Note 19. Income tax expense

The Company's statutory tax rate for the year ended January 2, 2016 is 29.1% (January 3, 2015: 28.9%). The Company's effective income tax rate for the year ended January 2, 2016 is 18.5% (January 3, 2015: 19.3%). The lower effective income tax rate in Fiscal 2015 is due to higher financing deductions and lower income before income taxes in the Company's U.S. subsidiary.

The major components of income tax expense are as follows:

Consolidated statement of income (Amounts in $000s)		January 2, 2016		January 3, 2015
Current income tax expense	$	5,707	$	3,906
Deferred income tax expense:				
Origination and reversal of temporary differences		1,022		2,617
Change in tax rate applicable to reversal of temporary differences		—		767
Recognition of previously unrecognized tax asset		—		(59)
		1,022		3,325
Income tax expense reported in the consolidated statement of income	$	6,729	$	7,231

Consolidated statement of comprehensive income (Amounts in $000s)		January 2, 2016		January 3, 2015
Income tax expense (recovery) related to items charged or credited directly to OCI during the period:				
Loss on hedge of net investment in foreign operations	$	(5,338)	$	(2,497)
Gain on translation of net investment in foreign operations		4,632		2,330
Effective portion of changes in fair value of cash flow hedges		2,833		1,560
Net change in fair value of cash flow hedges transferred to carrying amount of hedged item		(2,206)		(540)
Net change in fair value of cash flow hedges transferred to income		(125)		(14)
Defined benefit plan actuarial loss		(53)		(642)
Income tax (recovery) expense directly to OCI and retained earnings	$	(257)	$	197

The reconciliation between tax expense and the product of accounting profit multiplied by the Company's statutory tax rate is as follows:

(Amounts in $000s)		January 2, 2016		January 3, 2015
Accounting profit before tax at statutory income tax rate of 29.1% (2014: 28.9%)	$	10,566	$	10,847
Non-deductible expenses for tax purposes:				
Non-deductible share-based compensation		874		535
Other non-deductible items		382		315
Effect of higher income tax rates of U.S. subsidiary		2,175		2,691
Acquisition financing deduction		(7,677)		(7,404)
Other		409		247
Income tax expense	$	6,729	$	7,231

Deferred income tax	Consolidated statement of financial position as at		Consolidated statement of income for the years ended	
(Amounts in $000s)	**January 2, 2016**	January 3, 2015	**January 2, 2016**	January 3, 2015
Accelerated depreciation for tax purposes on property, plant and equipment	**$ (16,964)**	$ (15,631)	**$ (1,266)**	$ 802
Inventory	**1,921**	(1,367)	**3,288**	459
Intangible assets	**(33,904)**	(35,298)	**1,496**	(157)
Pension	**2,887**	2,697	**(227)**	529
Revaluation of cash flow hedges	**(1,449)**	(1,022)	**2,437**	(808)
Losses available for offset against future taxable income	**1,457**	3,815	**(2,358)**	(1,448)
Deferred charges and other	**1,581**	3,456	**(2,348)**	3,948
Deferred income tax expense			**$ 1,022**	$ 3,325
Net deferred income tax liability	**$ (44,471)**	$ (43,350)		

Reflected in the consolidated statement of financial position as follows:

Deferred income tax assets	**$ 2,495**	$ 3,372
Deferred income tax liabilities	**(46,966)**	(46,722)
Net deferred income tax liability	**$ (44,471)**	$ (43,350)

Reconciliation of net deferred income tax liabilities (Amounts in $000s)	**January 2, 2016**	January 3, 2015
Opening balance, beginning of year	**$ (43,350)**	$ (39,342)
Deferred income tax (expense) recovery during the period recognized in income	**(1,022)**	(3,325)
Deferred income tax arising from an acquisition *(Note 4)*	**—**	(246)
Deferred income tax recovery (expense) during the period recognized in retained earnings	**53**	642
Deferred income tax expense during the period recognized in OCI	**(152)**	(1,079)
Closing balance, end of year	**$ (44,471)**	$ (43,350)

The Company has net operating losses in its U.S. subsidiaries of $0.6 million (January 3, 2015: $8.4 million) that are available for use from 2016–2028. A deferred income tax asset has been recognized for the amount that is probable to be realized.

The Company has unused capital losses of $20.0 million (January 3, 2015: $19.5 million) which have an indefinite carryforward period. A deferred tax asset has only been recognized to the extent of the benefit that is probable to be realized.

The Company can control the distribution of profits, and accordingly, no deferred income tax liability has been recorded on the undistributed profit of its subsidiaries that will not be distributed in the foreseeable future.

The temporary difference associated with investments in subsidiaries, for which a deferred tax liability has not been recognized, totals $nil at January 2, 2016 and January 3, 2015.

There are no income tax consequences attached to the payment of dividends in either 2015 or 2014 by the Company to its shareholders.