House of Commons
Chambre des communes
Canada

House of Commons Standing Committee on Finance – Pre-budget Consultations 2013

This brief is submitted by:

(•) **an organization** **Organization name:** Canadians for Tax Fairness

or

( ) **an individual** **Name:** _____

Topic: Personal taxation

*Recommendation 1: Please provide a short summary of your recommendation.

Close unfair and ineffective tax loopholes including the Stock Options Deduction, the Capital Gains Exemption, the Business Entertainment Tax Deduction and Fossil Fuel Subsidies. 90% of the Stock Options Deduction benefit goes to the highest paid executives who are part of the richest 1%. Capital Gains Deduction is unfair to majority of Canadians whose salary is fully taxed, while those whose income comes from investments are taxed on only half of their income. The Business Entertainment Tax Deduction is widely abused. Carbon emissions should be taxed, not subsidized.

Expected cost or savings: From the pull-down menus, please indicate the expected cost or savings of your recommendation to the federal government and the period of time to which the expected cost or savings is related.

$1 billion or more

3 years

Federal funding: Please provide a precise indication of how the federal government could fund your recommendation. For example, indicate what federal spending should be reallocated, what federal tax measure(s) should be introduced, eliminated or changed, etc.

Unfair and ineffective tax loopholes make the tax system more complex and are costing $10 billion in lost revenue each year. Closing these loopholes could raise badly needed revenue that could be invested in quality health, education and other social programs, boost efforts to reduce poverty and address climate change, as well as reduce the deficit. Federal Budget 2013 identified tax fairness and tax loopholes as issues but did not go very far. Much more needs to be done to make the tax system fairer and more effective.

Intended beneficiaries: Please indicate the groups of individuals, the sector(s) and/or the regions that would benefit by implementation of your recommendation.

All Canadians would benefit from a fairer tax system. More revenue would enable government to take action on issues such as ensuring quality health and education, reducing poverty and greenhouse gas emissions. Closing tax loopholes would also simplify the tax system and make it easier for all tax payers to pay their fair share. Middle and lower income Canadians would benefit from ensuring that high income earners are paying their fair share of taxes. Currently the top 10% pay less taxes as a percentage of their income than all other groups including the poorest 10%.

General impacts: Depending on the nature of your recommendation, please indicate how the standard of living of Canadians would be improved, jobs would be created, people would be trained, etc.

A fairer tax system would help to redistribute income and stimulate consumer demand in the economy. More revenue for the government, which invested in job-creating programs such as infrastructure renewal or clean energy development would boost the economy far more than tax cuts have.

Topic: Business taxation and regulatory issues

Recommendation 2: Please provide a short summary of your recommendation.

Do more to tackle tax havens by implementing the G8 tax havens action plan including stronger beneficial ownership rules, automatic tax information exchange, and country-by-country reporting on profits and taxes paid by multinational corporations. The Canadian government should also provide information requested by the Parliamentary Budget Office so they can complete a tax gap estimate and increase the capacity of the Canada Revenue Agency to go after tax cheats using tax havens.

Expected cost or savings: From the pull-down menus, please indicate the expected cost or savings of your recommendation to the federal government and the period of time to which the expected cost or savings is related.

$1 billion or more

Immediately

Federal funding: Please provide a precise indication of how the federal government could fund your recommendation. For example, indicate what federal spending should be reallocated, what federal tax measure(s) should be introduced, eliminated or changed, etc.

Doing more to tackle tax havens could raise additional revenue and make the tax system fairer. Implementing the G8 Action Plan on Tax Havens could also help developing countries by helping to stem the flow of illegal capital flows.

Intended beneficiaries: Please indicate the groups of individuals, the sector(s) and/or the regions that would benefit by implementation of your recommendation.

All Canadians would benefit from ensuring everyone pays their fair share of taxes. Weak enforcement of tax laws undermines confidence in the tax system and could harm voluntary compliance rates. Use of tax havens by multinational corporations to reduce their taxes creates unfair competition with medium and smaller enterprises who do not have that option available.
Tackling tax havens could also help to curb criminal money laundering and financing of terrorism.
Additional revenue could fund badly needed government programs and reduce the deficit.

General impacts: Depending on the nature of your recommendation, please indicate how the standard of living of Canadians would be improved, jobs would be created, people would be trained, etc.

The growth of tax havens is undermining our tax system and diverting funds away from productive, job creating investments in Canada to speculative and tax avoiding investments overseas.

Topic: Business taxation and regulatory issues

Recommendation 3: Please provide a short summary of your recommendation.

Raise the corporate income tax to 21%, phased in by January 1, 2017. The Canadian government is losing over $13 billion annually as a result of corporate tax cuts which have not boosted corporate investment or contributed to job creation. Canadian corporate tax rates are well below that of most other OECD countries. Canada could have created five times more more jobs and economic benefit if the government had collected that revenue and invested it in infrastructure development or other programs.

Expected cost or savings: From the pull-down menus, please indicate the expected cost or savings of your recommendation to the federal government and the period of time to which the expected cost or savings is related.

$1 billion or more

3 years

Federal funding: Please provide a precise indication of how the federal government could fund your recommendation. For example, indicate what federal spending should be reallocated, what federal tax measure(s) should be introduced, eliminated or changed, etc.

Higher corporate tax rates could increase federal government revenue by $6 billion a year when the 21% rate is fully implemented.

Intended beneficiaries: Please indicate the groups of individuals, the sector(s) and/or the regions that would benefit by implementation of your recommendation.

When corporations pay less taxes it means ordinary Canadians have to shoulder more of the load. Corporations benefit from government investments in infrastructure, education, the legal system and health care and should pay a fair share of the costs for these services they need.

General impacts: Depending on the nature of your recommendation, please indicate how the standard of living of Canadians would be improved, jobs would be created, people would be trained, etc.

Additional revenue could fund badly needed investments in infrastructure renewal, improvements to health and education as well as fund new initiatives such as a national pharmacare or child care strategy. It could also be used to reduce poverty and green house gas emissions.

Please use this page if you wish to provide more explanation about your recommendation(s).

The 2013 Federal Budget identified “Tax Fairness” as a key theme and included some welcome first steps in closing some tax loopholes and taking action on tax havens. We were pleased that the government was interested in doing something about loopholes and tax havens. But we were disappointed that it didn’t go further in tackling tax havens and closing loopholes.

A concerted effort to go after tax cheats using tax havens and closing the many unfair and ineffective tax loopholes could yield significant revenue. We estimate that closing unfair and ineffective tax loopholes could raise $10 billion additional revenue for the federal government as well as additional revenue for provincial governments.

It is more difficult to estimate what additional revenue could be realized from a more aggressive policy to counter tax cheats using tax havens. We have estimated that Canada looses about from $5.3 billion to $7.8 billion. Not all of this can easily be recovered without concerted international action, however much more revenue could be raised by boosting the capacity of the Canada Revenue Agency to go after tax cheats using tax havens and by tightening up the tax code to prohibit profit shifting by multinational corporations when this is being done specifically to avoid paying their fair share of taxes in Canada on profits generated in Canada.

Cutting the Corporate Income Tax rate has been a failure in terms of stimulating investment or creating jobs. While corporate tax rates need to be competitive with major trading partners, there is plenty of room to raise rates from current levels as Canada's are well below most other OECD countries. Since corporations seem unwilling to invest their cash reserves to boost the economy, the Canadian government should do this for them by raising corporate tax rates to 21%, phased in over 3 years, using the revenue for investment in physical and social infrastructure which would help create jobs, boost the economy and also help business. In fact many businesses consider availability of educated work force, good transportation and other infrastructure, quality public health care and other social infrastructure such as child care to be more important factors in investment decisions than small differences in corporate tax rates.

*Please note that at least one recommendation must be provided