

October 2, 2017

The Honourable Bill Morneau, P.C., M.P.
Minister of Finance
Department of Finance Canada
90 Elgin Street
Ottawa, ON K1A 0G5

Slow Down & Get Things Right: Ontario's Engineers on the Proposed Tax Reforms

Minister Morneau,

As you know, the national conversation regarding the proposed reforms to the federal tax code has built to a fever pitch. Doctors, accountants, realtors, and many other professions have marshaled their members and resources to inform and shape the proposal, and it is important to note that engineers also have a significant stake in the outcome of these discussions.

Ontario is home to 250,000 engineering graduates and more than 80,000 professional engineers. As world-class innovators, engineers are deeply entrepreneurial and their work directly fuels Canadian job and wealth creation.

Engineers are entrusted to work on Canada's most complex projects and challenges where decisions that are made today stand to positively or negatively impact outcomes for weeks, months, and years to come. Having this hands-on experience, engineers know that well-intentioned but hurried decisions in an attempt to improve an imperfect process or system can often have unintended and long-lasting negative consequences.

On July 18 your government announced the launch of consultations on tax planning using private corporations with a deadline of October 2, 2017 for comment. That a thorough, nationwide consultation on the proposed changes could be completed in a matter of weeks is both unlikely and highly concerning to our organization and our membership.

Reflecting on conversations with our members, soliciting their feedback, and hosting thought discussions on the proposed changes, the message from Ontario's engineers is clear:

Slow down.

If tax reforms are worth doing, they're worth doing cautiously.

In a perfect tax system, artificial tax advantages wouldn't exist, and there's no doubt that Canadians would benefit from a more simplified, clear, and thoughtful tax code. But it is strongly advised that your government consult more broadly before making changes to an integral part of Canada's employment, entrepreneurship, and innovation ecosystems.

Although economists and experts vary widely in their forecasts for how the proposed changes stand to impact Canadian employment and entrepreneurship numbers, it is clear that the proposed tax changes pose a threat to Canadian innovation—particularly impacting start ups, scale-ups and venture businesses. In many cases these businesses face fierce international competition and are of a disproportionately high-risk, tech driven, and mobile nature, meaning opportunities to de-risk, reduce burdens and grow are likely to have a greater impact on their behaviour versus geographically linked, traditional market-access businesses. That is to say, when the going gets tough, they either up-and-leave or succumb to foreign competition. Engineers are drivers both traditional and non-traditional forms of innovation and must have a voice in steering the direction of Canada's tax code.

The Ontario Society of Professional Engineers represents professional engineers, engineering students, graduates, and interns (EITs) who are employees, employers, and sometimes both.

Because our members have expressed concern about the proposed tax changes and the potential to negatively impact both engineering entrepreneurs and the broader entrepreneurship ecosystem, we are calling on you, Minister, to take three actions to safeguard Canadian innovation, competitiveness, and growth:

- 1) Suspend the passage of the proposed tax reforms as they are currently written;
- 2) Extend and expand the consultation process, and;
- 3) Engage with engineers to undertake comprehensive scenario and cost analyses of any tax reform plan to ensure it A) maximizes positive outcomes and B) minimizes or wholly eliminates known and unintended negative outcomes.

If tax fairness is the objective, let's slow down, consult broadly, and get this right—because Canadians cannot afford to get this wrong.

Sincerely,



Jonathan Hack, P.Eng.
President & Chair
The Ontario Society of Professional Engineers



Sandro Perruzza
Chief Executive Officer
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