A balanced fiscal plan

WITH **Tom Mulcair**

Notes about the plan

This Balanced Fiscal Plan is the fiscal framework for the NDP's 2015 election platform. It is built upon the fiscal framework presented in Budget 2015 and updated by the PBO in July of 2015. It presents revenue and savings measures in detail, with explanations of the changes that will lead to these incremental revenues and savings. It further presents summaries of new investments by category. This fiscal plan projects modest surpluses in each of the four years.

A message from Tom

From a young age, my parents taught me to work hard, play by the rules and look after each other. Most of all, they taught me the importance of living within our means, and by our principles.

These values guide Canadians across our great country everyday – and they are at the heart of who I am as a husband, a father, a grandfather and as a candidate for Prime Minister.

Canadians expect their Prime Minister to work hard to make life better for families.

But instead of helping the middle class, Stephen Harper has given wealthy Canadians a tax break with income splitting, which helps only 15% of Canadians. Instead of helping ensure every person can access health care when they need it, he has ignored the growing pressures on our hospitals and clinics. And instead of helping more people retire with security, Stephen Harper raised Old Age Security eligibility from 65 to 67.

Leadership is about choices. Mr. Harper has made it clear that his only focus is the bottom line. And Mr. Trudeau has chosen short-term thinking over long-term planning.

I will deliver on my commitments with a balanced approach. I will reduce the small business tax rate from 11% to 9%. And a small increase in the corporate tax rate, from 15% to 17%, will keep the Canadian rate well below the United States and below the average during Stephen Harper's 10 years in office.

Mr. Trudeau refuses to reverse Mr. Harper's recent corporate tax cuts. He has chosen billions in deficits that unnecessarily burden future generations and put at risk the services families count on.

My plan will kick start the economy and help middle-class families today and for the long term. It is balanced and sustainable. Mr. Trudeau's plan is not.

Tommy Douglas showed us all that when governments are focused and choose to live within their means, they can do great things.

I am ready to bring change to Ottawa. And this fiscal plan will provide the blue print for building the Canada of our dreams.

Tom Mulcair

Tom Mulcair
Leader of Canada's NDP

Ready for change

In this election, only Tom Mulcair has the plan for the change Canadians want in Ottawa. It is balanced and it is focused on the priorities of Canadian families.

Tom Mulcair will:

Invest in better health care...

starting with more doctors and nurses, and better home care so that all Canadians can access medical services when they need them, where they need them.

Help your family get ahead and make life more affordable…

starting with one million quality childcare spaces at no more than $15 dollars a day.

Kick-start the economy and build needed infrastructure…

starting with support for manufacturing, lowering small business taxes, and stable investments in transit and infrastructure.

Create opportunities for young Canadians to build a good life…

starting with 40,000 more apprenticeships, co-op placements and jobs for youth.

Guarantee retirement security and care for our most vulnerable...

starting with an increase to the GIS to lift 200,000 seniors out of poverty.

Estimates of revenue and savings

The Canadian Federal Budget forecasts approximately $300 billion in revenues during the 2016–17 fiscal year. To fund new priorities, the NDP's balanced plan will make modest changes to the taxes paid by profitable corporations and the wealthiest Canadians, while protecting low-income Canadians and the middle class.

These changes will restore fairness and balance to the tax revenues the Government of Canada receives each year, while maintaining Canada's competitiveness on the world stage and encouraging investment in jobs and growth.

Three major measures constitute the majority of incremental revenue.

Corporate taxes

We will increase the Corporate Income Tax (CIT) rate by two cents on the dollar, from 15% to 17%.

At 17%, the CIT will be below the G7 average, and below the average during Stephen Harper's time as Prime Minister. Most importantly, it will remain well below the rate in the United States.

Repealing income splitting & TFSA doubling

We will end the Conservatives' recently implemented income splitting scheme, and roll back the doubling of TFSA allowances.

These are both costly measures and of little or no benefit to the vast majority of Canadians. The NDP will protect seniors' ability to split their pension income.

Closing stock option loopholes

We will close the stock option loopholes for CEOs and senior executives.

Over 90% of the benefit of this loophole goes to Canadians earning $250,000 a year or more.

We will redirect the savings from ending this unfair tax break into measures to lift children and the working poor out of poverty.

A balanced plan

Statement of incremental fiscal measures and plan balance

New Democrat Fiscal Framework ($ millions)

Incremental Revenues and Savings	2016–17	2017–18	2018–19	2019–20
2 Point Increase, Corporate Income Tax Rate	3700	3700	3700	3700
Tax Integrity Measures	500	500	500	500
End Fossil Fuel Subsidies	240	240	240	240
Close Stock Option Loopholes	500	500	500	500
Repeal Income Splitting & TFSA Doubling	2155	2285	2405	2525
Reallocate Unspent P3 Canada Funds to Infrastructure Canada	0	281	287	12
Other Revenue Measures	64.8	64.8	63.5	63.5
Total	7159.8	7570.8	7695.5	7540.5

Incremental Spending	2016–17	2017–18	2018–19	2019–20
Jobs and Infrastructure	3043	3503	3418	3295
Health and Seniors Care	355	940	1590	2500
Helping Families Get Ahead	694	1319	1964	2634
Opportunities for Young Canadians	140	251	405	586
Safe and Secure Canada	184.5	300.5	397.5	494.5
Help Where it's Needed Most	572	635	747	956
Stronger Communities, Stronger Democracy	157.7	195.7	223.7	243.7
Supporting Indigenous Communities	604	579	529	594
Total	5750.2	7723.2	9274.2	11303.2

Department of Finance Forecast (including contingency)	2700	3600	4600	7800
Surplus with NDP Commitments (Budget 2015)	4109.6	3447.6	3021.3	4037.3

Explanatory notes

Incremental Revenues and Savings

2 Point Increase, Corporate Income Tax Rate

We will keep Canada's corporate tax rate competitive. A two percentage point increase from 15% to 17% will keep both federal and the average combined federal-provincial corporate income tax rate significantly below our largest trading partner, the United States. Further, it keeps the corporate tax rate below its average during Stephen Harper's 10 years in office. These are cautious estimates of the revenue raised in that no inflator is applied over time and the figures are consistent with the publicly released figures from the Parliamentary Budget Officer. If an escalator were applied, consistent with Department of Finance forecasts of economic growth, this would add additional revenue each year.

Tax Integrity Measures

This line includes a host of measures that will increase fairness in the Canadian tax system. We will ensure that high income individuals are no longer able to use Canadian Controlled Private Corporations (CCPC) to inappropriately engage in income splitting and close other related loopholes that allow some high income individuals to shelter income in CCPCs. This figure has been estimated by Michael Wolfson at an annual price tag of approximately $500 million. In addition, we will increase resources for CRA enforcement to reduce tax avoidance and tax evasion, both domestically and abroad through the use of tax havens. According to Budget 2015, there has been roughly a 4:1 return with respect to revenues created through enhanced enforcement. This line includes several other tax integrity measures including the implementation of Bill-C621 regarding the economic substance of a transaction.

End Fossil Fuel Subsidies

This is a cautious estimate of the savings available for ending the subsidization of fossil fuels by the federal government. For example, the 2015 Green Budget Coalition notes that tightening rules around the use of Canadian Exploration Expenses (CEE) alone will result in annual savings of approximately $240 million per year. As such, this is a reasonable and likely underestimate of the value.

Close Stock Option Loopholes

This measure closes loopholes that allow CEOs to pay lower tax on their stock options, and tightens other corporate compensation loopholes.

Repeal Income Splitting and TFSA Doubling

Eighty-five percent of Canadian families would gain no benefit from the proposed Conservative income splitting plan, yet it will cost the federal government approximately $2 billion per year. In addition, Budget 2015 proposes to increase the Tax-Free Savings Account annual contribution limit to $10,000. The cost of this decision is estimated to be $160 million in 2016-2017, rising to $360 million by 2019-2020, which we will reverse.

Reallocate Unspent P3 Canada Funds to Infrastructure Canada

In over 11 years of past and planned spending, the P3 Canada Fund has not allocated a single dollar to three Atlantic Provinces (NL, NS, PEI) and two territories (YK, NWT). Ontario has only received 11% of the funding despite having almost 40% of Canada's population. Quebec has only received 2% of funding despite having a quarter of the population of Canada. Provinces and municipalities should be deciding for themselves which financing model works best for their project. The mandatory P3 filter for all projects over $100 million has delayed more than 300 infrastructure projects by 6-18 months each. Diverting unspent P3 money to existing public infrastructure funds will reduce delays and respect the decisions of provinces and municipalities.

Other Revenue Measures

This measure includes savings from eliminating partisan advertising by government, eliminating expensive red-tape by repealing Bill C-377, reinvesting funds from the underutilized Investment Cooperation Program, and issuing fines for rail violations.

Incremental Spending

All spending announced prior to this announcement is accounted for consistently within the identified spending envelopes. All additional measures that will be announced are also funded within these envelopes.

Jobs and Infrastructure includes investments in manufacturing and innovation, tourism, agriculture and food, environment, transportation and infrastructure, and additional job creation measures. Infrastructure specifically includes funds for the Canada Transit Plan, municipal infrastructure and national priority infrastructure, exactly as previously announced.

Health and Seniors Care includes support for seniors' home, long-term and palliative care, primary care infrastructure and recruitment of doctors and other health professionals, mental health initiatives, and additional health initiatives.

Helping Families Get Ahead includes previously announced funding for our $15 a day childcare plan and measures to bring families together.

Opportunities for Young Canadians includes our youth job creation program and measures to support post-secondary education.

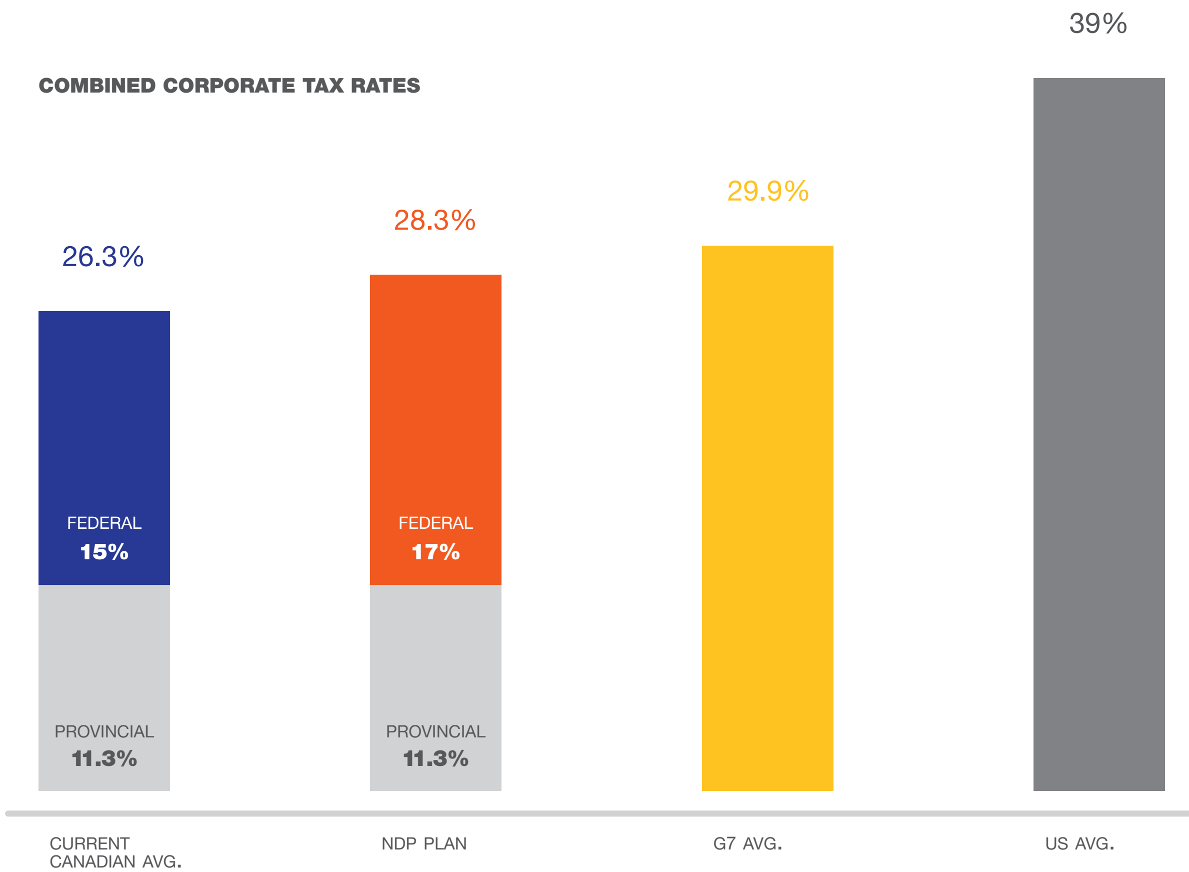
Safe and Secure Canada includes funding for veterans support, security and policing, and foreign affairs, among other measures.

Help Where it's Needed Most includes retirement security, poverty reduction, housing support, and other measures to help children and families, including a plan to work to end violence against women.

Stronger Communities, Stronger Democracy includes support for democratic reform and accountability, science and technology, language and the arts.

Supporting Indigenous Communities includes support for infrastructure, education and other measures.

Maintaining competitive corporate tax rates



Source: OECD Tax Database, 2015

Review

In my opinion, the NDP is presenting a feasible plan for Canada's next government. The assumptions used in the calculations underlying the attached budget projections are suitably supported by the available data and are embedded conservatively within the range of a number of both private bank forecasts and those of the Department of Finance, and the Parliamentary Budget Officer. It is my considered opinion that the estimates of revenue and expenditure contained in this plan are sound, prudent and achievable.

Lars Osberg, McCulloch Professor of Economics at Dalhousie University, Past President of the Canadian Economics Association

The NDP fiscal plan estimates are prudent, cautious and responsible. Revenue is raised from those who will likely not reduce consumption as a result of these measures, with spending measures effectively targeted to those groups who will actively spend their enhanced income.

Mike McCracken, Economist, President, Informetrica Limited

The NDP plan makes the important investments in childcare, healthcare, and infrastructure that Canada needs to ensure long term economic growth and shared prosperity. And it does so in a pragmatic manner, balancing the books in all four years.

Angella MacEwen, Senior Economist, Canadian Labour Congress

This is a balanced, responsible, and professional fiscal plan. It is based on reasonable and thoughtful assumptions, and it shows that social democracy and fiscal balance are entirely consistent with each other.

Pierre Fortin, Professor of Economics at the University of Québec at Montréal, Past President of the Canadian Economics Association


Ready for Change
Tom Mulcair NDP NPD
Ensemble pour le changement
THIS GRANNA VOTES CHILD CARE
Tom Mulcair