

Community Dispatch

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CANADA VOTES 2004 - TAXATION

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ISSUE 7: TAXATION

Significant increases in government expenditures would be required to respond to the issues in the preceding Community Dispatches. It would cost more than \$20 billion annually to see a significant reduction in poverty, a universal child care program, affordable housing and equal access to education.

Some say that Canada is over-taxed and that additional spending would harm the economy. But figures from the OECD show that this is not the case. Luxembourg has the highest GDP per capita, and is in the middle for taxes as a percentage of GDP. Norway is similar to the U.S. GDP per capita but has a higher level of taxation. However, both Norway and Luxemburg have much lower child poverty compared to Canada or the U.S. A lower child poverty rate is related more to a country's willingness to provide resources than to GDP or taxation. The question is not "can we afford to do it?" but "how do we pay for what we want government to fund?"

Federal revenue accounts for roughly one third of the taxes and fees we pay for services provided by all three levels of government. In 2002-03, the federal government raised over \$177 billion dollars. The majority of revenue comes from taxes on income (individual and corporate), taxes on consumption (GST and sales taxes, taxes on fuel, tobacco, etc.), and user fees. The income tax rate for an individual increases with income – the "ability to pay" principle. Sales taxes are the same for everyone purchasing a taxable item. People with higher incomes are likely to purchase more items and, therefore, pay more sales tax, but the percentage tax on each item purchased is the same regardless of ability to pay. Finally, user fees are the same absolute dollar amount. For example, user fees to go swimming are the same regardless of your income, and thus cost more as a percentage of income for a person with

low income than for a person with high income.

Issues:

- The federal government will need to increase its revenues to reduce poverty, to establish a universal child care system, to develop affordable housing and to ensure that post-secondary education is available to all who qualify.
- There needs to be a system of taxation and revenue generation that is seen as fair by Canadians.

Questions to candidates:

- Are you prepared to raise taxes/revenues in order to support specific social investments?
- What balance would you suggest for the federal tax system between income taxes, consumption/sales taxes, and user fees?
- To what extent should taxes be based on the principle of "ability to pay"?

To find out more:

- For comparisons: www.oecd.org/home/ and click section "find-statistics" and www.unicef.org/publications and click "by subject"
- Where the money comes from <http://www.fin.gc.ca/access/budinfoe.html> Click the section on economic and fiscal information
- Canadian Centre for Policy Alternatives – Alternative Budgets: <http://www.policyalternatives.ca/publications/pub2.html>

Country	Taxes	GDP per capita	Rate of Child Poverty
United States	28.9%	\$36,100	22.4%
Canada	35.1%	\$30,300	15.5%
Luxemburg	40.7%	\$49,100	4.5%
Norway	43.3%	\$35,500	3.9%
Sweden	51.4%	\$27,200	2.6%



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