

# Conservatives propose tax credit for parents on leave <sup>[1]</sup>

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Andrew Scheer is proposing a new tax credit for parents as his first concrete policy proposal since becoming Conservative Party leader.

Through a private members' bill called the Supporting New Parents Act, Mr. Scheer is recommending a new tax credit that would allow parents of young children to claim a tax deduction for any income earned through Employment Insurance maternity or parental benefits.

The Conservative pitch comes just weeks before a federal budget that is expected to include a strong focus on issues affecting women, including efforts to boost female work-force participation rates.

Mr. Scheer said he's hopeful the government might adopt his proposal in the 2018 budget, which has not yet been scheduled.

"Every Canadian who uses these benefits still pays federal taxes on them and Canada's Conservatives don't think that's fair," he said.

"When so many parents give up a percentage of their take-home pay to take those critical months off, they forgo a lot of salary already and so the government should certainly not be taxing the time you take to look after your new infant."

The focus on tax credits, which can be targeted toward specific demographics, was a consistent policy theme of the Conservative government under Prime Minister Stephen Harper. Justin Trudeau's Liberal government took many of those Conservative tax credits and combined them into a new Canada Child Benefit, increasing the total amounts available and adding a means-testing element that meant payments were more generous at lower income levels.

Mr. Scheer said the Liberal move to adopt the Canada Child Benefit was a philosophical reversal for the party, which had previously promised large government-run programs such as a national child-care system.

"They changed their position and adopted a Conservative principle to support parents directly, and I can assure you that in the future with a Conservative government, support for parental-support programs will always increase," he said.

According to the Conservatives, a parent whose regular salary is \$50,000 would receive about \$4,000 via the proposed new credit. Mr. Scheer intends to introduce the bill on Monday. Only a small percentage of private members' bills ever become law. The party estimates the tax credit would reduce federal revenues by about \$850-million annually.

Kevin Milligan, an economist at the University of British Columbia who spent part of 2016 on assignment with Finance Canada to participate in a review of federal tax credits, said the Conservatives are right to focus on the needs of parents with small children as an important area for policy attention.

However he said he'd like the party to explain why their proposal is better than other options, such as enhancing the existing Canada Child Benefit.

By tying the proposed new benefit to E.I., Dr. Milligan said people who do not qualify for E.I. – such as stay-at-home parents or people who have not worked enough hours – would be left out.

"Those people are not going to be included," he said.

Finance Minister Bill Morneau has said his upcoming budget will include "an important gender lens" that will look at how federal programs can better serve women.

Mr. Morneau's advisory council on economic growth has highlighted women's work-force participation as an area where the government should focus its efforts.

In a report to the minister, the council noted that in Quebec, where more generous parental supports such as subsidized child care are in place, women aged 25 to 54 who have children under the age of 16 participate in the work force at a rate of 93 per cent of that of similarly aged men. Yet in the rest of Canada, the rate is 86 per cent. The council said raising the national level to match Quebec could add \$13-billion to GDP.

The growth council has also called for a major increase in immigration, to 450,000 people a year, to address the fact that the ratio of

seniors to working-age Canadians is on track to rise considerably over the coming decades.

The federal government announced in November that Canada's immigration target will rise from 300,000 in 2017 to 340,000 in 2020.

Policy makers have focused on immigration as a response to demographic pressures primarily because of long-term trends in Canada's fertility rates. For over 40 years, the number of people born in Canada has been below the levels required to sustain population levels without immigration. In 2011, the total fertility rate was 1.61 children per woman, up slightly from the record low of 1.51 about a decade earlier.

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