



## **Tax System Needs to Ensure Fairness and Economic Growth: Newfoundland and Labrador Federation of Labour (NLFL)**

It's the time of year when the less fortunate are on people's minds. With the highest income and gender inequality in Atlantic Canada, the need for a more equal and fair society is top of our minds at the Newfoundland & Labrador Federation of Labour (NLFL).

The new report from the government's ***Independent Tax Review Committee*** is a timely reminder of the need for further public discourse, around options that work for all people in Newfoundland & Labrador (NL).

While there is some value in the Report, there are some serious problems.

Kudos to the Committee's recommendations around prioritizing the green economy, ethical and effective policies and programs to support immigration and the merits of a living wage, and a higher minimum wage to both workers and the economy. This is especially important in addressing the widening income and gender gaps in our province.

However, the Report does not focus on the wealthy paying their share, nor on survey results suggesting at least half of residents feel the tax system is unfair.

The Report notes that overall taxation in this province is at a reasonable level, compared to other provinces, and that significant tax cuts in the near future are a bad idea.

The NLFL has been talking about this for several years. However, it bears repeating, in light of constant efforts by big business lobbyists to muddy the waters, by claiming over-taxation and an urgent need for huge tax cuts.

Massive tax cuts by the previous government made it harder to pay for the goods and services residents need. Those cuts gave away surpluses, created deficits when oil was over \$100 per barrel, and created billions in public debt. The Committee is right, we don't want to go there again.



-2-

The Committee also rightly points out that the tax system can be tweaked to help to encourage the green economy. Doing so can help create jobs, while reducing pollution. “Sin taxes” shouldn’t just be about alcohol and cigarettes consumed by people, they should cover pollution created by big business.

The Report talks of the low level of public awareness of budget issues. Both the Committee and the government need to take some ownership here.

The NLFL noted an imbalance several months ago, when the Committee’s Website contained one-sided materials from the NL Employers’ Council (NLEC). We asked several times to post balanced materials, and sent them our research document. Sadly, this never happened. How can we have a critical discussion of options if we only hear one side of a story?

We do not support the Committee’s claim that this province has a progressive and fair tax system.

As noted in our presentation to the Committee, progressive and fair tax systems ask those who can afford it to contribute more. However, the top income brackets in this province are taxed at the lowest rate of Atlantic Canada. Average income earners do not receive the same generosity in their tax rates.

This is a problem when we have a high level of income inequality. Furthermore, this inequality hurts economic growth, which in turn means lower tax revenues and higher spending requirements. The province clearly needs a more progressive tax system.

We disagree that any future tax reductions be focussed on personal income taxes. Income taxes generally provide a progressive counter-balance to regressive taxes, like consumption taxes.

The regressive taxes should be the ones targeted for reductions - if and when that time comes - as supported by the Committee’s own survey results.

But for now, the Committee is right, the time for tax cuts is a long way away.



-3-

We believe that government needs to tweak the tax system now so that it helps move our economy toward more and better jobs, more fairness, more equality, and more sustainability.

Now that would be something to find under the Christmas tree next year.

Mary Shortall  
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