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fACT sheet

2011 Federal Budget Analysis



edmonton

SOCIAL PLANNING COUNCIL



Introduction

This Fact Sheet highlights the federal budget measures most affecting Edmontonians with low and modest incomes. This budget is mostly unchanged from the one tabled in March prior to the federal election. The budget covers the time period from April 1, 2011 to March 31, 2012 but also contains projections for the four following budget years. The major change is moving to a balanced budget one year earlier by 2014-15. This will be done by imposing unspecified budget cuts totaling \$11 billion over four years starting in the 2012-13 year. These budget cuts will be in addition to those identified in earlier rounds of cost-cutting (strategic reviews).

Retirement Security



Budget 2011 failed to take any meaningful action to improve the retirement security of Canada's aging population. While the commitment to pooled registered retirement plans was restated, these voluntary plans are likely to do little or nothing to improve retirement security for those employees without adequate job related pension plans. Meanwhile, the Alberta government continues to block even modest enhancements to Canada Pension Plan benefits. The CPP is a much superior vehicle for delivering retirement security for those Canadians who need it the most.

Guaranteed Income Supplement

The guaranteed income supplement for the lowest income seniors will increase by \$600 per year for single seniors and \$840 per year for senior couples. While welcome, these amounts still fall significantly short of ensuring that no Canadian senior lives in poverty.

Child Tax Benefits/Universal Child Care Benefit

Budget 2011 makes no changes to monthly payments for the National Child Benefit Supplement and Canada Child Tax Benefit other than normal indexing. Further investment in child tax benefits is the single most effective way to reduce child and family poverty, so Budget 2011's failure to do so is disappointing. Nor are there any increases contemplated to federal child tax benefits in the four-year planning horizon of this budget.

Working Income Tax Benefit

The Working Income Tax Benefit (WITB) is an incentive for low income Canadians, especially those on social assistance, to seek and retain jobs by supplementing their earnings from paid employment. This refundable benefit was first introduced in the Federal budget of 2007, with an annual budget of \$550 million. This amount was doubled in Budget 2009. Budget 2011 allocates the same \$1.1 billion as in the previous two years. This means the real value of the WITB will continue being eroded by inflation.

Employment Insurance

All of the temporary changes introduced to employment insurance during the recent recession are being allowed to expire in Budget 2011. After being frozen at \$1.73 per \$100 of insurable earnings from 2008 to 2010, Employment Insurance premium rates were increased by 5 cents per \$100 in 2011 with a further increase of 10 cents scheduled to take effect in 2012. To offset these increases, Budget 2011 is introducing a temporary tax credit of up to \$1,000 for new employees hired by small businesses.

Aboriginal Canadians

Budget 2011 contains three new measures in support of Aboriginal people. These are: \$22 million over two years to ensure fuel tanks in Aboriginal communities meet new environmental safety standards; \$8 million over two years to promote clean energy technologies in Aboriginal and northern communities; and, \$20 million over two years to support economic development opportunities on First Nations.

Tax Measures

Budget 2011 leaves personal income tax rates unchanged, applying only normal indexation to basic amounts exempt from taxation and to tax brackets generally. The budget introduces a non-refundable 15 per cent Family Caregiver Tax Credit which can be claimed on \$2,000 of otherwise taxable income. This is a very modest benefit which is expected to cost \$40 million in 2011-12 and \$160 million in 2012-13. Also introduced was a non-refundable 15 per cent Children Arts Credit on up to \$500 of eligible arts related expenses (such as music lessons) which is expected to cost \$100 million per year.

The federal corporate tax rate was reduced from 18% to 16.5% on January 1, 2011. Budget 2011 restates the Conservative government's commitment to further reduce the corporate tax rate to 15% on January 1, 2012. Canada already has the lowest corporate tax rate among G7 countries. Once fully implemented, federal government revenues from corporate taxes will be permanently reduced by about \$14 billion per year compared to 2006 when the corporate tax rate was 22%.

Affordable Housing

Similar to when the budget was first introduced in March, Budget 2011 contains no new information about federal contributions to affordable housing programs. The extra funding for some programs will soon expire with the winding down of the federal stimulus programs. The Canadian Housing and Renewal Association reports that other federal funding is still being negotiated with provincial and territorial governments with announcements likely to be made at a later date.

The Eco-Energy Home Retrofit Program (which partially subsidizes home energy efficiency improvements) is being continued for at least this coming budget year with further details to be announced shortly.

Canadians With Disabilities

The Family Caregiver Tax Credit will be of limited benefit to Canadians with disabilities who require care from family members. Other than that, Budget 2011 contains no new measures to assist those with disabilities other than to reiterate commitments such as Registered Disability Savings Plans (RDSPs) made in the 2010 budget. Disability organizations have long called upon the federal government to convert the existing Disability Tax Credit from a non-refundable to a refundable tax credit. This call has gone unanswered in Budget 2011.

Concluding Comment

On November 24, 2009, with the support of all parties including the Conservatives, the federal House of Commons passed a motion committing the Government of Canada to immediately bring in a plan to eliminate poverty for all. No such commitment was made in the Conservative election platform or in Budget 2011.

Budgets are about making choices between different priorities. Every dollar spent on one priority means a dollar less to spend on another. Budget 2011 emphasizes tax cuts for middle and higher income Canadians, not strategic investments in programs and services benefitting low or modest income Canadians. This emphasis is going to pose significant challenges for anti-poverty organizations. Many of the Conservative tax cuts are bound to be popular with a significant number of Canadians who are already feeling over-taxed. And while the tax expenditures thus far have been quite modest (e.g. the arts and fitness tax credits), a very expensive \$2.5 billion per year promise is looming on the horizon once the budget is balanced (i.e. income splitting for families). Income splitting will benefit single earner high income families the most. The same amount of money could instead be used to fund a 25% increase in refundable child tax benefits for low and middle income families with most of the benefit going to those with lowest incomes.

Moreover, many of the new tax credits introduced by the Conservative government are non-refundable and therefore worth less than they appear. Unlike refundable child tax benefits whereby qualifying families receive a direct payment, non-refundable benefits can only be claimed as a deduction on income taxes that would otherwise be paid. Non-refundable credits are of limited or no value to low income families who pay little or no income tax, and therefore do nothing to reduce poverty.

Visit <http://www.budget.gc.ca/2011/home-accueil-eng.html> for budget details.

