Lower taxes for the middle class and those working hard to join it

Four years ago, a Liberal government gave Canadians the tax break they deserve — putting hundreds of dollars back into the pockets of the middle class and the people working hard to join it by cutting their taxes and asking the wealthiest one per cent of Canadians to pay a little more.

The impact of hundreds — and in some cases, thousands — of extra room in a family’s yearly budget made a real difference. We invested in Canadians, and in turn they invested in their communities — creating more than a million new jobs, and plunging Canada’s unemployment and poverty rates to record lows.

Today, Canada’s economy continues to grow. Yet, once again, the middle class Canadians responsible for that momentum aren’t seeing the full benefits of that growth in their day-to-day lives because of the rising costs of living. At the same time, corporate profits have continued to outpace wages.1

A re-elected Liberal government will tip the scales by cutting taxes for the middle class and the people working hard to join it — saving the average family nearly $600 per year.

No taxes on the first $15,000 earned

To help every Canadian cover their most basic needs, no tax is collected on a certain amount someone earns. This is known as the Basic Personal Amount (BPA), and for 2019 it represents the first $12,069 earned.

A re-elected Liberal government will put more money in the pockets of Canadians who need it most:

- We will give the average family nearly $600 more per year by raising the BPA by 15 per cent, bringing it to $15,000 by 2023-24.

This would be phased in as follows:

<table>
<thead>
<tr>
<th>Tax Year</th>
<th>Projected Status Quo</th>
<th>Proposed New BPA</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>$12,309</td>
<td>$13,229</td>
</tr>
<tr>
<td>2021</td>
<td>$12,567</td>
<td>$13,808</td>
</tr>
<tr>
<td>2022</td>
<td>$12,852</td>
<td>$14,398</td>
</tr>
<tr>
<td>2023</td>
<td>$13,092</td>
<td>$15,000</td>
</tr>
</tbody>
</table>

This will lift about 38,000 Canadians out of poverty, more than double the impact of Andrew Scheer’s proposed tax cut. Additionally, about 700,000 low income people will pay no tax at all after this change — nearly 60 per cent of whom are women.
Scheer’s tax cut for the wealthy

Under our plan, Canada’s wealthiest one per cent will not benefit at all from this tax cut. We will start to wind-down the benefits of the increased BPA for individuals making more than $147,667 a year\(^2\) — and completely cut off any benefit for those making more than $210,371 a year.\(^3\) Those who earn income higher than $210,371 a year will receive the current BPA, which continues to rise with inflation. No Canadian will be worse off.

Andrew Scheer has a plan that will lower taxes the most for the wealthiest one percent. With his approach, the tax rate on income up to $47,630 will be reduced from 15 percent to 13.75 percent. That means, a person making $40,000 will get less than a person making $400,000.

Our plan increases the amount of income that is tax-free, raising it to $15,000, and phasing it out in a progressive way so the top one percent don’t get any additional benefit.

This lowers taxes the most for people who make less, helps the middle class, and ensures that the wealthy don’t get an extra hand up.

Source: Estimates prepared by Kevin Milligan, Professor of Economics, UBC.
Costing

Lowering taxes for the middle class will cost approximately $2.9 billion in 2020-21, rising to about $5.6 billion when fully implemented in 2023-24.

We will pay for this middle class tax cut through a series of measures that make our tax system fairer for Canadians. More details will be released in the coming weeks.

\(^1\)Figure 7 in: https://irpp.org/research-studies/facing-facts-reconsidering-business-innovation-policy-canada/

\(^2\)Fourth tax bracket

\(^3\)Fifth tax bracket