

# 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><b>Tax some excess profits</b> 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: <b>\$1.2 billion.</b></p>	<p>Promised in 2021 platform.</p> <p><b>Not yet delivered.</b></p>	<p>Impose a more <b>general excess profits tax</b>. 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: <b>\$8 billion</b> [xi]</p>
<p>Impose a <b>digital services tax</b>.</p> <p>Estimated annual revenue: <b>\$1 billion.</b> [xii]</p>	<p>Promised in 2019 election platform and the 2021 Budget.</p> <p><b>Deferred</b> in exchange for watered-down OECD tax deal.</p>	<p>Impose a Canadian digital services tax now, and <b>keep it</b>.</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><b>Not yet delivered.</b></p>	<p>Eliminate the preferential tax treatment for investment trusts.</p> <p>Estimated annual revenue: <b>\$120 million</b> [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><b>Not yet delivered.</b></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 <b>cost</b>: - <b>\$1.7 billion</b> [xvii]</p>	<p>Promised in 2015 platform.</p> <p><b>Delivered in 2016.</b></p>	<p>Add an <b>additional bracket</b> of 37% on the top 0.1%.</p> <p>Estimated annual <b>revenue</b>: <b>\$1 billion</b>. [xviii]</p>
<p>Impose a <b>minimum 15% effective tax rate on the top 1%</b> of earners (those making over \$222,600).</p> <p>Estimated annual revenue: <b>\$400 million</b>. [xix]</p>	<p>Promised in 2021 platform</p> <p><b>Not yet delivered.</b></p>	<p>Impose an annual <b>wealth tax</b>.</p> <p>Estimated annual revenue: <b>\$20 billion</b>. [xx]</p>
<p>Tax sales of <b>luxury vehicles</b> 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><b>Partially delivered.</b> New watered down draft legislation expects return as little as \$125 million annually. [xxii]</p>	<p><b>Keep your original promise, and improve it:</b> 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 <b>stock option deduction</b> loophole.</p> <p>Estimated annual revenue: \$500 million. [xxiv]</p>	<p>Promised in 2015 platform.</p> <p><b>Partially delivered.</b> Weaker \$200,000 cap implemented in 2021. [xxv]</p>	<p><b>Abolish the loophole.</b> Stock options should be taxed like all other income.</p>

## Tax Dodging

MEASURES PROMISED	STATUS	C4TF'S RECOMMENDATION
<p><b>Loopholes:</b> Eliminate <b>\$3 billion</b> worth of tax loopholes.</p>	<p>Promised in 2015 platform.</p> <p><b>Partially delivered</b> with weak cap on stock options loophole.</p>	<p>Eliminate <b>\$30 billion</b> worth of tax loopholes. [xxvi]</p>
<p><b>CRA:</b> 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><b>Not yet delivered.</b></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><b>Registry:</b> 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><b>Promised for early 2023</b> in Liberal/NDP Supply and Confidence Agreement.</p>	<p><b>Meet the 2023 deadline.</b></p>
<p><b>GAAR:</b> Modernize the General Anti-Avoidance Rule (GAAR) regime, to avoid corporate tax dodging via tax havens.</p>	<p>2021 platform.</p> <p><b>Not yet delivered.</b></p>	<p>Updating GAAR is long overdue and needs to be done ASAP.</p>

# Pollution, Credits, Filing

MEASURES PROMISED	STATUS	C4TF'S RECOMMENDATION
<b>Carbon Pollution:</b> Continue to increase carbon tax and rebate. Consider a border carbon adjustment.	2021 mandate letters. <b>Not yet delivered.</b>	<b>Put in a border carbon adjustment now.</b> We can immediately reduce a sizeable loophole that allows some of our largest industrial emitters to avoid the carbon tax.
<b>Tax Credits:</b> 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. <b>Some implemented</b> with minimal economic benefit; <b>others not.</b>	<b>Don't.</b> 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.
<b>Tax filing:</b> Complete returns for low/fixed-income Canadians.	Promised in 2015 mandate letter, 2020 Throne Speech. <b>Not delivered.</b>	<b>Implement now</b> 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](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](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.

taxfairness.ca