TAX FAIRNESS MATTERS

In July 2017, Federal Finance Minister Bill Morneau introduced proposals for tax changes that aim to control tax evasion by wealthy individuals and corporations. Three loopholes will be tightened so high-income Canadians do not create small businesses simply to pay less tax. The backlash by Corporate Canada has been so strong that it is clear progressive Canadians must respond.

Each loophole contains complex technical details. Tightening these loopholes would be a good first step, but relatively minor compared with other tax policies from which the wealthy benefit. Progressive Canadians had expected more from Morneau. In the 2015 election, Federal Liberals pledged to increase taxes on stock options and capital gains, which would generate far more revenue than the three loopholes currently on the table. The Liberals have taken no steps on these pledges.

For years, Corporate Canada has been successful at offloading their tax responsibilities. Canadian corporate tax rates fell from 28 % in 2000 to 15 % in 2012, and Ontario also cut corporate taxes at the same time. The wealthy use junk science to justify tax cuts, with organizations like the Fraser Institute distorting facts while providing intellectual cover. They devalue taxes, pretending that tax dollars evaporate instead of providing health care, police services, roads and transit, education, and other services important to Canadians from coast to coast.

Having lowered their taxes, Corporate Canada plays working people off against one another in order to impose their austerity agenda. With less government revenue available, the wealthy insist that governments cry poor. They demand privatization of public resources and offloading of public services because there’s not enough tax money to pay for it all.

The result? From corporate tax cuts alone, we receive $14 billion less federally each year and$2 billion less provincially. We have all seen the effect of tax cuts at work. Most recently, the Ontario Liberals say we must sell Ontario Hydro to raise $9 billion. We can expect more of this downward spiral: as Trump promises massive tax cuts, wealthy Canadians will use this as an excuse to call for more tax cuts to remain “competitive”. We will hear the nauseating repetition by Corporate Canada of doom and gloom for the Canadian economy and business if we don’t continue to cut taxes, deregulate, privatize, and cut services. With more than 30 years of having the rules written in their favour, they demand ever-increasing concessions. It’s an insatiable appetite.

We know that countries with higher tax rates and a fairer tax system than ours do just fine. Even the International Monetary Fund and the OECD are countering the austerity agenda, arguing that taxes are essential if we are to meet our biggest challenges. But closing the three loopholes is only part of the picture. The Federal Liberals have not raised taxes on capital gains or stock option income. Ontario Liberals sold off Ontario Hydro instead of restoring the corporate tax rate to 14%,are doing little to collect the more than $2B in unpaid taxes the Auditor General uncovered, and increased exemptions to the Employer Health Tax.

At the municipal level, Mayor Tory and centre-right City Councillors squabble over residential property taxes while business property tax rate increases are set at a fraction of residential property tax rate increases, other more progressive revenue tools go untried, and the City gives big tax grants to downtown property developers.

Through Toronto's Tax Incentive Equalization Grants, $377 million in grants has been approved to subsidize development of industrial and commercial spaces. But instead of promoting development in sectors that the City needs more of (manufacturing, screen-based industry, green enterprise and information technology), subsidies have primarily gone to downtown office development, including for a new Coca Cola headquarters when that corporation had previously moved its production facilities out of Toronto. With projects currently in the pipes, this giveaway could cost up to $476 million by 2031.

Our allies in the community are confronting tax-haters. The Broadbent Institute's June 2017report, The Brass Tax: Busting Myths About Overtaxed Canadians, challenges myths about taxation. The Canadian Centre for Policy Alternatives' Preferential Treatment reports on the tax exemptions, credits and loopholes that have become a cash cow for Canada's wealthiest families while low and middle income Canadians struggle to get by. Canadians for Tax Fairness provides important news on tax evaders and possible actions to take.

However, most of what we hear in the media is about the business backlash to any tax proposal, including the three in front of us right now. The rich fight reforms to the tax system because it will cost them. Yet middle and lower income earners don't usually participate in discussions about tax reform, especially when we don't see the direct effect. It's time to build a campaign for the rich to pay their fair share, and strengthen the role of public services as a vital foundation of a just society.

The Executive Board recommends that Labour Council:

1. Urge affiliates and individual members to respond to the Morneau consultation, supporting government proposals to close the three loopholes and demanding they follow through on their campaign tax pledges to address stock options and capital gains.
2. Call on Ontario's Liberals to increase revenues by taking three key steps – restore corporate tax rate to 14%; enforce collection of unpaid taxes; and end exemptions to the Employer Health Tax.
3. Continue pressuring the City of Toronto to allow for appropriate increases in business property taxes rather than setting them as a fraction of residential property tax rate increases; to adopt more progressive revenue tools such as commercial parking levies; and to restrict Tax Incentive Equalization Grants so they apply only to manufacturing, screen-based industry, green enterprises and Information Technology, and not to downtown property developers.
4. Be part of a bigger tax fightback with allies in the community.

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