

Tory tax relief begins as a trickle [CA] ^[1]

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EXCERPTS

Personal tax cuts promised in the election platform of federal Conservatives would make for a rather ho-hum first budget.

Individuals and families would save about \$1.8 billion in the 2005 calendar year - lots more than the Liberals promised in the February budget but not enough to have much impact on anyone's weekly budget.

Bigger annual savings, totaling about \$15 billion in today's dollars, would not come until 2009.

Party headquarters in Ottawa has declined to provide enough detail to demonstrate exactly how or when the election promises would affect individual pocketbooks. Only approximate estimates are possible.

Cut the middle tax rate:

The most costly promise is to cut from 22 per cent to 16 per cent the tax rate that now applies to taxable income (after deductions for retirement savings, union dues, etc.) between \$35,000 and \$70,000. When fully implemented, this would save \$60 a year for each \$1,000 of additional taxable income beyond \$35,000.

Extra indexing of brackets:

Each tax bracket would be increased one percentage point a year more than consumer prices, producing modest savings. Five years from now, that would be worth \$64 a year in today's dollars on taxable income more than \$8,400, plus \$171 a year on income more than \$36,785, plus \$142 on income more than \$73,570, plus \$355 on income more than \$125,649.

New child deduction:

Parents would save taxes on \$2,000 of income a year for each child. It seems this would not be fully implemented until 2008, costing the government \$3.5 billion a year compared with \$0.5 billion in 2004.

The deduction would provide savings equal to a parent's top marginal tax rate. By the time the Tories finished raising the upper threshold of the lowest tax rate to \$83,000, the most a parent of any income to that level would save in Ontario and federal taxes is \$432 per child a year.

Kesselman said Canada is about the only developed nation that does not provide tax relief to high-income parents.

But the Tory proposal would not do much to reduce the gap in disposable income between families with children and couples without children.

Low-income families benefit from Canada's child tax benefit program, which phases out as family income rises. The average benefit for a family with income between \$80,000 and \$90,000 is projected to be \$541 by 2008.

Campaign 2000, a coalition of 90 organizations concerned about child poverty, wants to see the maximum child tax benefit increased to more than the \$3,200 proposed in the 2003 budget. The coalition says it fears the Tories might have to carve into the program to pay for its tax cuts.

Conservative headquarters said only: "This is campaign 2004. There is no child tax benefit promise in the platform."

The election platform proposes only minor tax relief and income support for low-income earners.

There would be an unspecified reduction in employment insurance premiums at a cost of \$400 million a year by fiscal 2008-9 and a 25 per cent increase in the goods and services tax credit.

The higher GST tax credit would eventually save a two-child family earning less than \$29,000 just \$171 a year. Along with a proposal to reduce the GST on gasoline, the plan would cost the government \$1.3 billion a year by 2007-8.

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