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The Investment Industry Association of Canada's Pre-Federal Budget Submission: Ian Russell, IIAC President and CEO, Issues Supplementary Statement

*Calls Canada's lack of available equity capital a "crisis";
Also calls for a review of personal tax-assisted retirement programs*

"We are facing a crisis of available equity capital needed to finance the startup and expansion of small and mid-sized businesses in Canada, the engine of growth and job creation. Equity capital for small business accessed from public and private capital markets in the past two years is almost half the amount in the same period five years earlier, despite a larger economy and record low interest rates. This shortage of capital has translated to record low business startups in Canada, and to declining productivity levels.

The February 2015 federal budget must confront this crisis head on.

The IIAC recommends two targeted tax incentives to stimulate the flow of new capital to small business: i) a tax-free rollover provision that provides deferral of capital gains tax on capital exiting existing investment, and is then re-invested in eligible operating small and mid-sized businesses, and ii) a personal income tax credit for the purchase of shares of new and early stage businesses, and exemption from capital gains tax if the shares are held for at least two years.

The tax-free rollover provision would unleash large amounts of existing capital now trapped in mature investments and re-deploy this capital to productive opportunities in small and mid-sized businesses across the country. We also note that the recommended personal income tax credit and capital gains tax exemption for the purchase of shares of new business startups and early stage businesses, have been operational in the U.K. under the Enterprise Investment Scheme (EIS), for the past 20 years, and have had a profound impact on the expansion of small business in that country.

The IIAC also recommends widening the scope of personal tax-assisted retirement programs to spur increased retirement savings, including a higher threshold for annual contributions to RRSPs and greater flexibility for eligible RRSP contributions, payroll tax deductions for contributions to Group RRSPs, an increase in the annual TSFA contribution, and elimination of mandated annual withdrawals from RRIFs."

A copy of the IIAC's pre-budget submission is available [here](#).

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The IIAC – Representing Canada’s Investment Professionals

The Investment Industry Association of Canada (IIAC) is the national association representing the investment industry’s position on securities regulation, public policy and industry issues on behalf of our 160 IIROC-regulated investment dealer Member firms in the Canadian securities industry. These dealer firms are the key intermediaries in Canadian capital markets, accounting for the vast majority of financial advisory services, securities trading and underwriting in public and private markets for governments and corporations. The IIAC provides leadership for the Canadian securities industry with a commitment to a vibrant, prosperous investment industry driven by strong and efficient capital markets.

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