



Canada needs tax fairness not the HST

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By James Clancy

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Ottawa - We're long overdue for serious tax reform in this country. Most Canadians agree on this. But the new unfair Harmonized Sales Tax (HST) in Ontario and BC is not what most of us had in mind.

Earlier this year the Harper government reached agreements with Ontario and BC to merge the provincial sales tax (PST) and federal goods and services tax (GST) into a single harmonized tax (HST). The new HST is an unfair tax for two key reasons.

First, it unfairly puts the squeeze on low and middle income families. It's a flat tax (everyone pays the same amount) so it hits these families the hardest because the lower your income, the greater percentage of it will go into HST charges. It's clearly unfair that a single-parent earning \$20,000 a year will pay the same amount of HST as a corporate executive making \$400,000 a year. Further, it will apply to basic necessities not currently covered by provincial sales taxes, therefore raising the price of things like home heating, medication, telephone service, gasoline, children's clothing and school supplies. It's unfair to slap a new higher tax on families who can least afford to pay it especially in the middle of a recession.

Second, the HST unfairly shifts the tax burden from corporations onto the backs of working families. That's exactly what it's designed to do and governments have made no secret about it. In BC, for example, corporations will see a \$1.9 billion cut in taxes while individuals will pay on average an extra \$800. With the HST, like other tax reforms in recent years, corporations win and the shrinking middle class gets hammered.

Corporations coddled with tax cuts

The Harper government has continued the unfair Liberal tradition of shifting the federal tax burden from corporations onto the backs of working families. In 2000, when the Liberals were in power, the federal corporate tax rate was 30%. By 2004, the Liberals had reduced it to 21%. By 2008, the Harper government had reduced it to 19.5%. The Harper government plans to reduce the rate to 15% by 2012. Over the course of just 12 years the federal corporate tax rate will have been cut exactly in half, to one of the lowest standards in the industrialized world.

A recent study by the Parliamentary Library concluded that these corporate tax cuts will result in a \$170 billion cumulative loss in forgone revenue for Ottawa. In tough economic times we could use that money to fund important priorities. It could be used to create jobs, make our health care system even better, lower the cost of college and university tuition, create a national system of early childhood education, protect our environment and improve public infrastructure.

Mr. Harper likes to tell us that corporate tax cuts create jobs. That's just wrong on the face of it. If corporate tax cuts automatically created jobs - if it was that simple - the fact they've been cut so drastically over the last decade would mean we should have the largest job creation in a generation. Instead our economy has been shedding good manufacturing jobs for years and we're now facing a serious economic recession and a soaring unemployment rate.

Studies by the Organization for Economic Development (OECD) show that Canada's total corporate tax level is already well below the US average and among the lower half of G-8 countries. But somehow we're still not "competitive"? The role of corporate tax cuts in spurring investment and job creation is greatly exaggerated by big business and politicians. The extra profits from the tax cuts are usually used to boost executive compensation packages and returns to shareholders. The reality is that corporate tax cuts almost never work as advertised.

Tax cuts: The big lie

Income tax cuts (their size, their cost, who benefits, how well they work) are one of the biggest lies in politics today. They overwhelmingly benefit the wealthiest people. Studies by the Canadian Centre for Policy Alternatives (CCPA) clearly demonstrate this to be the case over the last decade. It's a big reason why the gap between rich and poor in Canada is surging at a rate unparalleled in our post-war history.

Even the structure of our income tax system has become less progressive. We used to have ten income tax brackets. Today we have only four, with the top rate of 29% applying to income over \$126,264. Why don't we have a bracket for income above \$200,000, another above \$300,000, and so on, up to amounts in excess of \$700,000? The difference between the rates paid by low income individuals and those paid by the wealthiest is rapidly shrinking. This completely undermines the principle of fair taxation.

Mr. Harper promotes tax cuts as the miracle cure for every situation. In 2006, when the economy was doing well, and Ottawa was running large surpluses, his big idea was to cut income taxes for the wealthy, cut corporate taxes and cut the GST. Now our economy is in big trouble, Ottawa is running the largest deficit in history, and Mr. Harper says: I know what we need - more tax cuts!

But recently he took it one step further. In July 2009, after the G8 Summit in Italy, Mr. Harper gave an interview to the Globe and Mail, in which he said: "I don't believe that any taxes are good taxes." It's a stunning statement for a prime minister to make. If taken to its logical conclusion, Mr. Harper is saying that all government spending is bad.

It means he believes the only good government is no government at all. We're well aware that Mr. Harper clings to an ideology that's contemptuous of anyone who sees government (our tax dollars) as a means to do good by providing social programs. But even for Mr. Harper, it's an ideology that surely should have vanished last year when Wall Street crashed, Lehman Brothers went bankrupt, and the US government seized control of mortgage giants Fannie Mae and Freddie Mac. Even the most ardent capitalist supporters in the US have turned to the government to save the free market.

Taxes are the price we pay for the common good

Most Canadians understand that we have to care about, and care for, one another or we won't make it. Not individually and not as a nation. Everyone paying their fair share of taxes is what makes us a unique country: a place where we're all in this together.

For generations there has been a general consensus about the value of using our common wealth to provide for the common good. After all, without that consensus, and the taxes that support it, we wouldn't have universal health care, a Canada Pension Plan for seniors, a quality post-secondary education system, public infrastructure, policemen or firefighters to keep us safe, a judicial system to enforce our laws, national parks to enjoy, or a national defence system to keep the peace.

The simple but compelling fact is that none of us could afford to buy on our own the services we get through our taxes. Moreover, Canadians realized a long time ago there are more important things in this world than tax cuts, like our quality of life and a civilized society. But, of course, we all recognize that more needs to be done to make Canada the truly compassionate and just society we all desire.

Total taxes are not too high in Canada

Now, many people aren't going to believe this, but when you put together all of the taxes we pay, Canadians don't pay all that much. One of the most blatantly misleading assertions that politicians, the wealthy and big corporations often make is that Canadians are among the most heavily taxed citizens in the industrial world. But that's just not true.

The fact is that total taxes in Canada, as a percentage of GDP, are substantially below the OECD average. In 2006, Canada ranked 10th out of the 30 OECD countries for the lowest total taxes as a percentage of GDP. It would be helpful if more Canadians realized that, when it comes to total tax levels, we have it pretty good in this country.

The choice is clear

We have a choice to make. We can continue allowing our governments to undermine our quality of life with more tax cuts and unfair taxes like the HST. Or we can demand meaningful tax reform where fairness, economic equality and social justice are the defining objectives.

The HST is an unfair tax because it targets low and middle income families and it shifts the tax burden from corporations onto working families. Instead of implementing the unfair HST, or cutting taxes further, we should demand that our governments pursue two alternatives:

1. Cancel any planned corporate tax cuts and broaden the corporate tax base.
2. Add more tax brackets to the top end of our income tax system so it's more progressive.

In the years ahead, the tax reform debate in Canada will take place in the shadow of some of the biggest federal and provincial budget deficits ever. We need as many people as possible to be out there talking about why restoring tax fairness is a good thing. Otherwise, the debate about deficit reduction will focus solely on spending cuts to public services. Our quality of life is at stake. It's up to us to spread the message about tax fairness.

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