



**FACE OF POVERTY CONSULTATION**  
A Multifaith Coalition Working to Eliminate Poverty

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Brief to The Standing Committee on Human Resources,  
Skills and Social Development and the Status of Persons with Disabilities

Study of Poverty Reduction Strategies.  
March 3, 2017

The Face of Poverty Consultation (see attached brochure for background) recognises that poverty is a complex issue and requires action on many fronts, such as the minimum wage, childcare, education, and affordable housing. We therefore strongly endorse the *dignity for all campaign for a poverty-free Canada* (Canada Without Poverty and Citizens for Public Justice, 2017).

Fundamental to fighting poverty is to immediately increase the purchasing power of Canadians with the lowest incomes. Initial steps can be made, with minimal administrative effort or negotiations with the provinces, by making changes to the federal income tax system. The changes we propose would increase the income of those living in poverty, make the tax system more progressive, and provide additional tax revenues to the federal and provincial governments:

- a. Restore upper tax brackets removed ostensibly to “simplify” the tax forms.
- b. Close tax loopholes such as the 50 percent inclusion rate for capital gains.
- c. Define “taxable income” as “total income” as is done in Quebec- remove tax deductions; where they serve useful purposes for all, convert them to tax credits. Deductions generate the greatest tax advantage to the highest income bracket; tax credits carry the same potential savings for all tax payers.
- d. Remove boutique tax credits and loopholes (e.g., TFSAs) which primarily wealthy Canadians can fully access to lower their taxes.
- e. Make tax credits refundable – if your income is so low that you do not pay enough taxes to use all of your credits, you should receive a refund of the difference.
- f. Pursue tax dodgers using tax havens.
- g. Join with other nations to put a small tax on international currency transactions (i.e., a “Tobin” tax).

These proposals would provide more disposable income to those with the lowest incomes or would increase taxes on the wealthiest. Those who say we cannot afford higher taxes are effectively saying the wealthiest cannot afford to pay the tax rate (all taxes/income) of most Canadians including those in the lowest quintile (Lee, 2007).

Some claim that we can help low-income Canadians by indexing tax brackets to the cost of living. This would end "bracket creep" – when your income keeps up with inflation and you eventually move into a higher bracket, you pay the higher rate on the income in that bracket, even though your purchasing power has not increased. But indexing helps only those at the very top of the first bracket – and everyone else above them. Indexing does not help Canadians living in poverty because their incomes are so low and their economic power so limited that they may never move out of the first bracket. Thus, as with many tax "reforms" of the past, indexing would give the most benefit to those who need it least.

We also reject the argument that we cannot act yet, because it will increase the deficit and debt. The government plays an important role in meeting Canadians' collective needs and thereby also stimulating the economy. We face significant social, environmental, and infrastructure deficits because of decades of program cuts and a failure to introduce new programs, such as funding for pharmacare and dental care. This social deficit was caused by the hysteria over the financial deficit which was the result of tax cuts favoring corporations and the wealthy and from misguided monetary policy (Mimoto and Cross\*).

The social deficit is the problem; the debt/GDP ratio is far below what the IMF and World Bank consider manageable (1.5). Some say it is immoral for government to impose debt on future generations. However, most of governments' expenditures are investments - in people (health, education, and social assistance) and in physical infrastructure. These benefit current and future tax payers. It is immoral **not** to make these investments, and thus deny everyone access to quality health care, education and training, to adequate income support, and to safe and efficient infrastructure. These investments now will improve well-being and lower health and other social and financial costs in the future.

## References

Canada Without Poverty and Citizens for Public Justice, 2017. *dignity for all campaign for a poverty-free Canada.*

[https://dignityforall.ca/wp-content/uploads/2017/02/DignityForAll\\_Report.pdf](https://dignityforall.ca/wp-content/uploads/2017/02/DignityForAll_Report.pdf)

Lee, Marc, 2007. *Eroding Tax Fairness: Tax Incidence in Canada, 1990 to 2005.*  
[www.policyalternatives.ca/publications/reports/eroding-tax-fairness](http://www.policyalternatives.ca/publications/reports/eroding-tax-fairness)

Mimoto, H. and P. Cross, "The Growth of the Federal Debt", *Canadian Economic Observer*, Ottawa: Statistics Canada, June, 1991, pp. 3.1-3.18