6 | 1 | 3 | 8 | 2 |

# Appendix 1:

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| | |
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|---|---|
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| | |
|---|---|
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Raw Data Source: KPMG Competitive Alternatives. www.competitivealternatives.com

# Manufacturing Industry:

## 1.1 - Industry: Manufacturing - Overall Industry Average

(USD$' 000)

| City | Barrie | Brandon | Edmonton | Halifax | Kelowna | Moncton | Quebec | Red Deer | Saskatoon |
|---|---|---|---|---|---|---|---|---|---|
| **Initial Financing - Equity** | **6,033** | **5,514** | **6,099** | **5,580** | **7,277** | **5,439** | **5,993** | **6,168** | **6,185** |
| **Net Profit After All Taxes** | 2,048 | 2,067 | 1,918 | 1,919 | 1,731 | 2,118 | 1,973 | 2,102 | 1,955 |
| **Add: Sales Tax (Sask)** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 111.4 |
| **Net Profit After Sales Tax Harmonized in Sask** | **2,048** | **2,067** | **1,918** | **1,919** | **1,731** | **2,118** | **1,973** | **2,102** | **2,066** |
| **Return on Equity - Initial** | 33.9% | 37.5% | 31.4% | 34.4% | 23.8% | 38.9% | 32.9% | 34.1% | 31.6% |
| **ROE - After Harmonization Policy in Sask** | **33.9%** | **37.5%** | **31.4%** | **34.4%** | **23.8%** | **38.9%** | **32.9%** | **34.1%** | **33.4%** |
| **Policy Impact on ROE** | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | **5.7%** |
| ROE Ranks **- Before Harmonization Policy** | **5** | **2** | **8** | **3** | **9** | **1** | **6** | **4** | **7** |
| ROE Ranks **- After Harmonization Policy** | **5** | **2** | **8** | **3** | **9** | **1** | **7** | **4** | **6** |

## 1.2 - Industry: Aerospace

(USD$' 000)

| City | Barrie | Brandon | Edmonton | Halifax | Kelowna | Moncton | Quebec | Red Deer | Saskatoon |
|---|---|---|---|---|---|---|---|---|---|
| **Initial Financing - Equity** | **6,098** | **5,405** | **6,115** | **5,538** | **7,515** | **5,409** | **6,070** | **6,220** | **6,311** |
| **Net Profit After All Taxes** | 1,910 | 2,006 | 1,610 | 1,985 | 1,296 | 2,066 | 1,883 | 1,740 | 1,634 |
| **Add: Sales Tax (Sask)** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 65.7 |
| **Net Profit After Sales Tax Harmonized in Sask** | **1,910** | **2,006** | **1,610** | **1,985** | **1,296** | **2,066** | **1,883** | **1,740** | **1,700** |
| **Return on Equity - Initial** | 31.3% | 37.1% | 26.3% | 35.8% | 17.2% | 38.2% | 31.0% | 28.0% | 25.9% |
| **ROE - After Harmonization Policy in Sask** | **31.3%** | **37.1%** | **26.3%** | **35.8%** | **17.2%** | **38.2%** | **31.0%** | **28.0%** | **26.9%** |
| **Policy Impact on ROE** | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | **4.0%** |
| ROE Ranks **- Before Harmonization Policy** | **4** | **2** | **7** | **3** | **9** | **1** | **5** | **6** | **8** |
| ROE Ranks **- After Harmonization Policy** | **4** | **2** | **8** | **3** | **9** | **1** | **5** | **6** | **7** |

## 1.3 - Industry: Agri-Food

| | (USD$' 000) | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **City** | **Barrie** | **Brandon** | **Edmonton** | **Halifax** | **Kelowna** | **Moncton** | **Quebec** | **Red Deer** | **Saskatoon** |
| **Initial Financing - Equity** | **3,271** | **3,135** | **3,411** | **3,094** | **3,957** | **2,973** | **3,216** | **3,376** | **3,320** |
| **Net Profit After All Taxes** | 2,546 | 2,061 | 2,357 | 1,709 | 2,189 | 2,049 | 2,246 | 2,598 | 2,227 |
| **Add: Sales Tax (Sask)** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 102.8 |
| **Net Profit After Sales Tax Harmonized in Sask** | **2,546** | **2,061** | **2,357** | **1,709** | **2,189** | **2,049** | **2,246** | **2,598** | **2,330** |
| **Return on Equity - Initial** | 77.8% | 65.7% | 69.1% | 55.2% | 55.3% | 68.9% | 69.8% | 77.0% | 67.1% |
| **ROE - After Harmonization Policy in Sask** | **77.8%** | **65.7%** | **69.1%** | **55.2%** | **55.3%** | **68.9%** | **69.8%** | **77.0%** | **70.2%** |
| **Policy Impact on ROE** | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | **4.6%** |
| ROE Ranks **- Before Harmonization Policy** | **1** | **7** | **4** | **9** | **8** | **5** | **3** | **2** | **6** |
| ROE Ranks **- After Harmonization Policy** | **1** | **7** | **5** | **9** | **8** | **6** | **4** | **2** | **3** |

## 1.4 - Industry: Auto Parts

(USD$' 000)

| City | Barrie | Brandon | Edmonton | Halifax | Kelowna | Moncton | Quebec | Red Deer | Saska- |
|---|---|---|---|---|---|---|---|---|---|
| **Initial Financing - Equity** | **5,203** | **4,380** | **5,163** | **4,455** | **6,778** | **4,386** | **5,167** | **5,339** | **5,421** |
| **Net Profit After All Taxes** | 2,047 | 1,883 | 1,795 | 1,837 | 1,486 | 2,058 | 1,956 | 1,954 | 1,686 |
| **Add: Sales Tax (Sask)** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 84.3 |
| **Net Profit After Sales Tax Harmonized in Sask** | **2,047** | **1,883** | **1,795** | **1,837** | **1,486** | **2,058** | **1,956** | **1,954** | **1,770** |
| **Return on Equity - Initial** | 39.3% | 43.0% | 34.8% | 41.2% | 21.9% | 46.9% | 37.9% | 36.6% | 31.1% |
| **ROE - After Harmoniza-tion Policy in Sask** | **39.3%** | **43.0%** | **34.8%** | **41.2%** | **21.9%** | **46.9%** | **37.9%** | **36.6%** | **32.7%** |
| **Policy Impact on ROE** | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | **5.0%** |
| ROE Ranks **- Before Harmonization Policy** | **4** | **2** | **7** | **3** | **9** | **1** | **5** | **6** | **8** |
| ROE Ranks **- After Harmonization Policy** | **4** | **2** | **7** | **3** | **9** | **1** | **5** | **6** | **8** |

## 1.5 - Industry: Chemicals

(USD$' 000)

| City | Barrie | Brandon | Edmonton | Halifax | Kelowna | Moncton | Quebec | Red Deer | Saskatoon |
|---|---|---|---|---|---|---|---|---|---|
| **Initial Financing - Equity** | **9,966** | **9,802** | **10,134** | **9,753** | **10,789** | **9,608** | **9,899** | **10,092** | **10,024** |
| **Net Profit After All Taxes** | 1,990 | 2,419 | 2,137 | 2,156 | 2,084 | 2,427 | 1,986 | 2,367 | 2,244 |
| **Add: Sales Tax (Sask)** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 178.5 |
| **Net Profit After Sales Tax Harmonized in Sask** | **1,990** | **2,419** | **2,137** | **2,156** | **2,084** | **2,427** | **1,986** | **2,367** | **2,423** |
| **Return on Equity - Initial** | 20.0% | 24.7% | 21.1% | 22.1% | 19.3% | 25.3% | 20.1% | 23.5% | 22.4% |
| **ROE - After Harmonization Policy in Sask** | **20.0%** | **24.7%** | **21.1%** | **22.1%** | **19.3%** | **25.3%** | **20.1%** | **23.5%** | **24.2%** |
| **Policy Impact on ROE** | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | **8.0%** |
| ROE Ranks **- Before Harmonization Policy** | **8** | **2** | **6** | **5** | **9** | **1** | **7** | **3** | **4** |
| ROE Ranks **- After Harmonization Policy** | **8** | **2** | **6** | **5** | **9** | **1** | **7** | **4** | **3** |

## 1.6 - Industry: Electronics

(USD$' 000)

| City | Barrie | Brandon | Edmonton | Halifax | Kelowna | Moncton | Quebec | Red Deer | Saskatoon |
|---|---|---|---|---|---|---|---|---|---|
| **Initial Financing - Equity** | **10,779** | **9,431** | **10,879** | **9,776** | **13,655** | **9,437** | **10,727** | **11,027** | **11,230** |
| **Net Profit After All Taxes** | 2,258 | 2,678 | 2,325 | 2,505 | 2,122 | 2,612 | 2,170 | 2,499 | 2,354 |
| **Add: Sales Tax (Sask)** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 102.1 |
| **Net Profit After Sales Tax Harmonized in Sask** | **2,258** | **2,678** | **2,325** | **2,505** | **2,122** | **2,612** | **2,170** | **2,499** | **2,456** |
| **Return on Equity - Initial** | 20.9% | 28.4% | 21.4% | 25.6% | 15.5% | 27.7% | 20.2% | 22.7% | 21.0% |
| **ROE - After Harmoniza-** | **20.9%** | **28.4%** | **21.4%** | **25.6%** | **15.5%** | **27.7%** | **20.2%** | **22.7%** | **21.9%** |
| **Policy Impact on ROE** | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | **4.3%** |
| ROE Ranks **- Before Harmonization Policy** | **7** | **1** | **5** | **3** | **9** | **2** | **8** | **4** | **6** |
| ROE Ranks **- After Harmonization Policy** | **7** | **1** | **6** | **3** | **9** | **2** | **8** | **4** | **5** |

## 1.7 - Industry: Medical Devices

(USD$' 000)

| City | Barrie | Brandon | Edmonton | Halifax | Kelowna | Moncton | Quebec | Red Deer | Saskatoon |
|---|---|---|---|---|---|---|---|---|---|
| **Initial Financing - Equity** | **5,631** | **4,987** | **5,628** | **5,140** | **7,045** | **4,949** | **5,629** | **5,815** | **5,779** |
| **Net Profit After All Taxes** | 1,802 | 2,177 | 1,897 | 2,038 | 1,720 | 2,162 | 1,803 | 2,068 | 1,896 |
| **Add: Sales Tax (Sask)** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 123.5 |
| **Net Profit After Sales Tax Harmonized in Sask** | **1,802** | **2,177** | **1,897** | **2,038** | **1,720** | **2,162** | **1,803** | **2,068** | **2,020** |
| **Return on Equity - Initial** | 32.0% | 43.7% | 33.7% | 39.6% | 24.4% | 43.7% | 32.0% | 35.6% | 32.8% |
| **ROE - After Harmonization Policy in Sask** | **32.0%** | **43.7%** | **33.7%** | **39.6%** | **24.4%** | **43.7%** | **32.0%** | **35.6%** | **34.9%** |
| **Policy Impact on ROE** | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | **6.5%** |
| ROE Ranks **- Before Harmonization Policy** | **8** | **2** | **5** | **3** | **9** | **1** | **7** | **4** | **6** |
| ROE Ranks **- After Harmonization Policy** | **8** | **2** | **6** | **3** | **9** | **1** | **7** | **4** | **5** |

## 1.8 - Industry: Metal Components

| | (USD$' 000) | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **City** | **Barrie** | **Brandon** | **Edmonton** | **Halifax** | **Kelowna** | **Moncton** | **Quebec** | **Red Deer** | **Saskatoon** |
| **Initial Financing - Equity** | **5,198** | **4,368** | **5,126** | **4,400** | **6,728** | **4,374** | **5,160** | **5,330** | **5,400** |
| **Net Profit After All Taxes** | 2,138 | 1,898 | 1,862 | 1,885 | 1,586 | 2,090 | 2,060 | 2,025 | 1,750 |
| **Add: Sales Tax (Sask)** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 80.0 |
| **Net Profit After Sales Tax Harmonized in Sask** | **2,138** | **1,898** | **1,862** | **1,885** | **1,586** | **2,090** | **2,060** | **2,025** | **1,830** |
| **Return on Equity - Initial** | 41.1% | 43.5% | 36.3% | 42.8% | 23.6% | 47.8% | 39.9% | 38.0% | 32.4% |
| **ROE - After Harmonization Policy in Sask** | **41.1%** | **43.5%** | **36.3%** | **42.8%** | **23.6%** | **47.8%** | **39.9%** | **38.0%** | **33.9%** |
| **Policy Impact on ROE** | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | **4.6%** |
| ROE Ranks **- Before Harmonization Policy** | **4** | **2** | **7** | **3** | **9** | **1** | **5** | **6** | **8** |
| ROE Ranks **- After Harmonization Policy** | **4** | **2** | **7** | **3** | **9** | **1** | **5** | **6** | **8** |

## 1.9 - Industry: Pharmaceuticals

(USD$' 000)

| City | Barrie | Brandon | Edmonton | Halifax | Kelowna | Moncton | Quebec | Red Deer | Saskatoon |
|---|---|---|---|---|---|---|---|---|---|
| **Initial Financing - Equity** | **6,620** | **6,034** | **6,616** | **6,172** | **7,904** | **5,999** | **6,618** | **6,786** | **6,754** |
| **Net Profit After All Taxes** | 2,008 | 2,395 | 2,063 | 2,324 | 1,881 | 2,476 | 2,086 | 2,260 | 2,137 |
| **Add: Sales Tax (Sask)** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 227.1 |
| **Net Profit After Sales Tax Harmonized in Sask** | **2,008** | **2,395** | **2,063** | **2,324** | **1,881** | **2,476** | **2,086** | **2,260** | **2,364** |
| **Return on Equity - Initial** | 30.3% | 39.7% | 31.2% | 37.7% | 23.8% | 41.3% | 31.5% | 33.3% | 31.6% |
| **ROE - After Harmoniza-tion Policy in Sask** | **30.3%** | **39.7%** | **31.2%** | **37.7%** | **23.8%** | **41.3%** | **31.5%** | **33.3%** | **35.0%** |
| **Policy Impact on ROE** | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | **10.6%** |
| ROE Ranks **- Before Harmonization Policy** | **8** | **2** | **7** | **3** | **9** | **1** | **6** | **4** | **5** |
| ROE Ranks **- After Harmonization Policy** | **8** | **2** | **7** | **3** | **9** | **1** | **6** | **5** | **4** |

## 1.10 - Industry: Plastics

(USD$' 000)

| City | Barrie | Brandon | Edmonton | Halifax | Kelowna | Moncton | Quebec | Red Deer | Saskatoon |
|---|---|---|---|---|---|---|---|---|---|
| **Initial Financing - Equity** | **2,346** | **1,902** | **2,348** | **1,974** | **3,238** | **1,904** | **2,328** | **2,422** | **2,477** |
| **Net Profit After All Taxes** | 2,085 | 1,713 | 1,682 | 1,543 | 1,434 | 1,802 | 1,963 | 1,828 | 1,582 |
| **Add: Sales Tax (Sask)** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 50.7 |
| **Net Profit After Sales Tax Harmonized in Sask** | **2,085** | **1,713** | **1,682** | **1,543** | **1,434** | **1,802** | **1,963** | **1,828** | **1,633** |
| **Return on Equity - Initial** | 88.9% | 90.1% | 71.6% | 78.2% | 44.3% | 94.6% | 84.3% | 75.5% | 63.9% |
| **ROE - After Harmoniza-tion Policy in Sask** | **88.9%** | **90.1%** | **71.6%** | **78.2%** | **44.3%** | **94.6%** | **84.3%** | **75.5%** | **65.9%** |
| **Policy Impact on ROE** | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | **3.2%** |
| ROE Ranks **- Before Harmonization Policy** | **3** | **2** | **7** | **5** | **9** | **1** | **4** | **6** | **8** |
| ROE Ranks **- After Harmonization Policy** | **3** | **2** | **7** | **5** | **9** | **1** | **4** | **6** | **8** |

## 1.11 - Industry: Precision Manufacturing

| | (USD$' 000) | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **City** | **Barrie** | **Brandon** | **Edmonton** | **Halifax** | **Kelowna** | **Moncton** | **Quebec** | **Red Deer** | **Saskatoon** |
| **Initial Financing - Equity** | **4,049** | **3,927** | **4,176** | **3,890** | **4,666** | **3,781** | **4,000** | **4,144** | **4,093** |
| **Net Profit After All Taxes** | 1,314 | 1,306 | 999 | 1,309 | 820 | 1,373 | 1,302 | 1,138 | 1,077 |
| **Add: Sales Tax (Sask)** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 36.4 |
| **Net Profit After Sales Tax Harmonized in Sask** | **1,314** | **1,306** | **999** | **1,309** | **820** | **1,373** | **1,302** | **1,138** | **1,113** |
| **Return on Equity - Initial** | 32.5% | 33.3% | 23.9% | 33.7% | 17.6% | 36.3% | 32.6% | 27.5% | 26.3% |
| **ROE - After Harmonization Policy in Sask** | **32.5%** | **33.3%** | **23.9%** | **33.7%** | **17.6%** | **36.3%** | **32.6%** | **27.5%** | **27.2%** |
| **Policy Impact on ROE** | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | **3.4%** |
| ROE Ranks **- Before Harmonization Policy** | **5** | **3** | **8** | **2** | **9** | **1** | **4** | **6** | **7** |
| ROE Ranks **- After Harmonization Policy** | **5** | **3** | **8** | **2** | **9** | **1** | **4** | **6** | **7** |

## 1.12 - Industry: Telecommunications

(USD$' 000)

| City | Barrie | Brandon | Edmonton | Halifax | Kelowna | Moncton | Quebec | Red Deer | Saskatoon |
|---|---|---|---|---|---|---|---|---|---|
| **Initial Financing - Equity** | **7,549** | **7,304** | **7,801** | **7,230** | **8,783** | **7,012** | **7,449** | **7,737** | **7,636** |
| **Net Profit After All Taxes** | 2,429 | 2,803 | 2,520 | 2,732 | 2,328 | 2,897 | 2,493 | 2,767 | 2,569 |
| **Add: Sales Tax (Sask)** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 273.5 |
| **Net Profit After Sales Tax Harmonized in Sask** | **2,429** | **2,803** | **2,520** | **2,732** | **2,328** | **2,897** | **2,493** | **2,767** | **2,842** |
| **Return on Equity - Initial** | 32.2% | 38.4% | 32.3% | 37.8% | 26.5% | 41.3% | 33.5% | 35.8% | 33.6% |
| **ROE - After Harmonization Policy in Sask** | **32.2%** | **38.4%** | **32.3%** | **37.8%** | **26.5%** | **41.3%** | **33.5%** | **35.8%** | **37.2%** |
| **Policy Impact on ROE** | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | **10.6%** |
| ROE Ranks **- Before Harmonization Policy** | **8** | **2** | **7** | **3** | **9** | **1** | **6** | **4** | **5** |
| ROE Ranks **- After Harmonization Policy** | **8** | **2** | **7** | **3** | **9** | **1** | **6** | **5** | **4** |

# Research and Development:

## 2.1 - Industry: Research & Development - Industry Average

| | (USD$' 000) | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **City** | **Barrie** | **Brandon** | **Edmonton** | **Halifax** | **Kelowna** | **Moncton** | **Quebec** | **Red Deer** | **Saskatoon** |
| **Initial Financing - Equity** | **3,608** | **3,608** | **3,608** | **3,608** | **3,608** | **3,608** | **3,608** | **3,608** | **3,608** |
| **Net Profit After All Taxes** | 741 | 740 | 682 | 1,015 | 772 | 1,048 | 911 | 643 | 770 |
| **Add: Sales Tax (Sask)** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 115.0 |
| **Net Profit After Sales Tax Harmonized in Sask** | **741** | **740** | **682** | **1,015** | **772** | **1,048** | **911** | **643** | **885** |
| **Return on Equity - Initial** | 20.5% | 20.5% | 18.9% | 28.1% | 21.4% | 29.0% | 25.2% | 17.8% | 21.3% |
| **ROE - After Harmoniza-tion Policy in Sask** | **20.5%** | **20.5%** | **18.9%** | **28.1%** | **21.4%** | **29.0%** | **25.2%** | **17.8%** | **24.5%** |
| **Policy Impact on ROE** | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | **14.9%** |
| ROE Ranks **- Before Harmonization Policy** | **6** | **7** | **8** | **2** | **4** | **1** | **3** | **9** | **5** |
| ROE Ranks **- After Harmonization Policy** | **6** | **7** | **8** | **2** | **5** | **1** | **3** | **9** | **4** |

## 2.2 - Industry: Biotechnology

| | (USD$' 000) | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **City** | **Barrie** | **Brandon** | **Edmonton** | **Halifax** | **Kelowna** | **Moncton** | **Quebec** | **Red Deer** | **Saskatoon** |
| **Initial Financing - Equity** | **3,555** | **3,555** | **3,555** | **3,555** | **3,555** | **3,555** | **3,555** | **3,555** | **3,555** |
| **Net Profit After All Taxes** | 711 | 716 | 654 | 945 | 743 | 975 | 853 | 618 | 740 |
| **Add: Sales Tax (Sask)** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 122.8 |
| **Net Profit After Sales Tax Harmonized in Sask** | **711** | **716** | **654** | **945** | **743** | **975** | **853** | **618** | **863** |
| **Return on Equity - Initial** | 20.0% | 20.1% | 18.4% | 26.6% | 20.9% | 27.4% | 24.0% | 17.4% | 20.8% |
| **ROE - After Harmoniza-tion Policy in Sask** | **20.0%** | **20.1%** | **18.4%** | **26.6%** | **20.9%** | **27.4%** | **24.0%** | **17.4%** | **24.3%** |
| **Policy Impact on ROE** | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | **16.6%** |
| ROE Ranks **- Before Harmonization Policy** | **7** | **6** | **8** | **2** | **4** | **1** | **3** | **9** | **5** |
| ROE Ranks **- After Harmonization Policy** | **7** | **6** | **8** | **2** | **5** | **1** | **4** | **9** | **3** |

## 2.3 - Industry: Clinical Trials

(USD$' 000)

| City | Barrie | Brandon | Edmonton | Halifax | Kelowna | Moncton | Quebec | Red Deer | Saskatoon |
|---|---|---|---|---|---|---|---|---|---|
| **Initial Financing - Equity** | **978** | **978** | **978** | **978** | **978** | **978** | **978** | **978** | **978** |
| **Net Profit After All Taxes** | 831 | 1,256 | 800 | 1,400 | 1,014 | 1,486 | 1,276 | 992 | 1,043 |
| **Add: Sales Tax (Sask)** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 13.6 |
| **Net Profit After Sales Tax Harmonized in Sask** | **831** | **1,256** | **800** | **1,400** | **1,014** | **1,486** | **1,276** | **992** | **1,057** |
| **Return on Equity - Initial** | 85.0% | 128.4% | 81.8% | 143.1% | 103.7% | 151.9% | 130.5% | 101.4% | 106.6% |
| **ROE - After Harmoniza-tion Policy in Sask** | **85.0%** | **128.4%** | **81.8%** | **143.1%** | **103.7%** | **151.9%** | **130.5%** | **101.4%** | **108.0%** |
| **Policy Impact on ROE** | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | **1.3%** |
| ROE Ranks **- Before Harmonization Policy** | **8** | **4** | **9** | **2** | **6** | **1** | **3** | **7** | **5** |
| ROE Ranks **- After Harmonization Policy** | **8** | **4** | **9** | **2** | **6** | **1** | **3** | **7** | **5** |

## 2.4 - Industry: Product Testing

| | (USD$' 000) | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **City** | **Barrie** | **Brandon** | **Edmonton** | **Halifax** | **Kelowna** | **Moncton** | **Quebec** | **Red Deer** | **Saskatoon** |
| **Initial Financing - Equity** | **3,660** | **3,660** | **3,660** | **3,660** | **3,660** | **3,660** | **3,660** | **3,660** | **3,660** |
| **Net Profit After All Taxes** | 771 | 764 | 710 | 1,085 | 800 | 1,121 | 968 | 667 | 799 |
| **Add: Sales Tax (Sask)** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 107.1 |
| **Net Profit After Sales Tax Harmonized in Sask** | **771** | **764** | **710** | **1,085** | **800** | **1,121** | **968** | **667** | **906** |
| **Return on Equity - Initial** | 21.1% | 20.9% | 19.4% | 29.6% | 21.9% | 30.6% | 26.4% | 18.2% | 21.8% |
| **ROE - After Harmonization Policy in Sask** | **21.1%** | **20.9%** | **19.4%** | **29.6%** | **21.9%** | **30.6%** | **26.4%** | **18.2%** | **24.8%** |
| **Policy Impact on ROE** | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | **13.4%** |
| ROE Ranks **- Before Harmonization Policy** | **6** | **7** | **8** | **2** | **4** | **1** | **3** | **9** | **5** |
| ROE Ranks **- After Harmonization Policy** | **6** | **7** | **8** | **2** | **5** | **1** | **3** | **9** | **4** |

# Software Industry:

## 3.1 - Industry: Software - Industry Average

(USD$' 000)

| City | Barrie | Brandon | Edmonton | Halifax | Kelowna | Moncton | Quebec | Red Deer | Saskatoon |
|---|---|---|---|---|---|---|---|---|---|
| **Initial Financing - Equity** | **1,324** | **1,324** | **1,324** | **1,324** | **1,324** | **1,324** | **1,324** | **1,324** | **1,324** |
| **Net Profit After All Taxes** | 2,116 | 2,696 | 2,237 | 2,355 | 2,421 | 2,524 | 2,246 | 2,634 | 2,220 |
| **Add: Sales Tax (Sask)** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 76.4 |
| **Net Profit After Sales Tax Harmonized in Sask** | **2,116** | **2,696** | **2,237** | **2,355** | **2,421** | **2,524** | **2,246** | **2,634** | **2,296** |
| **Return on Equity - Initial** | 159.8% | 203.6% | 169.0% | 177.9% | 182.9% | 190.6% | 169.6% | 198.9% | 167.7% |
| **ROE - After Harmonization Policy in Sask** | **159.8%** | **203.6%** | **169.0%** | **177.9%** | **182.9%** | **190.6%** | **169.6%** | **198.9%** | **173.4%** |
| **Policy Impact on ROE** | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | **3.4%** |
| ROE Ranks **- Before Harmonization Policy** | **9** | **1** | **7** | **5** | **4** | **3** | **6** | **2** | **8** |
| ROE Ranks **- After Harmonization Policy** | **9** | **1** | **8** | **5** | **4** | **3** | **7** | **2** | **6** |

## 3.2 - Industry: Software Design

(USD$' 000)

| City | Barrie | Brandon | Edmonton | Halifax | Kelowna | Moncton | Quebec | Red Deer | Saskatoon |
|---|---|---|---|---|---|---|---|---|---|
| **Initial Financing - Equity** | **1,400** | **1,400** | **1,400** | **1,400** | **1,400** | **1,400** | **1,400** | **1,400** | **1,400** |
| **Net Profit After All Taxes** | 2,567 | 3,189 | 2,691 | 2,834 | 2,888 | 3,029 | 2,739 | 3,103 | 2,662 |
| **Add: Sales Tax (Sask)** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 96.4 |
| **Net Profit After Sales Tax Harmonized in Sask** | **2,567** | **3,189** | **2,691** | **2,834** | **2,888** | **3,029** | **2,739** | **3,103** | **2,758** |
| **Return on Equity - Initial** | 183.4% | 227.8% | 192.2% | 202.4% | 206.3% | 216.4% | 195.6% | 221.6% | 190.1% |
| **ROE - After Harmonization Policy in Sask** | **183.4%** | **227.8%** | **192.2%** | **202.4%** | **206.3%** | **216.4%** | **195.6%** | **221.6%** | **197.0%** |
| **Policy Impact on ROE** | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | **3.6%** |
| ROE Ranks **- Before Harmonization Policy** | **9** | **1** | **7** | **5** | **4** | **3** | **6** | **2** | **8** |
| ROE Ranks **- After Harmonization Policy** | **9** | **1** | **8** | **5** | **4** | **3** | **7** | **2** | **6** |

## 3.3 - Industry: Web & Multimedia

| | (USD$' 000) | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **City** | **Barrie** | **Brandon** | **Edmonton** | **Halifax** | **Kelowna** | **Moncton** | **Quebec** | **Red Deer** | **Saskatoon** |
| **Initial Financing - Equity** | **1,067** | **1,067** | **1,067** | **1,067** | **1,067** | **1,067** | **1,067** | **1,067** | **1,067** |
| **Net Profit After All Taxes** | 1,664 | 2,202 | 1,782 | 1,876 | 1,953 | 2,019 | 1,753 | 2,164 | 1,778 |
| **Add: Sales Tax (Sask)** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 56.4 |
| **Net Profit After Sales Tax Harmonized in Sask** | **1,664** | **2,202** | **1,782** | **1,876** | **1,953** | **2,019** | **1,753** | **2,164** | **1,834** |
| **Return on Equity - Initial** | 156.0% | 206.4% | 167.0% | 175.8% | 183.0% | 189.2% | 164.3% | 202.8% | 166.6% |
| **ROE - After Harmoniza-tion Policy in Sask** | **156.0%** | **206.4%** | **167.0%** | **175.8%** | **183.0%** | **189.2%** | **164.3%** | **202.8%** | **171.9%** |
| **Policy Impact on ROE** | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | **3.2%** |
| ROE Ranks **- Before Harmonization Policy** | **9** | **1** | **6** | **5** | **4** | **3** | **8** | **2** | **7** |
| ROE Ranks **- After Harmonization Policy** | **9** | **1** | **7** | **5** | **4** | **3** | **8** | **2** | **6** |

# Corporate Services:

## 4.1 - Industry: Back Office/Call Centers

(USD$' 000)

| City | Barrie | Brandon | Edmonton | Halifax | Kelowna | Moncton | Quebec | Red Deer | Saska- |
|---|---|---|---|---|---|---|---|---|---|
| **Initial Financing - Equity** | **1,900** | **1,900** | **1,900** | **1,900** | **1,900** | **1,900** | **1,900** | **1,900** | **1,900** |
| **Net Profit After All Taxes** | 619 | 562 | 628 | 565 | 616 | 587 | 631 | 595 | 565 |
| **Add: Sales Tax (Sask)** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 85.7 |
| **Net Profit After Sales Tax Harmonized in Sask** | **619** | **562** | **628** | **565** | **616** | **587** | **631** | **595** | **651** |
| **Return on Equity - Initial** | 32.6% | 29.6% | 33.1% | 29.7% | 32.4% | 30.9% | 33.2% | 31.3% | 29.7% |
| **ROE - After Harmoniza-tion Policy in Sask** | **32.6%** | **29.6%** | **33.1%** | **29.7%** | **32.4%** | **30.9%** | **33.2%** | **31.3%** | **34.2%** |
| **Policy Impact on ROE** | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | **15.2%** |
| ROE Ranks **- Before Harmonization Policy** | **3** | **9** | **2** | **7** | **4** | **6** | **1** | **5** | **7** |
| ROE Ranks **- After Harmonization Policy** | **4** | **9** | **3** | **8** | **5** | **7** | **2** | **6** | **1** |

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# Notes: