



**Chambre de commerce
du Montréal métropolitain
Board of Trade of Metropolitan Montreal**

April 3, 2009

Ms. Monique Jérôme-Forget
Minister of Finance of Quebec
12 St-Louis Street, 1st floor
Québec, Quebec G1R 5L3

Subject: Public consultation on aggressive tax planning (ATP)

Madam Minister:

On behalf of the members of the Board of Trade of Metropolitan Montreal and its board of directors, I would like to share with you the factors the Board of Trade feels should be considered within the framework of the current public consultation on aggressive tax planning.

First of all – and particularly during times of economic crisis – the Board of Trade believes it is important to do everything possible to improve the business environment for the entrepreneurs and business people working to develop Quebec. During this difficult economic period, companies face sizable challenges as they strive to maintain financial liquidity, protect a maximum of jobs, and make the investments needed to take full advantage of the recovery when it comes – all within a context of strong local and international competition.

It is therefore only natural that companies and taxpayers wish to minimize their tax burdens within the limitations established by the law. Moreover, we must acknowledge that Quebec's tax system is complex, and this complexity inevitably leads to conflicting interpretations, which can, in turn, result in approaches that circumvent the rules.

The Board of Trade understands that the government's intention is to curb tax avoidance strategies and believes that the tightening of the tax rules is desirable insofar as it preserves the integrity of the tax system and makes it possible to treat all taxpayers in a fair and equitable manner. Obviously, we believe that the Government of Quebec should be able to collect all the taxes it is due – especially given the precarious state of public finances today.

It is nevertheless important to carefully consider the measures to be taken. We must ensure that Quebec continues to offer a favourable business environment and thus limit possible avoidance strategies that would cause large volumes of legitimate business that is nevertheless extremely sensitive to the various interpretations of tax systems to be driven into other tax jurisdictions. We must also ensure that we do not weaken the competitive position of Montréal and Quebec companies, particularly those specialized in tax services. In short, the proposed changes will have a major impact on the operations of those companies, and the Board of Trade urges the government to minimize the losses they could sustain. At stake is the protection of a strong financial services sector in Quebec that, moreover, is concentrated in its metropolis.

Recognizing the importance of an equitable tax system, the Board of Trade supports the government's initiative, but nevertheless urges great caution in its implementation. The Board of Trade recommends, in particular, that the Government of Quebec take the following four factors into account when defining its strategy:

- This strategy must result from a transparent approach that is supported by economic players. In this regard, it is important to remember that the business community fully supports the objective of having an equitable tax system where everyone pays their fair share of taxes. The means chosen to achieve these objectives must thus be adapted to the realities of the business world.
- The changes to the tax system must be made with a view to improving Quebec's business environment and making it more competitive. Quebec's economy does not operate in a vacuum. In addition to mobilizing the support of the business community, the changes proposed by the government must also contribute to the appeal of Quebec as a place to establish and run a business. If the rules imposed are too rigid or too complex, Quebec could become less attractive in the eyes of investors. We must therefore avoid complex and cumbersome administrative measures that would create their share of pernicious effects that could compromise the government's ability to achieve its goals.
- The review of the tax system must not isolate Quebec from other Canadian provinces, where more flexible systems could attract investment to Quebec's detriment. In this matter, Quebec's leaders must act in concert with other government authorities at both the federal and the provincial levels. The Board of Trade is concerned by the lack of harmonization of this initiative with other tax jurisdictions.
- Finally, companies must be given some leeway to allow them to adjust and take the necessary steps to comply with the changes to the legislative framework. A reasonable adjustment period is essential to the success of such a reform and critical to ensuring that companies will accept the changes made.

These are the factors that the Board of Trade believes merit particular attention within the framework of the approach adopted by the government. In addition, we feel it is important to acknowledge the enormous complexity of the application of the proposed measures, and we therefore urge the government to carefully consider the comments and proposals of the experts in this area.

In conclusion, Madam Minister, we wish to assure you of our commitment to helping to improve the quality of the business environment in Quebec and its metropolis.

Sincerely,

Michel Leblanc
President and CEO