



**Federal Election
2011**

FAIR TAXES

Canada's tax system has become increasingly unfair over the past two decades—and Stephen Harper is making it even worse for working Canadians.

Federal and provincial governments have made the tax system less fair by:

- Cutting taxes for high incomes and corporations
- Shifting to taxes such as the HST that fall more on consumers
- Creating expensive tax loopholes and boutique tax credits, costing federal and provincial governments tens of billions a year
- Downloading services to the local level, which rely on more regressive property taxes and user fees

The Facts

From 1990 to 2005, the overall tax rate for the poorest Canadians increased by 20 percent. Meanwhile the tax rate for the richest one percent was cut by 10 percent. The richest Canadians pay a lower overall tax rate than every other income group in Canada—including the poorest 10 percent.

The federal government's revenues reached a record low share of our economy last year: 14.3% compared to an average of 17% for the past 25 years. Federal revenues would be \$45

billion higher if they rose to this average. That's more than the size of the deficit this year and shows that the federal government doesn't have a spending problem; it has a revenue problem.

The Harper Conservative's record

The Harper government is making the tax system even more regressive in many different ways:

From day one, they've riddled and complicated our tax system with more and more expensive tax credits and loopholes. Small tax credits for children's fitness and arts programs, tools and other small and specific tax credits may sound impressive, but they are really only worth \$75 or less, and nothing for lower income families. The biggest winners are people with high incomes and tax accountants. It's much more effective and fair to increase funding directly for public programs rather than continue with Harper's growing number of "boutique" tax cuts.

Meanwhile other tax measures Harper has introduced have overwhelmingly benefited corporations and the rich while costing working families more.

- Harper's corporate tax cuts will cost the federal government more than \$6 billion a year—close to \$500 per household—while they are making steep cuts to public spending. The big winners of Harper's corporate

tax cuts will be already highly profitable big banks and oil companies. Together with other finance and resource companies, they'll be able to reduce their tax bill by more than \$2 billion a year. The top income tax rates for large corporations will be at half the individuals income tax rate while many can avoid income taxes altogether through tax loopholes and tax havens.

- His \$2.5 billion election promise of income splitting will go overwhelmingly to high income families who can afford to have one spouse stay home, saving each of them \$7,000 or more a year.
- Meanwhile, Harper wants to expand other multi-billion dollar tax loopholes favoured by CEOs and corporations, such as reduced taxes for capital gains through which the wealthiest pay tax at half the rate of working people.
- The Harper government was also behind regressive tax moves at the provincial level, relentlessly pushing provincial governments to cut their corporate taxes and introduce Harmonized Sales Taxes and even giving Ontario and B.C. close to \$6 billion in federal taxpayers' money to do so.

From his first budget, Stephen Harper's main priority has been to cut taxes for the rich and corporations. But it's not just an issue of tax fairness. As he said two years ago, he believes that "no taxes are good taxes". If governments raise less money in revenue, deficits will rise and

there will be more pressure to cut public spending and to privatize public services.

Tax cuts introduced by the Harper government will reduce federal revenues by more than \$37 billion this coming year, by \$220 million since they came to office and by more than \$120 billion over the next three years. A growing share of these reduced revenues is the result of tax cuts for business.

A better choice

We need adequate tax revenues to pay for decent public services. As former US Supreme Court judge Oliver Wendell Holmes said, "Taxes are the price we pay for civilization." Public spending as a share of Canada's economy was recently cut to its lowest level in at [more than thirty years](#).

The federal government needs higher revenues to pay for needed public services, and to provide new programs that will benefit working Canadians, including affordable public child care, affordable prescription drugs, quality care for seniors, affordable housing, better education and clean water for all.

There's an easy place to start: reversing Harper's corporate tax cuts, closing tax loopholes and raising taxes on the rich. Just a few of these measures could net the federal government [more than \\$20 billion a year](#). A few other measures could net an extra \$10 billion a year, providing the funds for progressive programs that would provide many real benefits to all working families in Canada.