2021 Federal Election

Tax Facts

Canadians for Tax Fairness

Close Tax Loopholes

Why close tax loopholes?

Canada's tax system is riddled with loopholes that **primarily benefit people with high incomes and wealth**, and the richest Canadians already manage to pay a lower overall rate of tax on their wealth than any other income group.

The federal government loses **more than $100 billion** every year to loopholes and expenditures.

The benefits of loopholes also **don't get shared fairly** with women and other economically disadvantaged groups.

Loopholes come from **bad policy**. Although they are justified with supposed economic and social benefits, they **lead to social ills** like increased speculation, and higher housing prices.

Also, studies show that most loopholes are **less effective and more expensive than direct program spending for solving social problems**.

Loopholes also **make our tax code much more complex and longer** (it's now more than 3,000 pages). Only rich people with fancy accountants and lobbyists can know all the tricks.

Loopholes for corporations **often rely on dubious legal and accounting maneuvers**. For example, corporations can shift their profits to tax havens just by transferring intangible assets like intellectual property and trademarks.

In general, these loopholes are **simply unfair**. For instance, the capital gains loophole lets very rich Canadians and business owners pay half or less than **half the tax rate that working people pay on their employment income**—and some can avoid paying income tax completely.

Successive governments have promised to close regressive loopholes. But even modest reforms have been infrequent and insufficient. Loopholes **exacerbate inequality and foment doubt in the fairness of our tax system**. The time to finally close tax loopholes *is now!*

Who supports it?

- 93% support closing tax loopholes used by the wealthy
- 62% of Canadians think Canada's tax system is unfair
- 61% think increased tax fairness will improve the quality of life for all Canadians

Source: Abacus Data Survey 4 August 2021. Commissioned by the Broadbent Institute and the Professional Institute of the Public Service of Canada.

What could we get?

Fund Universal, Affordable Seniors' Care: average cost of $9 billion per year over next three years to ensure comprehensive, public access.

Dental Care for Uninsured Canadians: cost of $1.7 biller per year after initial investment of $5 billion.

Create National Mental Health Strategy: $800 million per year.

...and much, much more!

How do we close loopholes?

Eliminate the lower tax rate on capital gains. Working Canadians pay the full tax rate on their income. Wealthy individuals, corporations and trusts with capital gains income are able to pay tax at half this rate or less. Over 90% of the tax break's value goes to the top 10%. This beneficial treatment widens the wealth gap and costs the federal government over $22 billion annually.

Reduce the dividend tax credit. The dividend tax credit reduces the taxes paid by dividend recipients based on faulty assumptions about corporate tax incidence. Half the benefits go to the top 1%. A modest reduction in the credit would save over $1 billion. Eliminating the tax credit would save over $5 billion.

Cap TFSA contributions. The cost of Tax-Free Savings Accounts to the federal government is escalating steeply, doubling in the past three years and now up to $1.8 billion annually. Capping it at the current lifetime max of $75,000 in contributions will ensure it doesn't grow into a massive loophole benefiting the wealthy.

Clamp down on common corporate tax-dodging schemes. The OECD has identified several common corporate dodging schemes. The federal government should finally act to restrict interest deductibility, place strict limits on use of intellectual property to shift profits to low-tax jurisdictions, and more.

Eliminate the stock option deduction. The stock option deduction is one of the most regressive loopholes. Over 90% of the benefits go to the top 1%. The loophole should be entirely eliminated.

Reduce business entertainment deductions. Businesses can simply deduct half the cost of entertaining business partners and clients at night clubs, at country clubs, cruises, vacations and much more. This costs the federal government over $200 million annually and contributes to some unsavoury forms of lobbying. This tax break should be phased out after businesses recover following the pandemic.

How much could we raise?

Revenue Est.	MEASURE
$22 billion	Eliminate lower capital gains rate
$1 billion +	Reduce dividend tax credit
$500 million	Eliminate stock options deduction
$500 million +	Cap TFSA contributions
$2.5 billion +	End common corporate tax-dodging schemes
$200 million	Reduce business entertainment deductions
$26 billion +	**Total**

Take Action!

The 2021 federal election is under way!

- On 20 September, vote for candidates who make strong commitments to tax fairness!
- Read our Platform for Tax Fairness: policies to make our tax system fairer, reduce inequalities, and generate revenue.
- Follow our coverage at taxfairness.ca.
- Talk to your family, friends and colleagues about fair taxation, and why these issues will influence your vote.
- Directly ask your local candidate directly to support these fair tax measures.
- Let politicians know that fair taxation is a big priority for you.
- Write letters to the editor.
- Call into radio stations.

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Canadiens pour une fiscalité équitable