September 2019

VOTE FOR TAX FAIRNESS

PROGRESSIVE TAX RATES

As wages fail to keep pace with rising costs of living, most Canadians find it harder to get by. But for the top 1 percent, incomes have been on the rise for years and it's contributed to a growing wealth gap. The country's wealthiest 87 families now own 4,448 times as much as the average Canadian -- or as much wealth as 12 Canadians combined, a study by the CCPA found.

A flawed tax system has widened the divide between the very rich and other Canadians. Tax loopholes allow the wealthiest to pay lower overall tax rates than the rest of us. Corporate tax cuts have lined executives' pockets while drawing government investments away from childcare, education and other programs to carry families out of poverty. The absence of a wealth or inheritance tax has allowed family dynasties to pass on extreme riches to the next generation of one-percenters, while ordinary Canadians struggle to provide the basic opportunities for their children.

Recent figures from Statistics Canada confirmed that things are getting better – for those in top tier. Income among the top one percent accelerated faster than the income of every other tax bracket in 2017, it found.

The average income growth of the bottom half of tax filers increased a mere 2.4 percent to $17,200 while the highest earners saw average income growth of 8.5 percent to $477,700. Gains increased at the very top as the 0.01 percent –those earning more than $2.7 million—saw their incomes climb by 27.2 percent.

There is tremendous room for Canada to restore confront wealth inequality head on with progressive taxes.

Step 1: Raise the top federal marginal income tax rate on incomes over $750,000 from 33% to 37%.

The Trudeau government increased the top income tax rate from 29% to 33% for those earning more than $200,000, but Canada's top federal tax rate is still very low compared to decades ago, when a top rate of 43% applied to income exceeding $120,000. We can go much higher to restore fairness – without pushing Canadian talent away.
A study by University of Dalhousie tax professor Lars Osberg found there's more than enough room for Canada to raise rates while still ensuring productivity. It points out that during Canada's high growth years between 1940 and 1980, the top marginal income tax rate was well over 70%.
Our proposal would target just the top 0.1 percent – about 27,000 Canadians with incomes over $750,000. An additional 4% tax rate would generate *about $1 billion annually.*

Step 2: Restore corporate tax rates from 15 percent to 18 percent and the small business rate proportionally from 9 percent to 11 percent.

In the past two decades, the federal corporate tax rate has been slashed in half. Deep cuts by successive governments have been a hundred-billion-dollar failure. Big business lobbyists have long argued that tax cuts strengthen the economy, but the evidence suggests otherwise.
Rather than stimulate investment, corporate tax cuts led to record company profits and mega surpluses in corporate cash. The result? More monopolies and less

competition -- not the jobs and economic growth initially promised. We know these cuts aren't working and they're costing governments billions while exacerbating inequality. Lower rates have also contributed to increased tax avoidance as those who can afford to put their personal income through private corporations with much lower small business tax rates.

The PBO estimates that increasing the general rate by three percentage points would boost federal revenues by $5.7 billion a year. Increasing the small business rate by two percentage points would provide $1.6 billion annually. Together, that's *$7.3 billion more a year.*

Continued on next page

"The absence of a wealth or inheritance tax has allowed family dynasties to pass on extreme riches to the next generation of one-percenters, while ordinary Canadians struggle to provide the basic opportunities for their children."

Step 3: Limit skyrocketing corporate compensation for CEOs

It's not uncommon for Canadian corporate executives to earn in the ballpark of $10 million a year – nearly 200 times the average worker's salary. This grotesque compensation is doubly unfair because some of it can be subsidized as a deductible expense –costing the rest of Canadians who benefit from government spending on social programs. Canada should cap how much corporations can deduct for executive compensation at $1 million annually.

Step 4: Tax the rich

Canada is the only OECD country without a tax on inheritance. Our lack of a proper mechanism to treat extreme wealth when it is passed on from one generation to the next is largely to blame, the CCPA study found. A 45 percent inheritance tax on high-wealth estates over $5 million would help narrow the wealth gap and provide an additional $2 billion a year for government. The federal government could also introduce an annual tax on the wealth of multimillionaires. The PBO estimates that an annual 1% tax on the wealth of those with over $20 million would generate $7 billion annually.

TOTAL SAVINGS: $10B+

$10B+ works out to…

$625

per household

$10 a day

universal daycare

A national pharmacare program

TAKE ACTION NOW

Please ask your local candidates if they support progressive tax rates on corporations and high-income earners. You can also ask how they plan to tax wealth, for example through an inheritance, estate or wealth tax. You can also promote awareness of the problem by sharing this fact sheet, writing letters to the editor, and

Our Platform for Tax Fairness provides a comprehensive set of policy recommendations to make our tax system fairer, reduce inequality and generate revenues for public services. With weeks to go before the 2019 election, we are counting down the top 5 tax fairness measures —as voted on by our supporters— that federal parties should focus on this election.