



Tax Fairness Newsletter – March 2012

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Fair Tax Summit – You can participate online

The Fair Tax Summit which will take place on March 29 and 30 in Ottawa promises to help launch Canadians for Tax Fairness onto the political scene in a big way. With an impressive line up of prominent speakers including **The Trouble with Billionaires** author, Linda McQuaig and John Christensen from the UK-based Tax Justice Network and a full capacity number of registrants, it is sure to help us achieve our goal of building a movement for progressive taxation in order to protect social programs and build a more equal society.

Even if you are not able to attend in person, you can still participate online by visiting the [Fair Tax Summit Information Hub](#). There we have posted information about the program, including speakers bios, documents for discussion such as the draft vision and programme and campaign plan for Canadians for Tax Fairness. You can comment on these drafts in the online discussion page and we will feed your comments into the workshop sessions discussing these draft documents at the Summit.

Video interviews with some of the speakers, copies of their power point presentations, and other campaign resources will also be posted during and shortly after the conference.

The Federal Budget: There are alternatives to cutbacks

The federal government is expected to introduce an austerity budget on March 29 that will cut vital public services and many of the public sector jobs that deliver them. This approach will lead to more unemployment, lower tax revenue, diminished social programs, and could even push the Canadian economy back into recession.

But there is an alternative to cutbacks as a way to reduce the deficit.

The [Alternative Federal Budget 2012](#), released March 15, shows how the federal budget could create over 300,000 jobs, reduce poverty, protect the environment, implement a national pharmacare plan, introduce a child care initiative, and still reduce the deficit.

One of the keys to achieving this is a tax fairness plan that includes:

- Increasing tax rates on top incomes;
- Reversing the race to the bottom with corporate tax cuts;
- Eliminating unfair tax preferences, closing tax loopholes and access to tax havens;
- Applying financial activities or transactions taxes;
- Introducing an inheritance tax on large estates;
- Starting to introduce smart — and progressive — green taxes.

These tax measures and the elimination of subsidies to oil companies could raise an additional \$50 billion a year that could go towards reducing the deficit and implementing new programs such as a pharmacare plan, child care, climate change action plan and a poverty reduction plan.

Take Action:

- [Get the AFB infographic](#) for your facebook page
- [Check-out the Alternative Federal Budget calculator](#)
- [Send a letter to Finance Minister Flaherty and to your MP](#)
- [Check out the Alternative Federal Budget 2012](#)

Africa's Odious Debt

In February Leonce Ndikumana, co-author with James K. Boyce of ["Africa's Odious Debts"](#), came to Ottawa and gave a talk at the International Development Research Centre. The book explains that, contrary to the popular perception of Africa being a drain on the financial resources of the West, the continent is actually a net creditor to the rest of the world. The extent of capital flight from sub-Saharan Africa is remarkable: more than \$700 billion in the past four decades. What can we do about it? One way to start is by tackling tax havens.

What are the macroeconomic causes growing global inequality?

Income concentration at the top.

Kemal Dervis' article "[The Inequality Trap](#)" explains that income concentration at the top was the main cause of the financial crisis in 2008 and continued fiscal problems. "If the dynamics fuelling income concentration cannot be reversed, the super-rich save a large fraction of their income, luxury goods cannot fuel sufficient demand, lower-income groups can no longer borrow, fiscal and monetary policies have reached their limits, and unemployment cannot be exported, an economy may become stuck." What can we do to stop this stagnation? Progressive taxation and tackling tax havens could be a good start.

Poll finds 60% support raising taxes on the rich

By a margin of two to one (and over three to one for those outside of the Conservative base) Canadians would be more likely to vote for a party that raised taxes on the rich than one which promised to keep taxes low, according to an EKOS poll released on March 5, 2012. This public opinion study found there has been a dramatic shift to a search for greater fairness and social justice. They suggest this shift in public opinion is the result of growing income inequality (which has risen dramatically over the past 25 years at the same time that wages among the working class have remained stagnant) and a growing sense of relative decline and deep fears of a further steep decline in the next 25 years.

[The full EKOS Report can be found here.](#) An excellent article by Winnipeg Free Press columnist Frances Russell discussing this EKOS poll can be found [here](#).

Similar results were found in an Angus Reid poll released on Feb. 18, 2012. According to this poll, 56% think the federal government has an important role to play to redistribute the wealth and intervene in the economy, even if it means increasing taxes. For details see: http://www.angus-reid.com/wp-content/uploads/2012/02/2012.02.18_Values_CAN.pdf

Burn the Books?

Watch [this video](#) about a clever and successful campaign to save a library by fighting tax cuts in Troy, Michigan, USA.

Can you guess which province has the lowest corporate taxes?

To find out [watch this video](#) from Operation Maple.

Study says Canada has one of the lowest corporate tax rates.

According to a recent Price Waterhouse Coopers' annual study of taxes borne by corporations around the world, by country, called [Paying Taxes 2012](#), when all taxes are considered, Canada

ranks as 39 out of 183 countries for the total tax burden on corporations (meaning that it has lower taxes than 144 countries). In comparison, the U.S. ranks as 131. Therefore, corporations operating in Canada have a significant tax advantage over those operating in the U.S.

To get some sense of how we compare to particular countries:

1. Included in countries 1-38 are: Saudi Arabia, Chile, Bahrain, Ireland and Singapore.
2. Among the G8, the U.K ranks closest at 82, then Germany at 130.
3. Among the G-20, Korea is next on the list, followed by South Africa. Other G-20 countries are much lower on the list.

This raises two questions:

1. Why are corporations not flocking to our shores when our corporate tax burden is so much lower than any other G8 and G20 countries?
2. Should we be surprised that we have a budget deficit when our tax rates are equivalent to those found in undeveloped countries (i.e., having negligible government services)?

The full study can be found at: <http://www.pwc.com/gx/en/paying-taxes/download-order.jhtml> .

"I don't believe that any taxes are good taxes."

Prime Minister Harper said that in 2009. In an article titled, [Harper driven by libertarian ideology, not reality](#), Frances Russell explains why this is such a telling statement about Harper's ideology. She argues that the forthcoming assault on pensions and Canada's social safety net is driven by Harper's libertarian "no tax is good tax" ideology. Not reality.

Inequality is bad for the economy

Joseph Stiglitz, a Nobel Prize-winning economist, made some good points in an interview recently with a U.S. Newspaper. In response to a question on the impact of income and wealth inequality on the economy he said:

Inequality is bad for growth, stability and efficiency. ... Inequality peaked both before the Great Depression and before the Great Recession, and it's not an accident. So basically, when we have a lot of inequality, demand goes down. ... All this inequality was offset by creating a bubble. The bubble allowed people to consume more. Now we have the inequality but we don't have a bubble, and that means that we will have persistent, weak demand, and therefore unless we create another bubble it's going to be very difficult for us to get back to full employment.

When asked what are some of the biggest economic myths he said:

The first is that reducing the budget deficit would stimulate the economy by restoring confidence, which you hear over and over again. No evidence that has ever worked. You might call it the austerity myth – that's the most serious one.

The second one is that raising taxes on upper-income individuals will lead them to save less, invest less, will have adverse supply-side effects. Again, no evidence of that.

The third is that lowering [the] corporate income tax rate across the board will stimulate investment in the United States. No evidence of that. ... If you want to encourage investment, what you do is lower taxes on firms that invest and you raise taxes on firms that don't invest. You can restructure the taxes to provide incentives to invest.

The full article can be found at:

http://www.northjersey.com/news/business/141149483_Economist_says_wealth_gap_is_bad_for_growth.html?c=y&page=1

Doctors for Fair Taxation launched

A group of doctors are calling for raising taxes on the rich. Doctors for Fair Taxation argues that a more progressive tax system would be good for human health. The group recommends that the federal and provincial governments create four new tax brackets for those earning more than \$100,000. Someone with a taxable income of \$170,000 would pay an extra \$1,400. But someone earning \$7 million would pay an extra \$787,400. This would net Ottawa an extra \$3.5 billion a year and Ontario an additional \$1.7 billion. That's not enough to wipe out the deficit for either level of government. But it would go partway along the path. More to the point, it would preclude the need for drastic spending cuts. For more on this read Thomas Walkom's excellent article in the Toronto Star, headlined, [These high-income docs want the rich to pay.](#)