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## 2011 Federal Election — Parties' Tax Policy Choices At a Glance

Canada's next general election will be held on May 2, 2011. The major political parties' campaign platforms propose quite different types of changes to the tax system, so the results of this election could make a big difference to the financial well-being of individuals and businesses in Canada.

This edition of *TaxNewsFlash-Canada* provides a brief summary of the five major parties' promises regarding selected tax policy issues. These measures obviously should not be considered in isolation, but within the wider context of each party's overall campaign platform. Additional policy announcements may be made between the time of writing and election day on May 2, 2011.

Much of the Conservative party's tax-related campaign policy was announced in the 2011 federal budget, which the party says it will reintroduce if it's re-elected (see *TaxNewsFlash-Canada* 2011-08, "2011 Federal Budget Highlights"). Other measures in the party's platform are also included in our tax policy summary below.

Our summary contrasts the parties' tax policies (if any), as announced to date on their websites, in their published platforms and in press releases, in the following areas:

- Corporate tax rates and incentives
- Personal tax changes
- Child and family care
- Education, training and jobs
- Environmental measures
- Tax harmonization
- Goods and Services Tax.

## Corporate Tax Rates and Incentives

<b>Conservative Party of Canada</b>	<b>Liberal Party of Canada</b>	<b>New Democratic Party of Canada</b>	<b>Bloc Québécois</b>	<b>Green Party of Canada</b>
<ul style="list-style-type: none"> <li>• Limit tax deferral for corporate partners with fiscal periods different from the partnership's</li> <li>• Extend 50% straight line CCA rate for M&amp;P equipment acquired before 2014</li> <li>• Allow accelerated CCA for equipment that generates electricity from waste heat</li> <li>• Reduce deduction for cost of oil sands leases and resource property to 10% per year (from 30%)</li> <li>• Reduce deduction for pre-production expenses of oil sands mines to 30% per year (from 100% in the first year)</li> <li>• Extend stop-loss rules on share redemptions</li> </ul>	<ul style="list-style-type: none"> <li>• Cancel general corporate income tax cuts for 2011 and 2012, restore to 2010 rate of 18%</li> <li>• No increase to small business tax rate</li> <li>• Cancel accelerated CCA for oil sands investments</li> </ul>	<ul style="list-style-type: none"> <li>• Increase general corporate tax rate to 19.5%</li> <li>• Reduce small business tax rate to 9% (from 11%)</li> <li>• Extend CCA rate for M&amp;P equipment for equipment acquired before 2016</li> <li>• Ensure combined federal-provincial general corporate tax rate is "always below the United States' federal corporate tax rate"</li> </ul>	<ul style="list-style-type: none"> <li>• Make SR&amp;ED credits refundable and payable quarterly</li> <li>• Exempt copyright royalties and public lending rights from tax</li> <li>• Create a tax credit for films produced outside urban regions</li> <li>• Support negotiations for Canada-EU free trade</li> <li>• Obligate private businesses and banks to declare all transfers to tax havens</li> <li>• Reduce sales tax on gas for transportation companies by 50%</li> </ul>	<ul style="list-style-type: none"> <li>• Tax income trusts at 10%</li> <li>• International Financial Transaction Tax of 0.05% on all "speculative" financial transactions</li> <li>• Introduce a carbon tax, including for all exports of oil, gas and coal; rebate for low income individuals and rural areas</li> <li>• Reduce payroll and small business tax</li> <li>• Federal minimum wage of \$10/hour</li> <li>• Corporate Health Tax Reduction – for companies that have healthy workplaces</li> </ul>

## Personal Tax Changes

<b>Conservative Party of Canada</b>	<b>Liberal Party of Canada</b>	<b>New Democratic Party of Canada</b>	<b>Bloc Québécois</b>	<b>Green Party of Canada</b>
<ul style="list-style-type: none"> <li>• Children's Arts Tax Credit – up to \$500 per child</li> <li>• Limit tax exemption on donations of flow-through shares</li> <li>• Require minimum withdrawals from Individual Pension Plans</li> <li>• Extend income-splitting tax to capital gains</li> <li>• Extend Mineral Exploration Tax Credit to March 31, 2012</li> <li>• Enhance RRSP anti-avoidance rules</li> <li>• Implement pooled retirement pension plan with provincial support</li> <li>• Volunteer Firefighters Tax Credit – credit on \$3,000 for performing 200 hours of service</li> <li>• Tax-Free Savings Account – increase annual limit to \$10,000 (from \$5,000)*</li> <li>• Family Tax Cut – up to \$50,000 of income sharing for couples with dependent children under 18*</li> </ul>	<ul style="list-style-type: none"> <li>• No increase to personal income tax</li> <li>• Cap stock option deduction at \$50,000 per year</li> <li>• Innovation and Productivity Tax Credit of 15% for investment in small early stage start-ups</li> <li>• Extend "Flow Through Shares" tax model to three "Canadian Champion Sectors" – clean resources, health and bioscience, and digital technology</li> <li>• Secure retirement option — a voluntary low-cost option within CPP for small businesses</li> <li>• Volunteer Firefighters \$3,000 Refundable Tax Credit – minimum 200 hours of volunteer service</li> </ul>	<ul style="list-style-type: none"> <li>• Implement tax averaging for artists and cultural workers</li> <li>• Increase CPP/QPP benefits – goal is to double the amount</li> <li>• Tradespeople/apprentices tax deduction for travel and accommodation costs for job site 80km away from ordinary residence</li> <li>• Mineral Exploration Tax Credit – extend to March 31, 2015</li> <li>• Volunteer Firefighters Tax Credit – 200 hours minimum of annual service</li> <li>• Hero's Benefit to families of fallen firefighters and officers</li> </ul>	<ul style="list-style-type: none"> <li>• Establish 2% surtax on income between \$150,000-\$250,000 and 3% over \$250,000</li> <li>• Establish supertax on executives' non-cash bonuses; no deductions for businesses on such bonuses</li> <li>• Change EI systems to improve payments and eligibility</li> <li>• Allow income averaging for artists over 5 years</li> <li>• Eliminate the use of tax havens for individuals</li> </ul>	<ul style="list-style-type: none"> <li>• Allow income splitting (no specifics)</li> <li>• No tax on income of \$20,000 or less</li> <li>• Allow \$10 credit for individuals who NETFILE</li> <li>• Eliminate flow-through share tax benefits for prospecting in unlikely areas</li> <li>• Employer-provided transit passes will be tax-free</li> <li>• Create national junk food tax</li> <li>• Make Disability Tax Credit refundable</li> <li>• Allow tax averaging for arts and culture workers</li> <li>• Increase tax breaks for charitable donations</li> <li>• Enhance CPP benefits</li> </ul>

## Personal Tax Changes

<i>Conservative Party of Canada</i>	<i>Liberal Party of Canada</i>	<i>New Democratic Party of Canada</i>	<i>Bloc Québécois</i>	<i>Green Party of Canada</i>
<ul style="list-style-type: none"><li>• Children's Fitness Tax Credit – double the value and make it refundable – up to \$1,000 (from \$500)*</li><li>• Adult Fitness Tax Credit – up to \$500*</li></ul>				
<ul style="list-style-type: none"><li>• <b>*Measure to be implemented when budget is balanced</b></li></ul>				

## Child and Family Care

<b>Conservative Party of Canada</b>	<b>Liberal Party of Canada</b>	<b>New Democratic Party of Canada</b>	<b>Bloc Québécois</b>	<b>Green Party of Canada</b>
<ul style="list-style-type: none"> <li>• Family Caregiver Tax Credit for care of infirm dependants – credit on \$2,000</li> <li>• Enhanced EI benefits to parents of gravely ill, murdered, missing children</li> </ul>	<ul style="list-style-type: none"> <li>• Family Care Plan:               <ul style="list-style-type: none"> <li>• 1) Family Care EI Benefit – 6 months of benefits</li> <li>• 2) Family Care Tax Benefit to help low and middle income family (under \$106,000) caregivers – tax-free monthly payment worth up to \$1,350 per year</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Employment Insurance Compassionate Care Benefit – up to 6 months (from 6 weeks) leave from work to tend to relatives near end of lives</li> <li>• Caregiver Benefit – up to \$1,500 per year for low and middle income families</li> <li>• Canada-wide child care and early learning program</li> <li>• Non-taxable Child Benefit in addition to keeping current Universal Child Care Benefit</li> <li>• Home Retrofit Program – help families retrofit home for senior family members – forgivable loan to cover 50% of reno costs up to \$35,000</li> </ul>	<ul style="list-style-type: none"> <li>• Increase caregiver amounts and allow for person caring for spouse</li> </ul>	<ul style="list-style-type: none"> <li>• Universal child care program</li> <li>• \$1,500 tax credit per child/year for employers providing child care spaces</li> <li>• Extend parental leave outside of EI to 2 years and one additional year for parents who pay into EI</li> </ul>

## Education, Training and Jobs

<i><b>Conservative Party of Canada</b></i>	<i><b>Liberal Party of Canada</b></i>	<i><b>New Democratic Party of Canada</b></i>	<i><b>Bloc Québécois</b></i>	<i><b>Green Party of Canada</b></i>
<ul style="list-style-type: none"> <li>• Hiring Tax Credit for Small Businesses – 1-year EI break</li> <li>• Enhance Work-Sharing Program</li> <li>• Extend Targeted Initiative for Older Workers</li> <li>• New investment in an Agriculture Innovation Initiative</li> </ul>	<ul style="list-style-type: none"> <li>• Youth Hiring Incentive for small and medium businesses – full EI premium 3-year holiday for hires 18-25 years old</li> <li>• Canadian Learning Passport – Post-secondary bursary of \$1,000 a year over 4 years for every high school student – \$1,500 for low income families (eliminate Textbook and Education tax credits)</li> <li>• Forgive \$1,500 in student loan debt for young Canadians who donate 150 hours of volunteering</li> <li>• Forgive Canada Student Loans for doctors (\$8,000 per year, max \$40,000) and nurse and nurse practitioners (\$4,000 per year, max \$20,000)</li> <li>• Veterans' Learning Benefit – full support for 4 years of costs of college, university, or technical education for veterans after completion of service</li> </ul>	<ul style="list-style-type: none"> <li>• Education Tax Credit – increase to \$5,760 (from \$4,800)</li> <li>• Federal Minimum Wage Law – reintroduce</li> <li>• EI – eliminate 2-week waiting period, among other changes</li> <li>• Job Creation Tax Credit – up to \$4,500 for each new hire. Employers will receive 1-year EI and CPP rebate on their contributions for new hire. For a new hire who is kept for 12 months or more, employer receives \$1,000 non-refundable tax credit (“retention bonus”).</li> </ul>		<ul style="list-style-type: none"> <li>• Youth Community and Environment Service Corps – federal minimum wage employment for 40,000 youth for 4 years – \$4,000 tuition credit for each year completed</li> </ul>

## Environmental Measures

<i><b>Conservative Party of Canada</b></i>	<i><b>Liberal Party of Canada</b></i>	<i><b>New Democratic Party of Canada</b></i>	<i><b>Bloc Québécois</b></i>	<i><b>Green Party of Canada</b></i>
<ul style="list-style-type: none"> <li>● Extend ecoENERGY retrofit homes program by one year</li> <li>● Expand the range of trusts eligible for Qualifying Environmental Trust (QET) treatment and set the tax rate payable by QETs to the corporate rate for 2012 and later years</li> </ul>	<ul style="list-style-type: none"> <li>● Green Renovation Tax Credit –refundable tax credit up to \$13,500</li> <li>● Home Energy Audit – 50% of costs reimbursed</li> <li>● Establish a cap-and-trade system</li> </ul>	<ul style="list-style-type: none"> <li>● Eco-energy retrofit program</li> <li>● Cap-and-trade system for putting a price on carbon</li> <li>● Tax exemption on employee workplace-based transit passes</li> <li>● Establish a “Green Bond Fund” for R&amp;D</li> </ul>	<ul style="list-style-type: none"> <li>● Create tax credit for businesses’ installations to encourage bike use</li> <li>● Reinstate incentives to convert oil heating systems to clean heating</li> <li>● Create tax credit for installing automobile charging stations at home or business</li> </ul>	<ul style="list-style-type: none"> <li>● Introduce a carbon tax</li> <li>● Many measures including: refundable tax credits for retrofit costs, tax deductible “Green Mortgages” for home-owner energy retrofit costs, 100% CCA for businesses’ energy retrofit costs, GST credits for all materials used in LEED buildings that are graded silver or better, bicycles and gear will be tax-deductible and GST-exempt, land developers required to provide 3-year transit passes for development’s new residents</li> </ul>

### Tax Harmonization

<i>Conservative Party of Canada</i>	<i>Liberal Party of Canada</i>	<i>New Democratic Party of Canada</i>	<i>Bloc Québécois</i>	<i>Green Party of Canada</i>
<ul style="list-style-type: none"> <li>• Complete a harmonization agreement with Quebec no later than September 15, 2011</li> </ul>		<ul style="list-style-type: none"> <li>• \$2.2 billion to Quebec for harmonizing its sales tax with federal GST</li> <li>• If B.C. referendum causes B.C. to reject HST, B.C. will not have to repay the \$1.6 billion it received for harmonizing</li> </ul>	<ul style="list-style-type: none"> <li>• Negotiate an agreement to indemnify Quebec for harmonization of its sales tax</li> <li>• Develop a single income tax return for Quebec businesses and individuals</li> </ul>	

### Goods and Services Tax

<i>Conservative Party of Canada</i>	<i>Liberal Party of Canada</i>	<i>New Democratic Party of Canada</i>	<i>Bloc Québécois</i>	<i>Green Party of Canada</i>
	<ul style="list-style-type: none"> <li>• No increase to GST</li> </ul>	<ul style="list-style-type: none"> <li>• Introduce home heating GST rebate</li> </ul>	<ul style="list-style-type: none"> <li>• Abolish GST on books in all formats</li> <li>• Abolish GST on electric auto recharging stations</li> </ul>	<ul style="list-style-type: none"> <li>• Reinstate GST rebate for foreign visitors</li> <li>• GST Health Benefit Exemption for all products/services deemed to have a health benefit</li> <li>• Make video conferencing facilities for meetings GST-free</li> </ul>

## ***We can help***

No matter which party ultimately wins the mandate to govern the country over the next term, it seems inevitable that there will be significant tax changes in store for Canadian individuals and businesses. KPMG can help you keep up on the status of new tax legislation and understand its effects on your personal and business affairs. To help make the most of any new opportunities and mitigate the effects of adverse changes, contact your KPMG adviser.

Information is current to April 23, 2011. The information contained in this *TaxNewsFlash-Canada* is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation. For more information, contact KPMG's National Tax Centre at 416.777.8500.

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