

Ready *for* Better:

NEW DEMOCRATS' FISCAL PLAN



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A different fiscal approach

As Canadians continue to face the COVID-19 pandemic, there's no question that our economic recovery will be a challenge. Extraordinary measures have been taken to stimulate the economy, and significant – although not always in our view sufficient – supports have been provided to Canadians in the face of this pandemic. With Canada now entering a fourth wave, the need to provide economic stimulus and increased supports to Canadians and to businesses has not gone away. Recent findings from Statistics Canada show that the economy contracted in the second quarter of 2021. There is a continued need to stimulate the economy and support people through the pandemic until the economic recovery is solidified.

The pandemic has also exposed countless cracks which already existed in Canada's social safety net. The new challenge of the pandemic is made worse by the choices made by successive Liberal and Conservative governments over many years to underfund vital services and to put the wealthiest individuals and corporations first.

New Democrats propose to make very different choices. First, a choice to continue stimulating our economy in the face of a fourth wave; and second, a choice to increase revenue from those who can most afford it – revenue which will help improve the long-term sustainability of our fiscal situation and build a more equal and fairer Canada.

Substantial investments would be made to temporarily improve and extend emergency benefits which support workers and businesses as well as in measures aimed at vaccinating more Canadians. These, along with a significant financial commitment to right historical wrongs by ending the Liberal government's appeal of Human Rights Tribunal rulings regarding First Nations Child Welfare, represent one-time and time-limited funding rather than being structural.

These would be complimented by investments, including in housing and clean infrastructure, to help stimulate the economy and better position us for a strong economic recovery. Lastly, investments in a number of key areas, including in universal pharmacare and child care systems, will not only help build a fairer Canada, they will also help boost our economy in the long-term.

These measures would be offset by an increase in revenue from those at the top, as well as by a temporary tax on those who have made excessive profits during the pandemic – a revenue measure identified in the IMF's April Fiscal Monitor. Such progressive taxation measures would strengthen Canada's long-term fiscal positioning and help build a fairer country.

Platform Fiscal Projection (\$M)	2021-22	2022-23	2023-24	2024-25	2025-26
New Revenue	32,965	30,686	33,046	34,324	35,306
New Investments	40,005	41,536	43,886	44,247	44,784
Incremental Deficit/Surplus	-7,040	-10,850	-10,840	-9,923	-9,478
PBO baseline fiscal projection	-138,200	-42,700	-35,600	-24,800	-24,600
Platform fiscal projection	-145,240	-53,550	-46,440	-34,723	-34,078
New Debt to GDP Ratio	48.0%	46.9%	46.8%	47.2%	45.8%

Fiscal sustainability and economic competitiveness

Our fiscal plans are based on the Parliamentary Budget Office's baseline. This baseline incorporates Budget 2021 measures as well as measures announced after the budget, up to and including July 30, 2021. New investments and revenue measures outlined by the New Democratic Party's *Ready for Better* plan are placed atop this base.

By raising revenue alongside investing in priority areas, our fiscal approach would not significantly impact Canada's projected debt-to-GDP ratio, meaning our long-run finances would remain fiscally sustainable. Additionally, an annual sustainability analysis will take place and would lead to potential fiscal adjustments if necessary, in order to maintain long-term sustainability.

New Democrats would manage debt and deficits responsibly, running deficits when required to rebuild and defend the services that Canadians and their families rely on, and moving to balance when it is prudent to do so.

The OECD has noted that strong social programs and public health care give a country's businesses and industries a competitive advantage. The measures we are putting forth would help stimulate the Canadian economy and build that competitive advantage through a healthier and more productive workforce. Revenue from modest increases in tax instruments such as the Corporate Income Tax will be reinvested in important measures. For example, a universal pharmacare program would save businesses money and help them attract and retain qualified workers. Similarly, business leaders such as the Canada Business Council have affirmed that child care is a vital part of social infrastructure, boosting labour force participation, providing direct employment and income, and leading to better lifelong outcomes for children who enroll.

Our ambitious plan will be a significant help to other levels of government who are facing a looming fiscal crisis. The federal government is best positioned to address this challenge. Canada has a long history of federal-provincial-territorial cooperation in overcoming challenges and delivering the results that Canadians expect – whether that be for infrastructure projects (like railways and the Trans-Canada highway) or for social programs (like universal Medicare, a public pension plan, and Employment Insurance). New Democrats will build on these successes, and will proceed within a framework of respectful asymmetrical federalism to deliver important programs such as pharmacare and child care for Canadians. Over the course of the full mandate, our investments in health care will total approximately \$68 billion, representing a significant increase in federal contributions to Canada's healthcare system.

Canada's long-term economic recovery will also depend on adapting to the global shift towards a low-carbon economy. Our plan recognizes that putting a price on carbon has been an important tool in efforts to drive emissions reductions. New Democrats will continue with carbon pricing, with the price on carbon pollution currently scheduled to increase to \$170 per tonne by 2030. We also recognize that carbon pricing won't be enough to tackle the climate crisis. Further investments are needed to meet our targets, to help people cut their emissions, and to create jobs for workers impacted by these changes. Our plan includes \$26 billion to fight climate change, protect our environment, and support workers in transition. This is in addition to converting the Canada Infrastructure Bank, which is investing \$35 billion in projects, into a Climate Bank whose mandate is to boost investment in renewable energy, energy efficiency and low-carbon technology. Such measures will help diversify our economy and build a sustained economic recovery. Significant investments in climate adaptation and disaster mitigation will also protect businesses and local economies which otherwise face catastrophic situations.

New Revenue Measures (\$M)	2021-22	2022-23	2023-24	2024-25	2025-26
Foreign Homebuyers Tax	273	518	509	517	534
Tobacco Recovery Fee	17	66	66	66	66
Federal vaping tax	23	90	92	94	96
Excess Profits Tax	14,599	0	0	0	0
Increase Capital Gains Inclusion Rate to 75 percentage points	4,692	9,286	9,775	10,238	10,711
Increase Top Marginal Rate to 35 percentage points	460	683	702	735	773
Wealth Tax	10,854	11,356	12,146	12,594	13,122
Increase Corporate Income Tax Rate by 3 percentage points	2,691	5,458	5,693	5,934	6,113
Remove non-Canadian ad deductions	578	1,210	1,285	1,362	1,442
Eliminate stock option loopholes	1	6	13	28	50
Eliminate meals and entertainment deduction for large businesses	121	487	502	516	530
Crack down on tax havens (economic substance of offshore transactions)	1,499	2,777	2,704	2,631	2,557
Eliminate Fossil Fuel Subsidies - Oil and Gas property and development expenses	540	1,315	1,903	2,352	2,696
Eliminate Fossil Fuel Subsidies - Accelerated Investment Incentive for the oil and gas sector	46	352	838	628	132
Revenue generated through \$100m Enhancement of CRA enforcement	234	492	490	443	407
Forecast allowance	-3662.8	-3409.6	-3671.8	-3813.8	-3922.9
Total New Revenues	32,965	30,686	33,046	34,324	35,306

New Investments (\$M)	2021-22	2022-23	2023-24	2024-25	2025-26
Building 500,000 New Affordable Homes	500	4,000	4,000	3,500	2,000
Remove GST from New Rental Buildings	25	125	125	125	125
Double Home Buyers Tax Credit	55	110	110	110	110
Renters Benefit	328	1,105	1,119	1,086	1,001
Combat Money Laundering and Housing Speculation	20	20	20	20	20
Remove All Interest from Student Loans, extend interest-free non-payment to five years, introduce income-tested debt reduction	412	472	903	1,090	1,364
Double Canada Student Grants	1,263	1,872	1,500	1,500	1,500
Less Budget 2021 commitments	-1,263	-1,872	0	0	0
Rural Broadband	150	150	150	150	150
Restore Door to Door Mail Delivery	195	90	90	90	90
Universal Child Care and Early Learning	3,065	4,906	6,208	7,237	8,383
Less funds set aside in Budget 2021 for Universal Child Care and Early Learning	-3,065	-4,906	-6,208	-7,237	-8,383
Employment Insurance - Fund boost	2,500	2,250	250	0	0
Workers Development and Opportunities Fund	225	250	270	275	300
Paid sick leave	162	520	312	156	0
Canada Recovery Benefit	3,200	0	0	0	0
Canada Emergency Wage Subsidy and Canada Emergency Rent Subsidy	1,780	0	0	0	0
Guaranteed Income Supplement - Undo clawback	380	58	0	0	0
Hiring Bonus for small business	200	500	0	0	0

New Investments (\$M)	2021-22	2022-23	2023-24	2024-25	2025-26
Climate Accountability Office	10	50	50	50	50
Training and Transition for Workers impacted by climate change	485	710	760	300	300
Less funds from Budget 2021	-260	-460	-490		
Climate Corps	0	100	100	100	100
Innovative Clean Technology	0	50	50	50	50
Building retrofits	290	631	1,221	1,413	1,674
Less retrofit funds in Budget 2021	-90	-131	-221	-163	-174
Modernize and expand public transit through Canada Community-Building Fund	2,200	2,300	2,400	2,400	2,500
High frequency rail	50	100	200	400	500
Climate Research and Development	10	100	50	50	50
Zero-Emissions Vehicle Rebates and Charging Stations	0	470	580	620	710
Food Strategy	0	20	20	20	20
Habitat Protection & Conservation	0	100	100	50	50
Indigenous Conservation Measures	100	100	100	100	100
Less Budget 2021 funding	-68	-68	-68	-68	-68
Disaster Mitigation	500	750	750	1,000	1,000
Pharmacare	0	5,210	10,717	11,101	11,484
Mental Health coverage for the uninsured	0	831	1,715	1,769	1,824
Vaccination plan and Passport	300	700	0	0	0
Critical Health Worker Fund	250	250	250	250	250
Dental Coverage	1,391	4,570	1,597	1,658	1,770
Combating the Opioid Epidemic	50	200	150	100	100

New Investments (\$M)	2021-22	2022-23	2023-24	2024-25	2025-26
National Autism Strategy	0	25	25	25	25
End private for-profit long-term care and support PSWs	502	1,859	1,858	1,609	1,607
Less long-term care funds in budget 2021	-2	-609	-608	-609	-607
Home Care	0	1,000	1,000	1,000	1,000
Healthy Meal Program for Children	0	250	250	250	250
National Dementia Strategy	5	10	10	10	10
Make the Caregiver Tax Credit Refundable	45	50	55	60	65
Supporting our Veterans & Ending Veterans Homelessness	140	150	190	230	250
Homelessness	100	400	300	250	250
Guaranteed Basic Liveable Income for people with disabilities	2,900	3,600	4,300	4,600	5,000
Guaranteed Basic Liveable Income for seniors	500	610	720	760	835
Period poverty fund	0	10	10	10	10
Support for Indigenous Languages	350	350	350	350	350
Respecting the Human Rights Tribunal Ruling & Closing the Gap on Child Welfare Funding	15,000	500	600	700	700
First Nations Housing & infrastructure	1,450	800	650	550	550
Close the education funding gap between Indigenous and non-Indigenous children	350	550	500	450	400
Clean Drinking Water Systems	200	1,800	500	200	200
Indigenous Health, including Suicide Prevention	200	205	210	215	220
Grassy Narrows	98	2	2	2	2
Indigenous Communities Economic Development Fund	25	25	25	25	25

New Investments (\$M)	2021-22	2022-23	2023-24	2024-25	2025-26
MMIW Recommendation Implementation and Shelter Funding	100	105	110	115	120
Restore Aboriginal Healing Foundation	10	10	10	10	10
Additional Arts Funding	75	200	200	200	200
Funding for CBC / Radio-Canada	0	100	100	100	100
Income averaging for artists	15	15	16	16	16
COVID Recovery supports for artists	5	30	0	0	0
Regional Economic Development	25	50	50	50	50
Increased Settlement Funding and Tackling the immigration backlog	225	430	315	239	210
Buyback program for military-style assault rifles	0	250	250	0	0
Official Languages Promotion & Protection	50	100	100	100	130
Support for Legal Aid	0	25	50	75	100
Foreign Affairs - Path to 0.7% in Aid Funding	350	500	675	900	1,000
Anti-Racism Initiatives	75	75	75	75	75
Contingency fund	1,831.4	1,704.8	1,835.9	1,906.9	1,961.45
Incremental debt interest payments	31	121	272	471	720
New Investments:	40,005	41,536	43,886	44,247	44,784

Managing risk

The investments made as part of this plan would help put Canada's fiscal position on a strong footing – all while still maintaining a sustainable debt-to-GDP ratio over the medium- and long-term. New Democrats are proud to put the interests of everyday people at the centre of our fiscal decisions. We firmly reject the idea that we can cut our way out of challenging economic circumstances.

Our plan raises important new revenues from fair and progressive sources, including a Wealth Tax on wealth over \$10 million and a tax on excessive profits that were generated during the pandemic, while so many Canadians struggled. This is the most efficient path to reducing wealth inequality in Canada. While the Parliamentary Budget Officer's estimates of these new revenue measures builds in a certain amount of behavioural response, we recognize that precise revenue projections can be challenging.

We will manage this and other unforeseen risks every year by setting aside the equivalent of 15% of new revenue, to be divided between a Forecast Allowance and a Contingency Fund. The Forecast Allowance will be based upon 10% of new revenue, and will be used to draw down revenue and protect against the possibility of lower-than-anticipated revenue. The Contingency Fund will account for 5% of new revenue, and will be set aside as an expense to manage the possibility of expenses related to COVID or other unforeseen factors.

We would also introduce new tax integrity measures, including new investments in CRA enforcement to combat international and corporate tax evasion and avoidance. This would boost the integrity of the tax system and make tax measures such as those we are proposing more effective.

Under our plan, the debt-to-GDP ratio would decline – starting at 48% and falling to 45.8% over the course of the mandate. This represents a smaller debt-to-GDP figure than was forecast in Budget 2021 for the fiscal year of 2025/26.

As New Democrats, we are proud to have a fiscal plan that will jump-start rebuilding, while making life easier for ordinary people and building a brighter future for our children. Jagmeet and the New Democrat team are ready to make the richest pay their fair share towards the recovery, while delivering the help that people need now.

We know that Canadians pull together and help each other during tough times – it's who we are. Now it's time for the government to do the same – and our fiscal choice reflect these priorities.

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