



NEWS RELEASE

Federal government could balance budget and reduce tax rates with 2.3% spending reduction over two years

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For Immediate Release

VANCOUVER—If the federal government reduced program spending by only 2.3 per cent over two years and eliminated a host of tax expenditures, it could balance the budget and reduce personal income tax rates affecting most Canadians, finds a new study published today by the Fraser Institute, an independent, non-partisan Canadian public policy think-tank.

“With modest spending reductions and tax reform, the federal government can create the fiscal room to provide tax rate reductions that would benefit most Canadians,” said Jake Fuss, director of fiscal studies at the Fraser Institute and co-author of *A New Federal Fiscal Framework for Canada*.

Specifically, if the government implemented this spending reduction—and eliminated 49 federal personal income tax expenditures (tax credits, tax exemptions, etc.), which do little to improve economic growth yet reduce government revenue—it could eliminate the three middle federal personal income tax rates (20.5 per cent, 26.0 per cent, 29.0 per cent) and reduce the top rate from 33.0 per cent to its previous level of 29.0 per cent.

As a result, with only two remaining rates, nearly all Canadians would pay a marginal personal income tax rate of 15 per cent. And the federal government could balance the budget by 2026/27.

“In light of Canada’s dim economic prospects and lack of tax competitiveness, the federal government should move away from the status quo and pursue a pro-growth fiscal strategy,” Fuss said.

“At a time when affordability is top of mind, it’s time for Ottawa to reduce tax rates and restore discipline to federal finances.”

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