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BRIEF TO FINA RE 2018 BUDGET

Executive Summary

The tax levied on the receipt of wages and profits is an added cost of production. This brief holds that there are other money transactions where tax would not add to production cost, thus making Canadian production more competitive. The dominance of the financial sector, and globalization, since 1970, has resulted in shrinkage of the productive economy. Taxation has increased for the less wealthy 90%, by 18%, while that for the rest has decreased by 38%. Imports do not include the cost of Government borne by Canadian goods and services. The balance of payments deficiency has resulted in increased control of the Canadian economy by foreign interests and depletion of Canadian natural resources.

Brief

What Federal measures would help Canadians and Canadian Businesses be more productive and competitive ? The most effective measure is to change the tax base and regime from a production base (income) to a tax on those expenditures that do not produce goods and services or foster economic investment.

Canadians accept the need for taxes to support their common needs as determined by our elected representatives. But the taxation system has become so complicated that most Canadians fail to make the effort to even question it. Members of Parliament, who have the duty to do so, have for 50 years failed to apply their education and abilities to understand the basic system or consider rational alternatives. The failure of past Members of Parliament to accept their responsibility to do so has resulted in wealth distribution to our richest minority and excessive taxation of 90% of Canadians.

An obvious point of sale tax is on securities trading, especially index funds, derivatives and resale of shares and bonds. Speculation (gambling) (the search for income without work) is of no benefit to the economy or the great majority of Canadians. Governments take about 47% of the purchase price of lottery tickets, which is speculation by less well off Canadians. Why not tax the speculation of richer Canadians?

The failure to apply point of sale tax to the purchase of financial securities is illogical for several reasons.

- (1) The resale of stocks or other financial instruments is of benefit only to the purchaser and vendor. No economic production is added to the economy by a security changing hands. All other Canadians accrue no benefit from such a transaction.
- (2) The money paid for resale of a financial instrument could otherwise be used to invest in business or securities that actually increase production of goods and services needed by Canadians.
- (3) Much trading of financial securities has been perverted from value investing in productive assets to speculation or gambling in digital instruments that are backed by no intrinsic value of assets. Much of such trading is designed to benefit only major investors.
- (4) The speculation on financial instruments has created financial bubbles that cause great hardship to many beside the speculators.
- (5) The taxation of income from work, normally being those least able to pay, and failure to tax those most able to pay, for income for which they do not work, is unjust taxation.

The 43% of Gross Domestic product that is income of Government must end up included in the production cost of goods and services produced in Canada and sold in both the Canadian and export markets. Imported goods and services do not bear an equivalent share of supporting our society. Imports require foreign exchange that is now being provided by concentration of Canadian equity in foreign hands and the exploitation of national resources sold for processing elsewhere.

The failure to tax imported goods and services to the same extent as goods and services produced in Canada is folly in the extreme.

- (1) Wages for production of goods and services in Canada is spent again and again, and is taxed again and again, and is all reflected in the costs of production. Imported goods and services replace production in Canada without an equal tax load.

(2) This price advantage given to imports not only affects similar goods and services but influences consumer choice of imported versus nationally produced goods and services.

(3) Canadian freedom of choice would not be restricted by the taxation of imports to at least the level borne by Canadian production. The total amount of taxation must be paid by Canadians anyway, so taxation of imports would simply transfer the imposition from Canadian production to that which takes away work from Canadians.

(4) Canada is capable of producing all the food needed by its citizens. Any lower prices of identical imports are, in most part, a reflection of dumping or the absence of taxes on imports equal to that borne by local production.

Failure to include in income, all receipts of money and value, less savings, leaves much spending power untaxed. The income and wealth of Canada is being awarded to a small rich percent of Canadians through exclusion of much income from tax. Not only the rich, but all Canadians should prefer to deduct money saved and invested rather than exclude the present confusion of deductions.

The current schemes to encourage savings pays the greatest incentive to those who least need encouragement. All savings, not just those saved in the financial plans, with the complicated restrictions or costs that exclude many, should be recognized for taxation and incentives. In particular, all investment in small business (the backbone of our economy) is deferment of living standard for owners, and should be treated equally to any other savings.

Canadians, and especially lawmakers, should understand that a healthy economy is based on the production of goods and services, not consumption. The period of world war II saw Canada's industry grow when there was great production but greatly reduced consumption. The post war period saw great production of infrastructure and public services, as well as for consumption, and prosperity for all Canadians. Since 1970 taxation changes have resulted in the lower and middle income bearing 18% more income tax while the higher income have seen a 38% reduction. We have experienced 50 years of decreasing wage rates while increased productivity through technology should have provided for increased return to workers.

Changes should be made. Members of Parliament could make those changes. Without consideration and debate about alternatives Canada can not be great again.