



BDO Seidman, LLP
Accountants and Consultants

Canada Withdraws Corporate Tax Reduction

International Tax Alert

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Combining the knowledge and experience of tax professionals from both the U.S. and Canadian member firms of BDO International, a Canadian Tax Desk was established to provide sophisticated, timely and practical tax advice related to U.S.-Canadian cross border tax issues. That desk is comprised of Canadian and U.S. international tax consultants.

Issue:

Proposed corporate tax cuts totaling C\$4.6 billion (\$3.9 billion) will not be reintroduced by Canadian Finance Minister.

Affecting:

Multinationals subject to the Canadian federal corporate income tax.

Details:

On September 26, Canadian Finance Minister Ralph Goodale indicated he would no longer reintroduce plans to cut corporate taxes, contrary to prior commitments. The cuts would have eliminated the federal corporate surtax by 2008, as well as reduce the general corporate income tax rate from 21 percent to 19 percent by 2010.

The proposed corporate tax cuts were originally proposed as part of the 2005 federal budget, but were later canceled in an effort to ensure passage of the broader budget legislation. Goodale had previously committed to reintroduce the cuts "at the earliest opportunity." The revised budget bill retains several other tax-related measures, including elimination of the corporate surtax on small and medium-sized business, as well as revisions intended to bring the capital cost allowance rates in line with the actual useful life of the assets involved

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