



CESTNICK

TAX MATTERS

A federal budget wish list

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My father's birthday is coming up. Last year for his birthday I wanted to surprise him with a special gift. Something he would never expect. So, I bought him a one-year membership in the Beef Jerky of the Month Club. Every month for the past year he's received a package in the mail with a different brand and flavour of jerky. Although my wife would disagree, I have to ask: What could be better than this?

With his birthday coming up next Thursday, I asked him what he'd like. "Well Tim, as much as I love jalapeno-lime beef jerky, the federal budget is on my birthday this year, and what I'd really like is some good news." This got me thinking about a wish list of things that would be ideal to see in the 2022 federal budget to be tabled on April 7. Here's the list.

1. Attack the deficit and debt.

The government's focus for the past two years has largely been on economic and support measures. It's time to shift gears to focus on stimulating economic growth

while trying to keep a check on inflation and interest rates. In addition, the federal deficit and debt has ballooned. Addressing this should start with a comprehensive spending review that sets annual cost-saving targets for all departments and government agencies.

2. Help with housing.

Home prices are out of reach for many today. The government should move forward with a tax-free First Home Savings Account with a contribution limit over and above what can be set aside in a tax-free savings account. And how about a review of current tax measures to enhance tax relief for parents moving in with their kids, or vice versa, to allow caregiving for parents and an eventual tax-free transfer of the home to the next generation?

3. Leave capital gains rates.

There's been much talk about a potential increase to capital gains taxation by way of an increased capital gains inclusion rate. Today, just one half of capital gains

are taxed. The lower inclusion rate encourages investment in riskier assets, including private businesses – which is something we need more than ever today.

4. Skip a wealth tax.

The government talked about introducing a 15 per cent minimum tax on high-income earners. No one is complaining about a 15 per cent tax rate, but there is already a mechanism in our tax law (called the “alternative minimum tax”) that achieves the objective. Further, a new tax would penalize higher-income folks for doing some incredibly good things, such as donating to charity or investing in small businesses, which give rise to tax benefits. Also, it wouldn’t generate much revenue and will add yet more pages to an already complex tax law. See [my article](#) from Sept. 2, 2021, for more.

5. Encourage clean tech.

The government should increase funding for research and development in clean energy and support these investments with measures designed to increase the demand for clean energy products and services.

6. Commit to a tax system review.

The last time our government made a comprehensive review of our tax system was in the 1960s when the Royal Commission on Taxation, called the Carter Commission, made recommendations that culminated in big changes to our tax law in 1972. That was 50 years ago. Only the Toronto Maple

Leafs have gone longer without major progress (I’m a die-hard Leafs fan, so it pains me to say it). It’s time now to make a comprehensive tax review part of the government’s long-term growth plan.

7. Invest in defence.

Given the Russian invasion of Ukraine it’s not surprising that the issue of national defence is making headlines. Currently, Canada is not spending the NATO-recommended 2 per cent of GDP on defence. Having family members in the armed forces, I recognize the need to improve the equipment available to our military, and to increase the number and skills of recruits.

8. Heal social unrest.

The pandemic has created division between families and among family members who may feel differently about restrictions, mandates and how our government has managed these things, including the approach to constitutional freedoms around assembly, free speech and other issues. And to be fair, our Prime Minister has made comments that have been divisive and have received criticism from many across the political spectrum. The 2022 budget may be an opportunity to encourage healing and reconciliation.

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