

 **CANADA**

CANADIAN TAX FOUNDATION

R. A. Berg et P. M. Barba, « [FATCA in Canada: The Restriction on the Class of Entities Subject to FATCA](#) », *Revue fiscale canadienne*, vol. 62, no 3, 48 pages.

**FATCA : la classification
restrictive des entités
assujetties à la FATCA par le
Canada est-elle justifiée?**

This article provides an introduction to the Foreign Account Tax Compliance Act (FATCA) for Canadians and analyzes Canada's implementing legislation regarding FATCA. The implementing legislation uniquely classifies entities subject to FATCA, in that it departs from the classification in the US Treasury regulations, the Canada-US intergovernmental agreement regarding FATCA (the Canadian IGA), and the implementing legislation adopted or proposed by other jurisdictions with signed IGAs with the United States. Thus positioned, the implementing legislation places Canada either in the vanguard of legislative drafting regarding FATCA or as discrepant with both the United States and these other jurisdictions. This article analyzes Canada's position and rationale for its restrictive classification of entities subject to FATCA under the implementing legislation, and concludes that the legislation is likely discrepant in its interpretation. Specifically, this article analyzes (1) FATCA generally and

the Canadian IGA in particular; (2) why some personal Canadian trusts should be classified as entities subject to FATCA under the Canadian IGA as investment entities, custodial institutions, or both, and why the Financial Action Task Force reference in the definition of an investment entity does not alter this classification; (3) the implementing legislation under the Canadian IGA, particularly its unique classification of personal Canadian trusts as entities exempt from the Canadian IGA, and a history of the legislation; and (4) the potential consequences of restricting the class of entities subject to FATCA under the Canadian IGA, including overwithholding and invalidation of the IGA.

CANADIAN TAX FOUNDATION

H. M. Dolson, « [Trust Residence After Garron: Provincial Considerations](#) », *Revue fiscale canadienne*, vol. 62, no 3, 30 pages.

**Réaction à l'arrêt Garron : la
résidence d'une fiducie, quel
impact pour les provinces?**

Les décisions récentes dans l'arrêt Garron et l'adoption du critère de gestion centrale et de contrôle pour déterminer le lieu de résidence d'une fiducie pourraient avoir une incidence importante sur la planification fiscale entre provinces, ne serait-ce que pour le projet de vérification de l'ARC en résultant qui vise les fiducies résidentes de l'Alberta. Le présent article examine les fondements théoriques de l'instauration d'un impôt provincial sur le revenu de fiducie

basé sur le lieu de résidence et propose au moins une solution de rechange acceptable, mais imparfaite. L'article examine ensuite le thème du centre de gestion et de contrôle des fiducies et traite de la façon dont ce critère pourrait être appliqué dans des causes futures.

INSTITUT C.D. HOWE

A. Found, B. Dachis et P. Tomlinson, « *The 2014 C.D. Howe Institute Business Tax Burden Ranking* », E-Brief, 29 octobre 2014, 11 pages.

La charge fiscale sur investissement pour les sociétés en 2014 : comparaison et constats.

Before a business decides to start up or expand operations in a given locality, it must take into account the total tax burden on the investment, and how it affects the potential return. Heavy tax burdens can drive away investment to other locales and with it, the associated economic benefits. Comparing tax burdens is thus important for businesses and the governments that seek to attract them. Yet there are gaps in the way Canadian governments measure the tax burden on business investment. They ignore provincial and municipal property taxes and land transfer taxes. In this study, we find this to be a large oversight: total business property and land transfer taxes represent about two-thirds of the total tax wedge on investment in Canada, mainly because of provincial and municipal property taxes. Using this more complete measure, we estimate the tax burdens of the largest cities in each province. We find that Saint John, Charlottetown, and Montreal have the highest total tax rates. Calgary and Saskatoon lead the pack with the most competitive all-inclusive taxes.

INSTITUT C.D. HOWE

A. Laurin et F. Poschmann, « *Who Loses Most? The Impact of Taxes and Transfers on Retirement Incomes* », E-Brief, 13 novembre 2014, 17 pages.

This study focuses on the taxation of income received in senior years – when individuals become eligible for age-related benefits paid through or alongside the tax system. What emerges from our analysis is a pattern

Retraite : les bénéficiaires recevront-ils des revenus égaux à leur épargne avec les programmes d'impôt actuels?

common across provinces: effective tax rates are extremely high for low-income seniors, and taper off for seniors with higher incomes. The low-income tax-rate peaks are particularly high in Saskatchewan, Manitoba and British Columbia. The result is that many seniors are potentially unrewarded for their past earnings, savings, and foregone consumption, an undesirable policy outcome. Provinces should think carefully about the design of the tax, benefit and pension programs they initiate. These considerations should bear heavily on new provincial supplementary pension designs. Our calculations indicate that low-income employees who save under new Ontario and Quebec plans will receive very little net benefit from the savings they put aside.

INSTITUT FRASER

F. McMahon, D. Stansel et J. Torra, « *Economic Freedom of North America 2014* », 2 décembre 2014, 108 pages.

Le Québec demeure l'une des provinces canadiennes ayant le moins de liberté économique.

Le Québec se classe toujours parmi les provinces canadiennes les moins libres sur le plan économique, selon une nouvelle étude publiée aujourd'hui par l'Institut Fraser, un organisme canadien de recherche en politiques publiques indépendant et non partisan. L'étude *Economic Freedom of North America 2014* est fondée sur des données de 2012, les données complètes les plus récentes disponibles à la date de publication. Elle révèle que le Québec, deuxième province la

plus peuplée du Canada, ne dépasse que les provinces maritimes, soit le Nouveau-Brunswick, la Nouvelle-Écosse et l'Île-du-Prince-Édouard. « Les politiques du Québec, caractérisées par une lourde administration publique, une fiscalité élevée, des programmes sociaux inabordables et des relations de travail tendues, se traduisent par un niveau de vie inférieur, moins d'emplois – surtout pour les jeunes – et moins de débouchés par rapport aux provinces à l'ouest de sa frontière », déplore Filip Palda, senior fellow de l'Institut Fraser et professeur à l'École nationale d'administration publique. L'étude établit le classement des 50 États américains, des 32 États mexicains et des 10 provinces canadiennes en fonction de leur degré de liberté économique – selon la taille du gouvernement, la fiscalité, la réglementation, etc. L'Alberta est la province canadienne qui se classe le mieux (1^{er} rang dans l'ensemble). Elle est suivie par la Saskatchewan (2^e rang), Terre-Neuve-et-Labrador et la Colombie-Britannique (ex æquo au 3^e rang), l'Ontario (6^e rang), le Manitoba et le Québec (ex æquo au 18^e rang), le Nouveau-Brunswick (30^e rang), la Nouvelle-Écosse (52^e rang) et l'Île-du-Prince-Édouard (65^e rang). L'étude sur le degré de liberté économique en Amérique du Nord est inspirée de l'indice de liberté économique mondial de l'Institut Fraser, qui est le résultat de plus d'un quart de siècle de travail de plus de 60 universitaires, dont trois lauréats du prix Nobel.

INSTITUT ECONOMIQUE DE MONTREAL

Y. Chassin, G. Tremblay, « *Doit-on subventionner l'achat de voitures électriques?* », *Les notes économiques*, novembre 2014, 4 pages.

**Subventionner
les voitures
électriques
coûterait 137 fois
trop cher.**

L'augmentation rapide du nombre de voitures électriques à travers le monde est en grande partie attribuable aux généreuses subventions gouvernementales, qui visent à réduire les émissions de gaz à effet de serre. Le gouvernement du Québec a lui aussi adopté un ambitieux plan d'action qui avait initialement pour objectif de faire passer le nombre de véhicules électriques sur les routes à

300 000 en 2020. Le gouvernement de l'Ontario a mis en place des incitations similaires. Les bienfaits environnementaux de tels programmes justifient-ils les coûts? Dans une Note économique l'IEDM analyse l'efficacité des programmes mis en place au Québec et en Norvège, cette dernière étant considérée comme la championne de l'électrification des transports.

FINANCES QUÉBEC

L. Nadeau et al., « *Le jeu en ligne - Quand la réalité du virtuel nous ratrape* », 6 novembre 2014, 206 pages.

**Cinq recommandations pour
accroître les revenus de l'État et
protéger les joueurs à risque.**

Espacejeux a été mis en opération à la fin de 2010, alors que des voix exprimaient leur inquiétude quant à l'impact potentiellement négatif de cette décision. Un groupe de travail sur le jeu en ligne a donc été créé afin notamment d'analyser les conséquences de l'ouverture d'Espacejeux, notamment s'il y avait eu hausse des conduites à risque et des problèmes reliés au jeu en ligne et s'il y avait eu amélioration de l'intégrité et sécurité de l'offre de jeu en ligne permettant de contrer le jeu illégal. Espacejeux n'a eu ni les effets délétères prévus ni les conséquences positives annoncées. Les recommandations suivantes ont été faites : limiter le mandat de la responsabilité sociale de Loto-Québec à la gestion de l'offre de jeux de hasard et d'argent en créant une fondation indépendante, autonome et permanente; adapter l'offre de traitement et de soutien pour les personnes présentant un trouble lié au jeu afin de tenir compte des autres besoins en santé mentale de ces personnes; créer et mandater un organisme indépendant de réglementation afin d'encadrer et de surveiller à l'avenir le secteur d'activité du jeu en ligne au Québec; entreprendre les démarches nécessaires pour que soient modifiés les articles du Code criminel afin de permettre aux provinces canadiennes d'émettre des licences de jeu en ligne à des opérateurs privés afin que ceux-ci offrent des jeux en ligne par l'entremise d'un site Internet étatique.

KPMG

Groupe Fiscalité KPMG, « [Le nouveau régime fiscal pourrait avoir une incidence sur votre planification successorale](#) », Bulletin FlashImpôt Canada, 3 novembre 2014, 4 pages.

Le nouveau régime fiscal aura-t-il une incidence sur votre planification successorale?

Les nouvelles propositions législatives du gouvernement fédéral visent à assujettir certaines fiducies au taux d'imposition le plus élevé plutôt qu'aux taux d'imposition progressifs moins élevés auxquels sont actuellement assujetties certaines fiducies. Aussi, une modification fera en sorte que les gains accumulés dans les fiducies au profit du conjoint, les fiducies en faveur de soi-même et les fiducies mixtes au profit du conjoint seront imposés au nom du bénéficiaire du défunt plutôt que dans la fiducie elle-même. Les règles prévoient également une plus grande marge de manœuvre quant à l'utilisation des crédits d'impôt pour dons accordés aux successions. L'entrée en vigueur de ces modifications est prévue pour le 1^{er} janvier 2016.



ÉTATS-UNIS

CENTER ON BUDGET AND POLICY PRIORITIES

C. Marr, B. DaSilva et A. Sherman, « [Letting Key Provisions of Working-Family Tax Credits Expire Would Push 16 Million People Into or Deeper Into Poverty - Some 50 Million Americans Face Cut](#) », 9 décembre 2014, 6 pages.

L'expiration des deux principaux crédits d'impôt travail-famille causera l'appauvrissement de millions de familles américaines.

More than 16 million people in low and modest income working families, including 8 million children, would fall into — or deeper into — poverty in 2018 if policymakers fail to make permanent key provisions of two important tax credits. Some 50 million Americans would lose part or all of their Child Tax Credit (CTC) or Earned Income Tax Credit (EITC). The EITC and CTC encourage and reward work, and there is growing evidence that income from these credits leads to improved school performance, higher college enrollment, and increased work effort and earnings in adulthood. Both credits have enjoyed bipartisan support, and their underlying provisions are permanent parts of the tax code. Making these features permanent should be a priority for policymakers and deserves bipartisan support.

TAX POLICY CENTER

R. C. Auxier, « [Reforming State Gas Taxes: How States Are \(and Are Not\) Addressing an Eroding Tax Base](#) », 6 novembre 2014, 15 pages.

Les états devront augmenter les taxes sur l'essence ou trouver d'autres sources de revenus.

The federal government and most states have per-unit gas taxes. Because they tax gallons purchased, and not a percentage of purchase price, revenues are falling across the country as Americans buy less gas. If states do not want to cut transportation projects they now have to increase tax rates or find new revenue sources. This brief examines the national trends affecting gas tax revenues and describes what different states are doing (or not doing) in response to an eroding tax base.

TAX POLICY CENTER

K. Toran, « [Tax Policy and Volunteer Labor](#) », 11 novembre 2014, 13 pages.

Volunteers are extremely valuable to the charitable sector: Urban Institute researchers estimated the value of their labor at \$163 billion in

2013. Though charitable contributions can be deducted from income taxes, volunteers cannot deduct the value of their labor. By economic consensus, donations of time and money are complements, meaning when people increase monetary donations they also tend to volunteer more hours. This Tax Policy and Charities brief explores how potential ways to create a tax deduction for volunteer labor would affect charitable donations, as well as the supply of volunteer labor.

CONGRESSIONAL BUDGET OFFICE

Congressional Budget Office, « [How CBO Analyzes the Effects of Changes in Federal Fiscal Policies on the Economy](#) », novembre 2014, 12 pages.

Quels sont les effets, à court et à long terme, sur l'économie des modifications apportées aux politiques fiscales?

Analyzing the effects on the overall economy of changes in federal fiscal policies—that is, policies governing taxes and spending—requires complex modeling and a significant amount of time. CBO undertakes such

analyses in certain reports and for some major pieces of legislation; some of those analyses include the feedback effects of changes in the economy on the federal budget. CBO estimates the economic effects of changes in fiscal policies in both the short term and the longer term. The agency conducts its analyses using evidence about the effects of similar policies that have been implemented previously and using results from a variety of economic models. In the short term, changes in fiscal policies affect the overall economy primarily by influencing the demand for goods and services by consumers, businesses, and governments, which leads to changes in output relative to potential (maximum sustainable) output. For example, decreases in taxes and increases in government spending generally boost demand, which encourages businesses to gear up production and hire more workers than they otherwise would; tax increases and spending cuts generally reduce demand, which has the opposite effects. In addition, changes in the supply of la-

bor (the number of hours of labor that workers would like to provide) can affect output in the short term if the labor market is sufficiently tight—that is, if the demand for workers is high relative to the supply. In the longer term,

changes in fiscal policies primarily affect output by altering people's incentives to work and save as well as businesses' incentive to invest, thereby changing potential output. For example, policy changes that reduce marginal tax rates—the percentage of an additional dollar of earnings that is unavailable to a taxpayer because it is paid in taxes—generally encourage more work and saving. As another example, policy changes that reduce the federal deficit typically lead to more national saving (the total amount of saving by households, businesses, and governments) and investment, ultimately boosting output and income. Changes to fiscal policies may also affect potential output by altering the amount of government investment (for example, spending or tax subsidies for infrastructure, education and training, or research and development).

CONGRESSIONAL BUDGET OFFICE

Congressional Budget Office, « [Options for Reducing the Deficit: 2015 to 2024](#) », novembre 2014, 71 pages.

This document provides estimates of the budgetary savings from 79 options that would decrease federal spending or increase federal revenues over the next decade. The estimates are updates of many of those presented in [Options for Reducing the Deficit](#):

Devrait-on permettre une déduction pour don de charité aux gens qui font du bénévolat à la place de faire un don en argent?

Quelles options permettront au gouvernement américain d'augmenter ses revenus ou encore de diminuer ses dépenses?

2014 to 2023 (November 2013). The options cover a broad range of areas in the federal budget, including defense, energy, Social Security, health care programs, other benefit programs, and provisions of the tax code. The budgetary effects identified for most of the options span the 10 years from 2015 to 2024 (the period covered by CBO's baseline budget projections in 2014), although many of the options would have longer-term effects as well. This document presents options in the following categories: Mandatory spending other than that for health-related programs; Discretionary spending other than that for health-related programs; Revenues other than those related to health, and Health-related programs and revenue provisions. For each option, this document includes a brief description of the policy involved. For additional information, including discussion of advantages and disadvantages, see the version of that option in the November 2013 volume.



INTERNATIONAL

SOCIAL SCIENCE RESEARCH NETWORK

M. Petutschnig, « [Big Data, Future Orientation and Taxes – How Tax Law Influences Personal Attitudes and Societal Values](#) », 12 novembre 2014, 32 pages.

Le rôle du régime fiscal dans l'évolution des valeurs et comportements sociaux.

Individuals both in their private lives as well as in their capacities as employees, employers, managers or self-employed businesspersons have to cope with or are at least concerned with taxes almost every day. This paper evaluates whether this permanent exposure to different aspects of a country's tax regime influences an individual's fundamental values, general attitudes and perceptions. Following the concept of future orientation as developed in sociological and cross-cultural literature these fundamental values and attitudes of individuals determine their predisposition towards business endeavours and entrepreneurial activities as well as their propensity to save and invest. Future orientation is thus a

driver for economic success, innovativeness, happiness, confidence and competitiveness. The results of this paper suggest that taxes influence an individual's degree of future orientation. Taxes thus do not only impact specific business decisions but do also affect individual's basic attitudes, general perceptions and overall values and predetermine individual's behaviour, investment and consumption decisions on a more basal level than previously addressed in scientific research. The paper provides three main results. First, it links online search activity and virtual behaviour to real world economic indicators and policy instruments. Second, it combines cross-cultural management and sociological literature with tax research and third, with this innovative approach the paper identifies tax policy measures negatively affecting individuals' attitudes and perceptions towards the future and may thus assist in designing a tax policy mix that encourages future orientation while preserving tax revenues.

SOCIAL SCIENCE RESEARCH NETWORK

S. Fu et Y. Gu, « [Highway Toll and Air Pollution: Evidence from Chinese Cities](#) », 31 octobre 2014, 31 pages.

Most highways in urban China are tolled to finance their construction. During the eight-day National Day holiday in 2012, highway tolls are waived nation-

Les péages auraient pour effet de diminuer la pollution de l'air.

wide for passenger vehicles. We use this to test highway tolls' effect on air pollution. Using daily pollution and weather data for 98 Chinese cities in 2011 and 2012 and employing both a regression discontinuity design and differences-in-differences method with 2011 National Day holiday as a control, we find that eliminating tolls increases pollution by 20% and decreases visibility by one kilometer. We also estimate that the toll elasticity of air pollution is 0.16. These findings complement the scant literature on the environmental impact of road pricing.

J. T. Manhire, « *Do Audits Matter?: A Parallax Theory of the Relation between Tax Enforcement and Underreporting* », 17 novembre 2014, 60 pages.

Les vérifications en vue du recouvrement de l'impôt causent-elles un phénomène de sous-déclarations de revenus?

Do audits affect individual tax compliance? This question is not new and multiple answers have been attempted over the past four decades. Those who have made such attempts have suffered from the impediment of an inability to test their theories against known, or even approximated, rates of underreporting on individual income tax returns. The first part of this paper develops a method for approximating the underreporting rate for individual income tax returns, since no such method currently exists. The second part uses this method to take a stab at answering the question whether audits affect tax underreporting rates.

ORGANISATION DE COOPÉRATION ET DE DÉVELOPPEMENT ÉCONOMIQUES

J. Greene et N. A. Braathen, « *Tax Preferences for Environmental Goals - Use, Limitations and Preferred Practices* », 7 octobre 2014, 57 pages.

This paper reviews the use of tax preferences to achieve environmental policy objectives. Tax preferences involve using the tax system to adjust relative prices with a view to influencing producer or consumer behaviour in favour of goods or services that are considered to be environmentally beneficial. They take various forms, typically a partial or total exemption from a specified tax. Because tax preferences help to avoid or reduce costs for businesses or consumers, there are often pressures on governments to favour them over other instruments. As a result, they are sometimes used inappropriately, typically to

address negative externalities for which they are not well suited. The paper suggests that the comparative advantage of tax preferences is in providing support for positive externalities, that is situations in

L'utilisation des avantages fiscaux pour l'atteinte d'objectifs de politique environnementale.

which a subsidy would help to deliver more social benefits than would otherwise be the case. When designing tax preferences, care must be taken to ensure that they do not encourage technological lock-in, provide perverse incentives for environmentally harmful activities (the rebound effect), or reward producers or consumers for actions they would have taken anyway. Since tax preferences are a form of subsidy, they should be subject to the same degree of scrutiny and oversight as other forms of public expenditure.

INSTITUTE FOR FISCAL STUDIES

M. P. Devereux et J. Vella, « *Are We Heading towards a Corporate Tax System Fit for the 21st Century?* », 29 décembre 2014, 32 pages.

Réformer le système d'imposition des revenus des EMN pour tenir compte de la réalité du 21^e siècle.

This paper exploits bunching of firms at a tax kink as quasi-experimental variation to identify the effect of a tax rate change on investment (reported capital allowances). The idea is that firms with a taxable income slightly above the kink have an incentive to reduce their income to bunch at the kink, and increasing investment is one possible strategy for that. This means that bunching of firms should be accompanied by a spike in investment at the kink. Building on the standard bunching framework, I estimate the frequency distribution of firms around the kink and the share of bunchers with excess investments at the extensive and intensive margins.

I apply this approach to administrative tax return data for the universe of UK firms. This paper exploits bunching of firms at a tax kink as quasi-experimental variation to identify the effect of a tax rate change on investment (reported capital allowances). The idea is that firms with a taxable income slightly above the kink have an incentive to reduce their income to bunch at the kink, and increasing investment is one possible strategy for that. This means that bunching of firms should be accompanied by a spike in investment at the kink. Building on the standard bunching framework, I estimate the frequency distribution of firms around the kink and the share of bunchers with excess investments at the extensive and intensive margins. I apply this approach to administrative tax return data for the universe of UK firms from 2001 to 2007 and show that investment by small firms responds significantly to a tax rate change. I find large and significant spikes in the share of capital investors and median capital costs at the £10,000 kink. The spikes are larger in 2002–05, when the kink is larger, and for quickly depreciating capital items, which yield larger tax reductions. Different pieces of evidence suggest that the investment spikes are at least partly driven by avoidance and evasion behaviour such as misreporting and claiming capital allowances for personal-use items.

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DIVERS

THE CONFERENCE BOARD OF CANADA

G. Hodgson et A. Macdonald, « Examen des incitatifs fiscaux – Nécessité d'une réforme fiscale : Le point de vue des chefs d'entreprise », 8 octobre 2014, 20 pages.

Le régime canadien des incitatifs fiscaux, y compris le système fiscal, les subventions à caractère fiscal et autres interventions fiscales gouvernementales, a besoin d'une réforme. Au cours des années, le

système est devenu trop complexe et inefficace. Il grève notre économie, ce que nous ne pouvons pas nous permettre et ce qui peut entraver notre compétitivité internationale. Lors d'une rencontre des principaux chefs d'entreprise, le Conference Board du Canada a sollicité les opinions de ces derniers sur la nécessité d'une réforme des incitatifs fiscaux. Les réponses peuvent être groupées sous trois thèmes principaux : la complexité du système, les obstacles à l'innovation et à la compétitivité ainsi que l'inégalité et l'absence de confiance. Ce compte rendu traite de ces thèmes en détail.

Nouvelle
réforme fiscale
plus
compétitive : le
point de vue des
chefs
d'entreprise.

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