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News release

For immediate publication

February 23, 2015

Income tax instead of Consumption tax

Moncton – `` We believe that if we need to bring in new revenue to the province, it would be better to do it through our income tax system. If we were raising by 1% the present four brackets of personal income tax and include the two new brackets promised in the Liberal Electoral Platform (21% for revenue between \$150,000 to \$250,000 and 25.75% for revenue over \$250,000), the province would receive close to \$150 million each year. If we were raising it by 2%, the revenue would be similar to raising the HST by 2%. `` says Pauline Richard, co-chair of the Common Front for Social Justice.

The NB Common Front has made this recommendation to the provincial government because it considers that a consumption tax, such as the HST, has a higher negative impact on the working poor and those living under the poverty line, than on those making high salaries.

`` The HST increase would apply every time you pay your fuel cost, be it electricity, natural gaz, propane or heating oil; every time you fill-up your gas tank to go to work or travel to the hospital; every time you pay your telephone or cable bills; every time you need a plumber or electrician; every time you need to change your car, etc. Those are concrete examples of what it means to increase the HST. We are not talking about luxury items here, we are talking of day-to-day or month-to-month goods and services that working people need. `` says Ms. Richard.

``With any increase in the HST, it means that workers in this province who are at low salary will pay the same amount of consumption tax (HST) than those who are making \$100,000, but the impact on their ability to pay is certainly not the same. An increase of twenty or thirty dollars as extra tax per month will have no impact on the budget of rich citizens but will have a drastic impact on the working poor. `` continues Ms. Richard.

``We already have in place a tax system that is fair for everyone, so we should use it instead of putting in place a consumption tax that is regressive and will hurt a lot more those at the bottom of the income scale. `` concludes Ms. Richard.

The Common Front is also suggesting other ways to increase revenue: increase in corporate taxes, tax on capital gains, on cigarette, gas, etc. The details are in the attachment.

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The Common Front for Social Justice is one of the largest democratic and popular organizations in New Brunswick, with close to 75,000 group and individual members. The Common Front brings together individuals as well as local, regional and provincial organizations to work towards the eradication of poverty.

Attachment

Table 5. Estimated Revenue Effect of Changes to Key Tax Rates

(Table 5 was adapted from the document from the New Brunswick Department of Finance, *Pre-Election Economic and Fiscal Outlook, 2014-15 to 2017-18*)

Revenue source	2014 Taxation Year *	2015 Taxation year	
<i>(All values refer to a 1 percentage point change except: tobacco tax is 1 cent per cigarette/stick/gram changes; gasoline tax and diesel tax are 1 cent per litre change)</i>	Current rates	Increase 1%	Approximate value ⁽¹⁾ (\$ million)
Personal Income Tax			
1 st Bracket (up to \$39,305)	9.68%	10.68%	64.0
2 nd Bracket (\$39,305 up to \$78,609)	14.82%	15.82%	38.9
3 rd Bracket(\$78,609 up to \$127,802)	16.52%	17.52%	10.5
4 th Bracket (above \$127,802)	17.84%	18.84%	6.2
Total (1 percentage point on all brackets)			119.6
Two new income tax brackets. (21% -\$150,000 up to \$250,00 and 25.75% for above \$250,000) Liberal Electoral Platform- Note 1			30
Total			149.6
General Corporate Income Tax	12%	13%	17.0
Small Business Corporate Income Tax ⁽²⁾	4.5%	5.5%	9.0
Financial Corporate Capital Tax	4%	5.0%	7.0
Insurance Premium Tax <i>3% for property and casualty; 2% for life insurance premiums)</i>	3%/2%	4%/3%	19.0
Harmonized Sales Tax ⁽³⁾	8%	9%	140.0
Tobacco Tax (cent per cigarette/stick/gram)	19 cents	20 cents	8.0
Gasoline Tax (cent per litre)	13.6 cents	14.6 cent	10.0
Diesel Tax (cent per litre)	19.2 cents	20.2 cents	5.0
Grand Total			224.6

* The above estimates are based on information available as of May 1, 2014 and are subject to further revisions.

[1] The estimated revenue impacts do not include the resulting economic impacts.

[2] The small business corporate income tax rate applies to the first \$500,000 of active business income of Canadian Controlled Private Corporations (CCPCs).

[3] Provincial portion of the HST.

Note 1: In the 2014 Liberal Electoral Platform, there is a promise of two new income tax brackets for citizens making over \$150,000.

