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INCOME TAX ACT

Bill to Amend—Third Reading of Bill C-2—
Debate Adjourned

Speech by:

The Honourable Diane Bellemare

Wednesday, November 30, 2016

THE SENATE

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[*Translation*]

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BILL TO AMEND—THIRD READING—
DEBATE ADJOURNED

Hon. Diane Bellemare (Legislative Deputy to the Government Representative in the Senate): Honourable senators, I would like to briefly speak to this matter. I know that the bill's sponsor is Senator Day. However, he is currently busy in committee studying other bills. I will simply provide some context for Bill C-2 to remind our new senators in particular of the purpose of the bill.

Bill C-2 was introduced in the House of Commons in December 2015 to honour some of the promises made during the election. To summarize, this bill contains two main provisions: it reduces the second tax rate from 22 per cent to 20.5 per cent for individuals earning between $45,000 and $90,563, and it raises to 33 per cent the tax rate for individuals earning in excess of $200,000. These are two of the important provisions in Bill C-2.

The bill contains other consequential provisions related to the changes in taxation rates. These consequential provisions concern the charitable donation tax credit, income earned by a child, income earned by a trust, taxation of corporations and shareholders, and others.

The second key amendment concerns Tax-Free Savings Accounts, or TFSA. The government is going to lower the contribution limit to its previous indexed amount, $5,500. This limit will be indexed later on.

Why were these measures presented in December if they are part of a set of budgetary measures? I asked Minister Morneau that question when he appeared before the Standing Senate Committee on National Finance. I also asked him about the impact of these new budget measures.

This is what he said in response to my two questions.

[*English*]

We have the figures and we will keep you up to date on the outcome of those changes.

As for the question as to why we have it outside the budget, the reason is simple: It's because people need to understand where they stand before the beginning of the year. For taxes, it is best to start before January 1 because that is the beginning of the financial year.

That is why we made the announcement in advance for families and individuals. As a result, they are able to understand their situation better.

[*Translation*]

As far as the impact is concerned, when studying a bill made up of two measures, the committee tends to study both at the same time. The committee heard a great many witnesses on the subject of lowering and increasing the tax rate.

I attended many of those meetings. It noted with interest a lack of consensus among the witnesses, independent of political leanings. They said they would have done things differently. Each had their own preferred approach. The one thing they could all agree on was the fact that, some day, honourable colleagues, we will undoubtedly have to overhaul the tax system because it is too complex. Everyone present agreed on the importance of simplifying the tax system. Other senators focussed on the fact that the impact of these measures should be studied in the general context of the budget and that it would be very interesting to get the data on these impacts.

Minister Morneau followed up on the combined effects of the various budgetary measures, all of those that have a financial impact on individual Canadians. He talked about the combined impact of lower taxes and higher transfers, including family allowances, on personal income. He considered the results of some previous budgets and the results of the proposed measures.

• (1550)

The department considered the tax cut for the middle class and the fact that tax rates would drop to 20.5 per cent for the $45,000 to $90,000 tax bracket. The new tax rate was the second thing the department considered.

It also took into account the implementation of the Canada Child Benefit or CCB. This is a targeted benefit that provides up to $6,400 tax free for children under the age of six and up to $5,400 tax free for children between the ages of six and 17. The amount of the benefit is determined on a sliding scale; as such, those with taxable incomes of just under $200,000 a year do not receive the benefit.

This targeted benefit replaces the Canada Child Tax Benefit, which was calculated based on income, the National Child Benefit Supplement, and the Universal Child Care Benefit. This new measure will have a bigger impact on the income of families with children than the three previous measures.

The government also eliminated income splitting for couples with children. Senators will recall that, in Budget 2014-15, the previous government introduced a tax provision that allowed couples with children to split their incomes to a maximum of $2,000 per child. This measure mainly benefited those who were in a position to split their income, namely, high-income earners.

Other tax measures include reducing the maximum eligible expenses for the children's art and fitness tax credits by half and increasing the Guaranteed Income Supplement top-up benefit for seniors living alone. We will study the measure more closely in the near future when we tackle Bill C-29. These measures will have a positive impact on 13.5 million people, 4.1 million of whom live alone and 9.4 million of whom live as couples.

The minister provided us with tables broken down by demographic profile: people living alone or with a partner, single people under 65 without children, single people over 65, couples with children, and single-parent families. I will not explain all of the information available, but I can say that there are major winners and major losers.

The winners are families with children. Whether partnered or single, people with children are winners. The big winners are single parents and couples with children whose annual taxable income is between $30,000 and $60,000. People in all other income brackets will not benefit as much. Let's look at single parents. They will benefit if their income is under $150,000.

People in other segments will benefit as well, only at a lower rate. The major winners are people whose annual taxable income is between $30,000 and $60,000. They will gain, on average, $3,195. The losers are those who earn more than $200,000. Ninety-seven per cent of single parents earning over $200,000 per year will lose an average of $6,394.

The outcome is the same for couples with children. The major winners are couples with children whose annual taxable income is between $30,000 and $60,000. Such couples will gain $4,458. People whose annual taxable income is over $200,000 will lose the most. Seventy-eight per cent of them will lose an average of $6,271.

Thus, in order to really gauge the full impact, it is very important that we examine all of these measures together rather than individually. Bill C-2 will have varying impacts. However, the tax breaks will translate into an extra $679 for those who earn over $90,000. That amount will be slightly lower for those who earn under $90,000. When we look at all of these measures taken together, the big winners are middle-class and even lower-middle-class Canadians.

That is what I wanted to illustrate today in my contextual remarks. It will soon be time for us to vote on these measures. I will end my short intervention here, because I know Senator Day would like to continue the debate.

(On motion of Senator Martin, debate adjourned.)