

# Is the new Canada Child Benefit fair? <sup>[1]</sup>

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## EXCERPTS

Early in the platform process—well before any calls were made about running a deficit—the Liberals decided they wanted a centrepiece to be a major and progressive enhancement to federal child benefits.

The previous government introduced a Universal Child Care Benefit and myriad boutique credits for hockey and piano lessons. Then, most recently, it invited selected types of families to split their incomes to reduce their taxes. These measures sat on top of a child benefit architecture (the Canada Child Tax Benefit) put in place in the mid-1990s that had done as much as anything in the past 20 years to reduce child poverty. Provinces built on the CCTB, adding cash benefits for parents that also aimed to take kids out of provincial social assistance. It was complicated. But more problematic, the federal changes introduced during the past decade were like oil sitting on vinegar—they refused to blend—leading to strange differences in net benefits by family type, even if they were all “middle-class.”

In their election platform, and again in their Speech from the Throne, the Liberals argued that improving child benefits was a matter of fairness: stemming the flow of dollars to wealthy families so those families that need real help can get more.

The 2016 budget reveals the fine print details in the Canada Child Benefit (CCB), a policy Trudeau announced nearly a year earlier in a restaurant in Gatineau, Que.

In large measure, the new child benefit is as advertised:

- Annual cash benefits start at \$6,400 annually for children under six and \$5,400 for children six to 17 years. The benefits are gradually reduced by family net income (based on calculations using annual tax return data).
- Benefits are paid monthly and are tax-free, a welcome change for parents.
- Nearly 300,000 kids now living in poverty will have an after-tax family income that takes them above the low-income cutoff. (Based on the low-income cutoff, after taxes and transfers. Using the low-income measure, the numbers would likely be a little higher.)
- Children with disabilities and children in care will also see major increases to benefits.

The cost of the new benefit comes in about 20 per cent less for 2016-17 compared to the platform costing, but this is largely because rollout doesn't start until July, after 2015 tax returns have been filed. For 2017-18, the benefit is about three per cent more expensive than the platform had estimated, which is like a rounding error, not bad for a third-place party trying to do platform costing using public documents.

Is the benefit fair?

For starters, this benefit doesn't care if a child has one parent or two, which is a good thing.

It's agnostic on the value of hockey practices versus art lessons versus other uses for the funds. The 2016 budget cancels the boutique credits for Children's Fitness and Arts—also a good thing, as both of those tax credits had disproportionately gone to taxpayers making \$100,000 or more.

In doing so, the government closes a weird loophole that seems to have made some First Nations children ineligible for federal benefits if they were born outside Canada.

If you have missed out on child benefit payments for which you are eligible, a technical change is going to cap retroactive payments at 10 years starting in July. The change makes it more important for families to file their taxes and claim benefits. Fortunately, the government is committing to expand efforts to help low-income Canadians file taxes and access federal benefits.

The new benefit isn't indexed to inflation. The platform didn't promise it would be. The former CCTB and UCCB each took different approaches. Over time, inflation will eat into the value of the benefit, but the budget isn't expecting much inflation in the foreseeable future.

The biggest increase in net benefits will be felt by families with about \$50,000 in income—which, interestingly, is about the median income

of the “two-parent, one-earner” families that had been targeted by the Family Tax Cut. It does increase benefits for the most low-income families and it stretches benefits further as income rises. While the old Canada Child Tax Benefit phased out near \$100,000 in income, families making up to \$180,000 will still see at least something in benefits. The Liberals are keen to point out that nine in 10 families will be better off under their benefit (and the Middle Class Tax Cut announced in the fall).

The distribution reflects a compromise between targeted assistance to kids who are most in need and reaching the vast majority of kids.

Could another form of compromise have been found to direct more aid to more low-income families? Could we have done things differently and maybe lift more than the 300,000 out of poverty? Probably, but then maybe we’d be talking instead about the upset parents who feel they have lost out. Fairness, after all, is usually a relative concept, and the changes to child benefits seem to reflect the government’s understanding of what Canadians will view as “fair.”

-reprinted from Maclean's

**Region:** Canada <sup>[3]</sup>

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