

Scheer's 'tax free' maternity leave election promise is misleading voters: Experts ^[1]

The Tory leader is actually offering a tax credit, and the difference matters.

Author: Beattie, Samantha

Source: Huffington Post

Format: Article

Publication Date: 12 Sep 2019

AVAILABILITY

Access online ^[2]

EXCERPTS

TORONTO — Conservative Leader Andrew Scheer's campaign promise that he will make maternity and parental leave benefits "tax free" is misleading, say tax experts.

His party is actually promising a tax refund of 15 per cent, which is substantially different, according to Lindsay Tedds, an economic policy professor at the University of Calgary.

"It's a dramatic misrepresentation that's going to lead to some families making decisions based off of inaccurate information," said Tedds in an interview. "When you say it is tax free, people would rightfully assume they wouldn't have to pay taxes on their income. That's not true."

"Their continued insistence that they're making maternity and parental leave tax free is patently incorrect," said Jennifer Robson, a political management professor at Carleton University in Ottawa.

On the campaign trail Thursday, Scheer said the "tax free" plan could save new parents \$4,000 based on an annual income of \$50,000. He pointed out this would come during reduced incomes and when new expenses arise for parents. (For those who qualify, employment insurance (EI) benefits cover up to 55 per cent of earnings, capped at \$562 a week).

"That's a huge sacrifice in critical early months when all the costs are going up, Scheer said, referring to his own family. "Believe me, with five kids there's a lot to pay for when you've got car seats, diapers, clothes, the odd dry cleaning and steam cleaning of carpets."

He's highlighted the measure before, suggesting it could be a key part of his party's pitch leading up to the Oct. 21 election. Scheer's proposal would cost \$1.1 billion a year by 2026, according to an estimate by the Parliamentary Budget office.

Tory campaign spokesperson Simon Jefferies said because EI is capped within the 15 per cent tax bracket, parents would only need a tax credit of 15 per cent to ensure their leave is tax free.

But it's not nearly that simple, Tedds said.

The credit Scheer is proposing would mean parents still face month-to-month income tax reductions from EI benefits, she said. The amount automatically deducted from EI is calculated at the lowest income bracket of 15 per cent.

Parents then file their earnings during tax season. Many end up being taxed more than 15 per cent, however, as they could be working full-time for part of the year, or receive a top-up from their employer, Tedds said. When they apply the tax credit, some would still have to pay the difference.

And not every parent is eligible for EI. They must have worked for at least 600 hours in a qualifying period — usually for a year leading up to the leave — or if they are self-employed, they must earn a set amount of income.

At least one in five parents don't qualify, said Robson. And for those who are considered low income, the small amount of EI they receive is not going to translate into a substantial tax refund. They also could already qualify for other tax credits that disqualify them from receiving the full amount of the proposed credit.

"All the same, people having trouble making ends meet are still going to have that trouble and just end up waiting until tax time to maybe get money back, and that's a big maybe," Robson said, adding that there are more effective ways to allocate \$1 billion.

The Conservatives could consider increasing EI benefits for low-income parents (through the family supplement, for example), lowering the requirements to enter the system, or creating tax-free assistance, like the Canada Child Benefit, she said.

Scheer has previously said he hopes the Canadian Revenue Agency (CRA) applies the credit automatically. In April 2018, Scheer unsuccessfully tried to get the legislation passed as a private member's bill.

But Tedds said the House of Commons would need to pass specific legislation to change the rules about withholding requirements.

“They don’t seem to understand the Income Tax Act,” Tedds said. “This isn’t just a magic CRA that does what it’s told. They don’t make policy, or appeal for policy. They do what’s outlined in the (income tax) legislation.”

Related link:

Region: Canada ^[3]

Tags: maternity and parental leave ^[4]

benefit ^[5]

Source URL (modified on 27 Jan 2022): <https://childcarecanada.org/documents/child-care-news/19/09/scheers-tax-free-maternity-leave-election-promise-misleading-voters>

Links

[1] <https://childcarecanada.org/documents/child-care-news/19/09/scheers-tax-free-maternity-leave-election-promise-misleading-voters> [2]

[https://www.huffingtonpost.ca/entry/maternity-leave-federal-election-andrew-scheer_ca_5d7ab66ce4b061b5526a238b?](https://www.huffingtonpost.ca/entry/maternity-leave-federal-election-andrew-scheer_ca_5d7ab66ce4b061b5526a238b?ncid=other_twitter_cooo9wqtham&utm_campaign=share_twitter)

[ncid=other_twitter_cooo9wqtham&utm_campaign=share_twitter](https://www.huffingtonpost.ca/entry/maternity-leave-federal-election-andrew-scheer_ca_5d7ab66ce4b061b5526a238b?ncid=other_twitter_cooo9wqtham&utm_campaign=share_twitter) [3] <https://childcarecanada.org/taxonomy/term/7864> [4]

<https://childcarecanada.org/category/tags/maternity-and-parental-leave> [5] <https://childcarecanada.org/taxonomy/term/8947>