

Fair tax measures that could raise over \$92 billion annually

Budget 2022 Briefing Package, FACT SHEET 1, March 2022

Over \$92 billion dollars could be raised through a series of fair tax measures, outlined in C4TF's recent [Platform for Tax Fairness](#). These measures would require the richest individuals, biggest corporations and major polluters to pay a fairer share of government revenue.

\$ Billions available in estimated revenue from reasonable and fair tax measures:

Revenue \$ Billions	Tax Measure
22	Tax capital gains income at 100%, just like employment income
20	Impose an annual wealth tax on the very richest Canadians
11	International corporate tax reform to tax multinationals fairly
8	Increase the general corporate tax rate from 15% to 20%, reversing decades of tax cuts
8	Impose a pandemic super profits tax
7	Introduce a financial activities tax at 5% on profits and compensation in the financial sector
3	Increase investment in enforcement, strengthening the CRA
3	Strengthen the carbon tax framework by eliminating preferences for large emitters
2.5	Restrict the deductibility of interest by large internet platforms
2	Impose an inheritance tax on high-wealth estates
1	Reduce the corporate dividend tax credit
1	Increase the top federal tax rate on personal incomes over \$750,000 from 33% to 37%
1	End the tax deductibility of advertising on foreign internet platforms
1	Impose a minimum tax on corporate book profits
0.5	Eliminate the stock option deduction
0.5	Cap lifetime TFSA contributions at \$75,000
0.5	Put a \$1 million cap on the business deduction for executive pay
0.45	Impose a meaningful luxury goods tax
0.3	Eliminate remaining fossil fuel subsidies
0.2	Eliminate the business entertainment expense deduction
92	\$ Total potential revenue (billions)

Funds raised through these fair tax measures would be enough to pay for universal pharmacare (\$15 billion) [vi], ending the First Nations' water crisis (\$7.4 billion) [vii], energy retrofitting of our homes (\$6 billion), the Canada Child Benefit including Child Disability Benefit (\$27 billion) [viii], the cost of improving long-term care (\$13 billion) [ix], and *more...* (See [Briefing Package](#) for references.)

The Liberal Government Track Record on Tax Fairness

Budget 2022 Briefing Package, Fact Sheet 2, March 2022

The Liberal government has made a number of promises on fair taxation since 2015. Some have been fulfilled, others have not, and many could be improved. Below is a status update as of March 2022 on the most notable promises made over the last 7 years in terms of achieving tax fairness.

Fair Corporate Taxation

MEASURES PROMISED	STATUS	C4TF'S RECOMMENDATION
<p>Tax some excess profits gained during the pandemic with a "Canada Recovery Dividend" of 3% on banks and insurance companies with earnings over \$1 billion per year.</p> <p>Estimated annual revenue: \$1.2 billion.</p>	<p>Promised in 2021 platform.</p> <p>Not yet delivered.</p>	<p>Impose a more general excess profits tax. Many of Canada's largest companies that made record profits during the pandemic also paid low effective tax rates, used tax havens, and received emergency worker support money (CEWS). [x]</p> <p>Estimated revenue: \$8 billion [xi]</p>
<p>Impose a digital services tax.</p> <p>Estimated annual revenue: \$1 billion. [xii]</p>	<p>Promised in 2019 election platform and the 2021 Budget.</p> <p>Deferred in exchange for watered-down OECD tax deal.</p>	<p>Impose a Canadian digital services tax now, and keep it.</p> <p>Estimated revenue: 50-100% more than companies like Amazon would pay under the OECD tax deal. [xiii]</p>
<p>"Review the tax treatments" of the "large corporate owners" of residential housing, including Real Estate Investment Trusts (REITs), and "curb excessive profits." [xiv]</p> <p><i>(Note: REITs pay zero corporate income tax.)</i></p>	<p>Promised in 2021 platform.</p> <p>Not yet delivered.</p>	<p>Eliminate the preferential tax treatment for investment trusts.</p> <p>Estimated annual revenue: \$120 million [xv]</p>
<p>Limit amount of interest costs that can be deducted from corporate income.</p> <p>Estimated annual revenue: \$1.6 billion in 2022. [xvi]</p>	<p>Promised in 2019 election platform. Budget 2021 proposed a limit of 40% of earnings as of 2023, and 30% for a subset of businesses.</p> <p>Not yet delivered.</p>	<p>Limit interest deductibility to 10% of earnings, as per the low end of the OECD's suggested range.</p>

Fair Wealth and Income Taxation

MEASURES PROMISED	STATUS	C4TF'S RECOMMENDATION
<p>A new 33% tax bracket on income above \$200,000, and a reduction on the second tax bracket from 22% to 20.5%</p> <p>Estimated annual cost: - \$1.7 billion [xvii]</p>	<p>Promised in 2015 platform.</p> <p>Delivered in 2016.</p>	<p>Add an additional bracket of 37% on the top 0.1%.</p> <p>Estimated annual revenue: \$1 billion. [xviii]</p>
<p>Impose a minimum 15% effective tax rate on the top 1% of earners (those making over \$222,600).</p> <p>Estimated annual revenue: \$400 million. [xix]</p>	<p>Promised in 2021 platform</p> <p>Not yet delivered.</p>	<p>Impose an annual wealth tax.</p> <p>Estimated annual revenue: \$20 billion. [xx]</p>
<p>Tax sales of luxury vehicles over \$100,000.</p> <p>Estimated annual revenue: \$597 million in 2022; \$686 million by 2029 [xxi]</p>	<p>Promised in 2019 and 2021 platforms.</p> <p>Partially delivered. New watered down draft legislation expects return as little as \$125 million annually. [xxii]</p>	<p>Keep your original promise, and improve it: make the luxury tax progressive, and apply it to a wider range of goods and services including 'used' luxuries. [xxiii]</p>
<p>Set \$100,000 cap on the stock option deduction loophole.</p> <p>Estimated annual revenue: \$500 million. [xxiv]</p>	<p>Promised in 2015 platform.</p> <p>Partially delivered. Weaker \$200,000 cap implemented in 2021. [xxv]</p>	<p>Abolish the loophole. Stock options should be taxed like all other income.</p>

Tax Dodging

MEASURES PROMISED	STATUS	C4TF'S RECOMMENDATION
<p>Loopholes: Eliminate \$3 billion worth of tax loopholes.</p>	<p>Promised in 2015 platform.</p> <p>Partially delivered with weak cap on stock options loophole.</p>	<p>Eliminate \$30 billion worth of tax loopholes. [xxvi]</p>
<p>CRA: Invest \$2.5 billion in the CRA over 4 years to fight tax dodging.</p> <p>Estimated annual revenue: \$12.9 billion [xxvii]</p>	<p>Promised in 2021 platform.</p> <p>Not yet delivered.</p>	<p>Take advantage of cross-party support to get it done quickly, and mandate/empower the CRA to provide greater transparency about taxes levied and collected. [xxviii]</p>
<p>Registry: Develop a <u>public registry</u> of the beneficial owners of corporations and trusts by 2025.</p>	<p>Promised in 2021 budget and platform.</p> <p>Promised for early 2023 in Liberal/NDP Supply and Confidence Agreement.</p>	<p>Meet the 2023 deadline.</p>
<p>GAAR: Modernize the General Anti-Avoidance Rule (GAAR) regime, to avoid corporate tax dodging via tax havens.</p>	<p>2021 platform.</p> <p>Not yet delivered.</p>	<p>Updating GAAR is long overdue and needs to be done ASAP.</p>

Pollution, Credits, Filing

MEASURES PROMISED	STATUS	C4TF'S RECOMMENDATION
Carbon Pollution: Continue to increase carbon tax and rebate. Consider a border carbon adjustment.	2021 mandate letters. Not yet delivered.	Put in a border carbon adjustment now. We can immediately reduce a sizeable loophole that allows some of our largest industrial emitters to avoid the carbon tax.
Tax Credits: Offer multiple tax credits on public health, education, housing, long-term care, pandemic recovery, climate change... and hope it entices the private sector to make important investments, instead of real government action.	Promised before every election. Some implemented with minimal economic benefit; others not.	Don't. Tax credits offer dubious benefits at best, add unnecessary complexity to our tax system, and create potential for more loopholes. The proposed homebuyers tax credit and TFSA for first-time home buyers will make the housing market worse.
Tax filing: Complete returns for low/fixed-income Canadians.	Promised in 2015 mandate letter, 2020 Throne Speech. Not delivered.	Implement now to allow for many low/fixed-income Canadians to receive income supports they need.

Endnotes

From C4TF's Budget 2022 Briefing Package

- [xi] <https://www.taxfairness.ca/en/news/report-pandemic-profits-and-public-purse>
- [xii] <https://www.pbo-dpb.gc.ca/en/blog/news/RP-2122-002-M--cost-estimate-an-excess-profits-tax--montant-estimatif-un-impot-benefices-exceptionnels>
- [xiii] <https://pbo-dpb.gc.ca/en/epc-estimates--estimations-cpe?epc-cmp--eid=43&epc-cmp--cid=67>
- [xiv] <https://www.taxfairness.ca/en/news/report-oecd-tax-break-tech-giants>
- [xv] <https://liberal.ca/wp-content/uploads/sites/292/2021/09/Platform-Forward-For-Everyone.pdf>
- [xvi] <https://www.taxfairness.ca/en/news/platform-tax-fairness-2021>
- [xvii] <https://pbo-dpb.gc.ca/en/epc-estimates--estimations-cpe?epc-cmp--eid=43&epc-cmp--cid=81>
- [xviii] https://www.pbo-dpb.gc.ca/web/default/files/Documents/Reports/2016/PIT/PIT_EN.pdf
- [xix] https://www.taxfairness.ca/en/news/platform-tax-fairness-2021#_edn21
- [xx] <https://www.pbo-dpb.gc.ca/en/epc-estimates--estimations-cpe?epc-cmp--eid=44&epc-cmp--cid=117>
- [xxi] <https://www.pbo-dpb.gc.ca/en/epc-estimates--estimations-cpe?epc-cmp--eid=43&epc-cmp--cid=68>
- [xxii] <https://www.pbo-dpb.gc.ca/en/epc-estimates--estimations-cpe?epc-cmp--eid=44&epc-cmp--cid=120>
- [xxiii] <https://www.pbo-dpb.gc.ca/en/epc-estimates--estimations-cpe?epc-cmp--eid=44&epc-cmp--cid=120>
- [xxiv] <https://www.pbo-dpb.gc.ca/en/epc-estimates--estimations-cpe?epc-cmp--eid=44&epc-cmp--cid=120>
- [xxv] <https://www.pbo-dpb.gc.ca/en/epc-estimates--estimations-cpe?epc-cmp--eid=44&epc-cmp--cid=120>
- [xxvi] <https://www.pbo-dpb.gc.ca/en/epc-estimates--estimations-cpe?epc-cmp--eid=44&epc-cmp--cid=120>
- [xxvii] <https://www.pbo-dpb.gc.ca/en/epc-estimates--estimations-cpe?epc-cmp--eid=44&epc-cmp--cid=120>
- [xxviii] <https://www.pbo-dpb.gc.ca/en/epc-estimates--estimations-cpe?epc-cmp--eid=44&epc-cmp--cid=120>

Canadians for Tax Fairness (C4TF) is a non-profit, non-partisan organization that advocates for fair and progressive tax policies, aimed at building a strong and sustainable economy, reducing inequalities, and funding quality public services.

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