

Pre-budget Consultations in Advance of the Next Federal Budget

Submission by ATTAC-QUÉBEC

Recommendations by ATTAC-Québec (Association for the Taxation of Financial Transactions and Aid to Citizens):

1. Implement a complete overhaul of the taxation system.
2. Increase resources to the Canada Revenue Agency and expand its mandate to fight tax evasion and avoidance.
3. Introduce a taxation strategy for digital companies.
4. Prohibit companies that use tax havens from receiving federal support.
5. Introduce and promote a 25% minimum effective tax.
6. Stop direct subsidies to the oil industry and establish support for workers to ensure a fair transition.
7. Prohibit banks operating in Canada from doing business in tax havens and criminalize the practice of advising on tax avoidance.
8. Introduce progressive taxes (such as the Tobin tax).
9. Introduce a special crisis wealth tax.

Detailed recommendations:

Recommendation 1:

That the government implement a complete overhaul of the tax system to ensure greater fiscal and social justice in order to, among other things, stop the use of tax havens and tax avoidance by businesses and individuals; and that the government introduce a tax system based on respect for the rights of the citizens living where these businesses operate, on battling the climate emergency and on the protection of biodiversity in accordance with Canada's international commitments.

Recommendation 2:

That the government, although it has made some progress in this area, increase funding to the Canada Revenue Agency so that it can hire a team of auditors and experts to fight tax evasion and avoidance by large corporations, inform the public of the lost tax revenue resulting from these practices and related issues, and prepare recommendations for acting on the information compiled.

Recommendation 3:

That the government introduce a progressive digital services tax and apply a higher tax rate on major corporations that exercise an oligopoly in certain industries (GAFAM) and receive exorbitant rates of return.

Recommendation 4:

That the government enact legislation to prohibit companies that receive government support from doing business in tax havens and to require country-by-country reporting for all transnational corporations.

Recommendation 5:

That the government establish a 25% minimum effective tax for corporations, that it become a world leader in introducing this tax rate to stop the erosion of the tax base and prevent companies from paying the least tax possible by reporting their profits wherever they want, and that trade between countries be conditional on the implementation of this measure.

Recommendation 6:

That the government stop direct and indirect subsidies to oil companies and establish a generous transition program for workers in this industry. That this economic transformation program be applicable to all sectors of the economy that must be abandoned to significantly reduce the impact of greenhouse gases, achieve climate change objectives and preserve biodiversity.

Recommendation 7:

That the government enact legislation requiring Canadian banks to close their many subsidiaries in tax havens, and criminalizing banks and organizations that encourage or facilitate tax avoidance and evasion.

Recommendation 8:

That the government impose new taxes like the Tobin tax on financial transactions. It must also make taxes on essential products and services progressive to reduce the cost of living for people who are less well off, and significantly increase taxes on luxury products as well as harmful products and activities (large cars, trucks, sport utility vehicles and advertisements for them; and unhealthy processed foods such as soft drinks, products with palm oil and trans fat, and products involving the use of pesticides and insecticides).

In addition, imports must be taxed based on CO₂ emissions so that Canada does not consume more CO₂ than it produces as it fights to reduce greenhouse gas emissions. This tax could also make local businesses more competitive in the same way as tying imports to compliance with Canadian environmental regulations, labour rights and human rights.

Recommendation 9:

That the government introduce a special 1% crisis wealth tax for the richest members of society and a special 15% to 25% tax on their income, and that it increase the tax progressively for wealthier individuals while decreasing the tax for persons who are less fortunate.

Presentation

Established in France in 1998, ATTAC (Association for the Taxation of Financial Transactions and Aid to Citizens) is active in close to 20 countries on 4 continents. Since ATTAC-Québec was launched in 2000, it has focused on taxation issues, highlighting the usefulness and necessity of a tax on financial transactions, and calling for the elimination of tax havens. Our organization also has a special interest in democratic, social justice and climate issues.

As these consultations take place, Canada and the rest of the world continue to struggle to contain the first wave of the pandemic. It will very likely be followed by a second and successive waves until a vaccine is found and made available worldwide.

Around the world, governments have introduced numerous lockdown measures to limit loss of life and safeguard public health. In response to this sudden and significant event, governments have also implemented income support measures, invested in health systems, and allocated assistance to businesses and employees to prevent multiple bankruptcies and layoffs.

According to early estimates, Canada has spent about \$210 billion on programs (July 2020), and the slowdown in the Canadian economy will add a further \$81.3 billion to the deficit for 2020–2021. In his last economic update, the Finance Minister anticipated the federal deficit for 2020–2021 to be \$343.2 billion.

In addition to this increased public debt is the issue of corporate debt, which the IMF was already calling worrisome in December 2018. Given that the pandemic is not under control and the economy risks being battered by it for some time (tourism, aviation and other industries), it must be expected that many companies will face debt recovery, refinancing and even nationalization.

But that's not all. The health, social and economic crises caused by the COVID-19 pandemic are an indication of the serious environmental problems that await us as we confront another urgent issue: the ecological and climate crisis. Government must be at the forefront of an economic transformation and allocate vast sums to it. The urgent and necessary transition to a world that respects nature cannot take place without a complete transformation of the industries in the energy, agriculture, construction and transportation sectors. Through the tax system, the government must implement public policies to restrict activities with significantly negative externalities and to support those that ensure future generations inherit a healthy world and climate.

The current tax provisions are insufficient to meet the urgent need for tax resources. Governments can no longer experience major tax losses each year – estimated at an annual \$500 billion globally, including \$25 billion in Canada – resulting from the proliferation of tax loopholes made possible mainly by tax havens. These practices must be stopped and, given the extent of the crises facing us, the entire tax system must be overhauled to address this unfair system that is the basis for inequalities.

ATTAC-France and other groups made the following observation in the newspaper *Libération* on June 9, 2020, and we feel the same is true for Canada:

The tax and social competition that has been rampant for the past 30-odd years has led governments to reduce taxes for the wealthiest and most powerful economic actors.

The reductions have focused mainly on direct taxes on the income and assets of the wealthiest households and on corporate profits, enabling companies to constantly pay out greater dividends to shareholders. These reductions have been offset in part by increased taxes for the vast majority of households, such as consumer taxes like the VAT, which are unfair in that they take more from the poor than from the rich in proportion to their income.

The tax system must be rebalanced. This would free up revenue to fund government activities, reduce inequities, eliminate tax competition and improve tax consent, which has been greatly damaged by the injustices of the current system. [Translation]

The scope of this task is enormous and we expect a courageous political response from Canada to guarantee the brightest future for us and future generations. Although our proposals may seem radical, they are well founded and based on various studies and analyses designed to achieve greater fiscal and social justice.

For example, we suggest that you read the June 2020 report by the [Independent Commission for the Reform of International Corporate Taxation](#) concerning proposals for digital taxation (recommendations 3 and 5) or *International Corporate Taxation after Covid-19: Minimum Taxation as the New Normal*, published by the Centre d'expertise sur l'économie mondiale.¹

We would like to point out that the tax system is neither unchanging nor neutral and, as noted by Emmanuel Saez and Gabriel Zucman in their recently published book *The Triumph of Injustice*, from 1930 to 1980, the top marginal income tax rate applied to the highest incomes in the United States was on average 78% and the top estate tax rate was close to 80%. The United States even went so far as to impose a 93% top income tax rate!

In its latest report on inequalities, OXFAM concluded that the world's richest 1% have as much wealth as 90% of the global population, or close to 7 billion people. These inequalities exist in Canada as well given that 1% of the Canadian population possesses 25% of the wealth.

Conclusion

We believe that the time has come for a radical transformation in the way we live, produce, trade, shop, travel, eat, share and care for each other – in short in the way we live together with respect for nature and living things. The tax system, like the political system, must support this paradigm shift.

N.B.: This submission complements a brief by the coalition Échec aux paradis fiscaux, which ATTAC-Québec supports as an active member. The submission is intended to briefly describe ATTAC-Québec's analysis of the broad issue of taxation and present its own recommendations on measures for the federal government to take.

¹ CEPII, Policy Brief no. 30, April 2020.