



Vote for:

.....Tax Fairness.....



# REPORT CARD for #ELXN2019

Please see the narrative reports for each issue below for the rationales behind each mark.

Issue					
 Close Tax Loopholes	D	F-	A-	A-	D
 Tackle Tax Havens	C	D	A	A-	C-
 Make the Tax System More Progressive	C-	D	A	B-	D
 Tax Big Foreign Tech Firms	C	D	A-	B	B-
 Combat Climate Change	C	F-	A-	A	C
<b>Final Grade</b>	<b>C-</b>	<b>F</b>	<b>A-</b>	<b>B+</b>	<b>C-</b>



# Canadians *for* Tax Fairness

Canadiens pour une fiscalité équitable

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After we published our [Platform for Tax Fairness](#) last spring, we asked our supporters what top five issues we should campaign on during the federal election. The top five tax fairness issues our supporters selected were:

1. Closing Tax Loopholes
2. Tackling Tax Havens
3. Making our Tax System more Progressive
4. Taxing the E-commerce Giants and
5. Addressing Climate Change

Each week of the election campaign, we've highlighted a different one of these issues, publishing factsheets and other material with recommendations to parties. And now, with the campaign drawing to a close, it's report card time! Our summary report looks at how each of the major party platforms respond to these top five tax fairness concerns.

While there are many different factors to weigh when voting, please consider how each party stands on tax fairness issues. As economists Emmanuel Saez and Gabriel Zucman show in their new book, *The Triumph of Injustice*, increasingly regressive tax systems are a major cause of today's disturbing levels of inequality. Ordinary Canadians struggle to keep up as most of the income gains in recent years have gone to top incomes, and to large corporations who increasingly dominate economic and political agendas. As illustrated in our Platform for Tax Fairness, the federal government could raise an additional over \$40 billion annually by implementing a number of not particularly radical tax fairness measures. Our recommendations would bring federal revenues closer to, but still below, their long-term average as a share of the economy. These additional funds could be used to improve public services for all Canadians, to alleviate poverty in Canada and abroad, to make our tax system fairer for ordinary Canadians, and to invest in the changes we need to transition to a greener and more sustainable economy.

For example, each \$10 billion could provide funding for:



A national pharmacare program



\$10 a day universal childcare



Retrofit for 2 million homes



Elimination of university and college tuition



\$625 per household



Hospital bed for 40 million days

After many years of regressive tax changes, we're pleased to see the NDP and Greens proposing the most progressive set of tax measures we've seen in decades. But we're hard markers and haven't handed out any A+s. The NDP's more progressive income and wealth tax policies ultimately nudged out the Greens, whose platform and financial plan contain a number of inconsistencies. The Liberals' tax fairness commitments were disappointingly less ambitious than last election. While the Bloc is sometimes progressive, its platform includes only a few tax fairness measures. The Conservatives are on the opposite end, proposing many tax changes, the vast majority of which would benefit higher incomes and corporations the most.

No matter what government is elected, we'll continue to fight for these and other tax fairness priorities. Our hard work will begin in earnest after the election, when we begin the task of getting policymakers to make progressive improvements and to fight against those that would take us backwards again.



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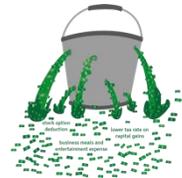
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Canada’s tax system includes various regressive tax loopholes that allow the wealthy to avoid taxes, with many paying much lower rates of tax than ordinary working people—or no tax at all. In our Platform for Tax Fairness and our [Close Tax Loopholes factsheet](#), we highlight five regressive tax loopholes: the stock option deduction, capital gains, business meals and entertainment expense deduction, corporate dividend tax credit, and TFSA’s. Closing these could save the federal government over \$16 billion annually.

<i>Party</i>	<i>Grade</i>	<i>Close tax loopholes</i>
	D	While the Liberals promised to close regressive tax loopholes in the last election and made some—but not enough—progress on these commitments, they unfortunately haven’t specifically promised to do anything further in this election over the next four years.
	F-	Not only have the Conservatives failed to commit to close any regressive tax loopholes this election, they promised to create <i>more</i> tax loopholes and further complicate the tax system with boutique tax breaks that will provide the largest benefit to higher incomes. Most disturbingly, they’ve promised to bring back a \$500 million tax loophole that will <i>only benefit the millionaire owners of private corporations</i> , with each getting an average tax benefit of \$10,000 annually. If there were a grade lower than “F”, they’d get it on this issue.
	A-	The NDP has pledged to close at least three of the five tax loopholes we highlighted: the stock option deduction, capital gains, and the business meals and entertainment expense deduction. There are more regressive tax loopholes that can and should be plugged, and the NDP has also committed to a public review of tax loopholes to identify others that should be closed.
	A-	The Green Party has committed to close at least three of the five regressive tax loopholes that we identified, including the stock option deduction, capital gains and the business meals and entertainment expense deduction. They’ve also committed to establish an arm’s length federal tax commission to analyze the tax system for fairness and accessibility based on the principle of progressive taxation.
	D	The Bloc Québécois have promised some progressive tax measures in other areas, but haven’t committed to closing the regressive tax loopholes we identified.





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Canada loses at least \$8 billion annually from international tax dodging by corporations and the wealthy. Our Platform for Tax Fairness and [Tackle Tax Havens factsheet](#) outline a number of the measures the federal government should take to seriously deal with this problem.

<i>Party</i>	<i>Grade</i>	<b>Tackle Tax Havens</b>  
	C	The only measures on tax havens and international tax dodging the Liberals have committed to in their election platform this time relate to e-commerce companies (see below) and to limit interest deductibility for larger corporations to no more than 30% of corporate income (and to limit “hybrid mismatch arrangements”). This commitment is welcomed as interest deductibility is an important way multinational corporations avoid tax, but it is similar to what the U.S. put in place two years ago.
	D	The Conservatives haven’t made any commitments to limit the billions lost through international tax dodging, except in relation to e-commerce companies (see below), and to provide more funding to the CRA to increase its compliance and enforcement for large, multinational and international taxation. This is welcome, but the CRA still hasn’t recovered from the Harper government cuts in exactly these areas.
	A	In addition to taxing large tech companies (see below), the NDP has committed to crack down on tax haven abuse and international tax dodging by vowing to: limit interest deductibility by large corporations to no more than 20% of corporate income, limit hybrid mismatch arrangements, deny deductions for corporations with foreign subsidiaries without any economic substance, and provide additional funding to the CRA for compliance and enforcement of the GST and of multinational firms, large corporations and international taxation. The NDP has also committed to increase transparency, including about how much tax corporations pay, and to consider restricting companies that engage in tax dodging from obtaining government contracts.
	A-	In addition to addressing tax avoidance by large tech companies (see below), the Green Party is committing to reduce offshore tax dodging by limiting interest payments made to foreign affiliates to 10% of corporate income, to deny deductions for corporations to foreign subsidiaries without any economic substance, and to apply a withholding tax of 1% on corporate business assets held in tax havens. They’ve said they would provide adequate funding to the CRA to collect tax revenue in offshore tax havens, but don’t commit to restricting companies engaging in tax evasion from government contracts.
	C-	In addition to addressing tax avoidance by large tech companies (see below), the Bloc supports providing additional funds to the Canada Revenue Agency to increase tax compliance and enforcement efforts for the GST and of multinational firms, large corporations and international taxation.



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Canada’s tax system has become far less progressive in recent decades with cuts to top income tax rates, deep cuts to corporate tax rates, and the expansion of loopholes—all of which have contributed to the top 1% now paying a lower overall rate of tax than all other income groups, including the poorest 10%. Our [Platform for Tax Fairness](#) and [Progressive Tax Rates factsheet](#) propose a number of ways to restore progressivity to the tax system, including by increasing the top marginal tax rate, increasing corporate tax rates, applying a tax to wealth and inheritances, and reducing incentives for corporations to pay their CEOs multimillion dollar compensation.

<i>Party</i>	<i>Grade</i>	<p><b><i>Make the Tax System More Progressive</i></b></p> 
	C-	<p>While the Liberals introduced a new top income tax rate following the last election, unfortunately they haven’t made any further commitments to make our personal or corporate tax system more progressive at the top this election. They have promised to increase the Basic Personal Amount tax credit to \$15,000 for incomes up to about \$215,000, which will make the tax system more progressive at the bottom end.</p>
	D	<p>The Conservatives haven’t made any commitments to make the personal income or corporate tax system more progressive in any way. They’re promising to introduce plenty of tax breaks and boutique tax cuts but the benefits of these all tend to be higher for higher incomes. They have also promised to gradually reduce the tax rate for the lowest bracket with their “universal tax cut.” However, the full benefit of this cut will only go to taxfilers with incomes over \$52,000 while about one-third of lower income tax filers won’t receive any benefit from this.</p>
	A	<p>The NDP has committed to increase the tax rate for those in the top bracket from 33% to 35% for incomes over \$210,000. They have also promised to increase the general corporate tax rate (payable by larger corporations) from 15% to 18% while keeping the federal small business rate at 9% The NDP has also pledged to introduce an annual wealth tax on individual wealth of over \$20 million. These are all very progressive measures similar to what we have called for.</p>
	B-	<p>The Green Party has committed to increase the general corporate tax rate from 15% to 21% while keeping the small business rate at 9%. The Green Party hasn’t committed to increase top income tax rates or introduce a wealth or inheritance tax, but they have pledged to introduce a Financial Transactions Tax and charge a five percent tax on commercial bank profits.</p>
	D	<p>The Bloc Québécois hasn’t made any specific commitments to make the federal tax system more progressive.</p>



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The Canadian government has allowed some of the largest corporations in the world—Google, Amazon, Apple, Facebook, Uber, Netflix and others—to get away with paying little or no taxes on their sales and profit from Canada. These tax preferences for big tech not only cost billions in lost revenue annually, but they’re highly unfair to competing Canadian companies and workers and profoundly damaging to our media and cultural industries. Our factsheet specifies what the federal government needs to do to [Level the Digital Playing Field](#), including: collect GST/HST on imports of all digital services, apply corporate income tax to the profits of foreign e-commerce companies associated with their business in Canada, eliminate the ability of businesses to deduct the cost of advertising on foreign internet platforms, apply specific revenue taxes to large tech companies, and enforce existing laws that require foreign companies to collect and remit sales taxes to Canada.

<i>Party</i>	<i>Grade</i>	<b><i>Tax Big Foreign Technology Firms</i></b> 
	C	After not confronting this issue for years, the Liberals have committed to introduce a 3% tax on the revenue of large foreign tech firms related to targeted advertising and digital intermediation services from Canada. They’ve also said they would “work to... ensure that international digital corporations whose products are consumed in Canada collect and remit the same level of sales taxes as Canadian digital corporations” but this wasn’t costed by the Parliamentary Budget Office (PBO) nor included in their fiscal plan.
	D	The Conservatives have said they would apply a 3% tax on the revenues of large foreign tech firms related to social media platforms, search engines, and on-line marketplaces from Canada. However, they would allow corporations to deduct any corporate income tax they pay in Canada from any of these taxes they pay.
	A-	The NDP is committing to apply a 3% tax to the revenues of large foreign tech firms related to targeted advertising and digital intermediation services from Canada. It has also committed to eliminate the ability of businesses to deduct the cost of advertising on foreign internet platforms such as Google and Facebook from the corporate tax they pay in Canada.
	B	The Green Party’s commitment for this aren’t absolutely clear with differences between what’s stated in their platform and what’s in their fiscal plan and costed. In their fiscal plan, as costed by the PBO, they have committed to apply a corporate income tax on transnational e-commerce companies doing business in Canada and to require e-commerce companies to collect and submit GST/HST on their transactions in Canada. They have said they would also prohibit Canadian businesses from deducting the cost of advertising on foreign-owned sites, but this wasn’t costed by the PBO or included in their fiscal plan.
	B-	Like the Liberals and the NDP, the Bloc Québécois is advocating for the federal government to both apply a 3% tax to the revenue of large tech companies related to targeted advertising and digital intermediation services from Canada. The Bloc is also calling for the federal government to apply the GST to all transactions of e-commerce companies in Canada, regardless of platform.



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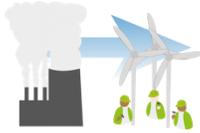
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We need to use every tool available to address climate change, including carbon taxes and other fiscal measures. Carbon taxes work by putting a price on pollution while also raising funds to invest in complementary measures, such as a Green New Deal. But carbon taxes must be broad-based, progressive and combined with a wide range of complementary measures, including Just Transition measures for those whose jobs will be affected. Our [Combat Climate Change](#) factsheet recommends key ways the federal government’s carbon pricing plan should be strengthened including by: applying the carbon price to all emissions from large emitters, introducing carbon tariffs on imports from countries not taking sufficient action on climate change, and making payments to households more progressive and more visible.

Party	Grade	<b>Combat Climate Change with Tax Fairness</b> 
	C	<p>The Liberals are planning to maintain the national carbon pricing system they introduced, but haven’t made any additional commitments to strengthen it further beyond the \$50/tonne it is scheduled to rise to by 2022. They had previously committed to review fossil fuel subsidies, but haven’t promised to eliminate them in this election. Their commitments include providing a rebate of the GST for used zero-emission vehicles, providing grants and loans for retrofits and providing tax breaks for clean tech companies.</p>
	F-	<p>The Conservatives have promised to eliminate the federal carbon tax (and to eliminate the carbon tax incentive payments going to households) and to also change the system for large emitters so they invest in research and technology. They’re also promising corporate tax breaks for businesses that invest in green technology, to provide a tax break for energy saving renovations, but to eliminate the GST on all forms of energy, including fossil fuels. They’re not promising to eliminate fossil fuel subsidies, but instead to expand them significantly.</p>
	A-	<p>The NDP has an extensive climate change plan and has said they will continue with the Liberal’s carbon pricing plan, including rebates to households, while making it fairer and rolling back the breaks for big polluters. They have also said they would immediately eliminate fossil fuel subsidies. The NDP has also committed to eliminate federal sales taxes on zero emission vehicles and provide a \$15,000 purchase incentive for made-in-Canada zero-emission vehicles.</p>
	A	<p>The Green Party would maintain the carbon pricing system but increase it above \$50/tonne every year by an additional \$10/tonne, reaching \$130/tonne by 2030 (with the revenues returned to Canadians as a dividend) until Canada has reached net zero emissions. They are also committing to eliminate all fossil fuel subsidies, introduce an international tax on aviation and shipping fuels, and exempt new and used electric and zero-emission vehicles from the GST.</p>
	C+	<p>The Bloc Québécois has been supportive of Quebec’s carbon pricing system, and has called for the elimination of fossil fuel subsidies. It has also proposed tax credits for renovation of residential buildings and farms.</p>