# Advantage Canada: Cost competitiveness

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The rising Canadian dollar notwithstanding, Canada remains the cheapest place to operate a company in the G7, according to a new study by KPMG. And Canada still has a 5.5% cost advantage over the United States, down from 9% in 2004. (The dollar would have to rise another 13% before the two countries were at par.) Canadian companies enjoy effective income tax rates that trump the States in both manufacturing and non-manufacturing indus tries. We also have the lowest effective corporate tax rate for research and development of all nine countries analysed.

"The tax landscape has been changing quite dramatically in the last 10 years or so," says Glenn Mair, a director for MMK Consulting in Vancouver and co-author of Competitive Alternatives: KPMG's Guide to International Business Costs. "We're seeing numerous corporate income tax and capital tax cuts, at a time when U.S. rates have largely remained unchanged." Mair points out some favourable tax provisions in the U.S. are being eliminated because of trade disputes. Canada also boasts the lowest benefit costs as a percentage of payroll.

Within Canada, it's no surprise Vancouver and Toronto are the least cost-competitive of the 16 cities analyzed. Smaller locations such as Sherbrooke, Que., and Moncton, N.B., take the top two spots. Toronto and Vancouver are now comparable to major low-cost American cities such as Atlanta and Tampa, but Mair says they still have at least a 5% cost advantage over major regional competitors such as New York and Seattle. Take that, Yankees.