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Department of Finance Canada
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RE: Pre-Budget Consultations 2025, #YourBudget2025

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Submission by Jen Hassum, Executive Director of the Broadbent Institute, to the Department of Finance Canada for 2025 Pre-Budget Consultations on fair tax measures and proposed public service workforce adjustment

These are not easy times for Canadians. Post-pandemic inflation has subsided, yet the cost-of-living crisis remains the top concern for Canadians. Our closest ally and trading partner, the United States, initiated political and economic attacks on our country. The latest unemployment statistics are worrisome, particularly among young people.

The era of economic insecurity has political ramifications for liberal democracy in Canada, and we at the Institute concur with Prime Minister Carney that Canada faces a "generational challenge."

Our country's last big era of insecurity and transformation was during the Great Depression and the Second World War. We overcame numerous challenges and forged decades of prosperity through cooperative industrial planning by our government, the private sector, and labour movement. Academics and economists label the post-war liberal democratic era of cooperation between groups with competing interests the "Great Compromise," as it was broadly supported by citizens through a simple social contract: people work hard and are paid enough to afford the necessities of life.

Fast forward to today, and the social contract is broken—and with it, the hope of liberal democracy. There is a feeling of betrayal when people continue to work hard, but the prices for essential goods skyrocket. Their frustration is exacerbated when stock markets break records and corporate profits soar.

Defending our democracy from external threats and internal nihilism demands an economic transformation in Canada that brings back good jobs, reduces the cost of living, and fosters a sense of shared prosperity and fairness through redistribution. Renowned economist Isabella Weber said it best: "What is needed is anti-fascist economic policy—an economic policy that offers a solution to socioeconomic decline and can ease people's fears about the future."

It is from this standpoint that the Broadbent Institute presents our 2025 federal budget submission.

During the economic transformation of the Second World War, Canada sought to expand its federal service to support those war efforts and introduced tax reforms to fund it.

For today's generational challenge, Canadians need our government to help reorient industries to adapt to changing global markets, protect jobs and ensure domestic economic security when workers do lose their jobs, as well as maintain the integrity of our cherished Canadian institutions, such as healthcare. Increased fiscal capacity is required for us to meet this challenge.

The government's proposed workforce adjustments to the federal public service undermines our country's ability to meet the various challenges before us. Reductions hold back the institutions and services that we need to make our country stronger, when our government and economy should be geared towards fighting a trade war. Cuts to frontline staff will hurt working-class Canadians, making life more expensive and eroding our services. Poor access to basic federal government services, whether standing in line all day for a passport, seniors waiting months on pension paperwork, or small business owners on hold for hours and hours, not only further diminishes faith in our government's capacity to lead an economic transformation, but faith in liberal democracy as well.

Instead of implementing the biggest service reductions in recent Canadian history, this budget should seek to implement measures that raise revenue. We propose several fair tax measures that would help to maintain public services, increase Canada's economic productivity, aid in creating good-paying union jobs, and fight this economic war against the US Trump administration. The 7.5% mandated reduction proposed by the Comprehensive Expenditure Review, leading to an estimated $21.5 billion in annual reductions to federal spending by 2028, does not need to happen if only some expanded revenue tools are implemented, starting with the 2025 budget. Under this initiative as it stands, the Canada Revenue Agency, vital for enforcing fair taxation–a previously stated commitment of the federal government, could stand to lose over 14,000 employees by 2028 according to the Canadian Centre for Policy Alternatives.

We need a wartime fiscal policy to meet the moment of this crisis. The following fiscal policy proposals detailed below would certainly help to balance the federal budget while maintaining the integrity of our government institutions, enabling industrial investment while protecting Canadians from the economic shocks of Trump's escalating trade war.

1. Implement a wealth tax

There is a global movement to tax the super-rich, spearheaded by Brazil's G20 Presidency in 2024, calling for countries to coordinate wealth tax policies that can effectively reduce global inequality and return billions in revenue to national financial accounts. Research shows that global coordination is necessary, but taxing wealth does not lend to capital flight and a negative impact to Canada's economy. Canada should set an example, along with other major world economies, and implement a wealth tax.

The Parliamentary Budget Officer during the 2025 federal election estimated that an annual tax on all categories of assets except for lottery wealth **would generate over $22 billion in additional revenue annually.** With proposed tax rates set at 1% on household net worth over $10 million and up to $50 million; 2% on household net worth over $50 million and up to $100 million; and 3% on household net worth over $100 million; this tax on wealth does not impact 98% of Canadian households. Given the estimated $21.5 billion in reduced spending by 2028, a wealth tax of this small impact would more than make up for the proposed workforce adjustment.

2. Fixing Canada's tax haven problem and increased spending for tax compliance and enforcement

The proposed workforce adjustments would weaken the Canada Revenue Agency when we should be reinforcing the capacities of our tax system for compliance among the wealthiest. According to Canadians for Tax Fairness, "Canada has a big tax haven problem" that costs the federal government **at least $15 billion annually in lost revenue** as Canadian companies hide profits from corporate taxation in foreign jurisdictions. The proposed workforce adjustment measures, however, would greatly impact efforts to tackle the tax haven problem.

This stands in contrast to what could be gained by investing more in tax compliance and enforcement. According to the PBO's 2025 federal election estimates, a $200 million annual increase in program funding to the CRA to increase compliance and enforcement efforts **generates over $400 million in net annual revenue**. Further investment would certainly mean more revenue to meet government spending requirements. Canadians are already experiencing poor service levels at the CRA, and depend on them for social services as well as their own productive contributions to the economy. Workforce adjustments do not help Canadians; investments in the workforce, however, help ensure Canadians maintain their public services, increase productivity, and keep good union jobs.

3. Implement a minimum tax on accounting profits

Canada, "requires a robust national tax base where big corporations and the wealthiest Canadians pay their fair share," according to the 2022 Fall Economic Statement. Since then, the implementation of a minimum tax on accounting profits has not been budgeted and corporate tax avoidance continues to thrive; workforce adjustments at the CRA will only embolden non-compliance. In 2021 alone, it is estimated that Canada **lost over $30 billion in tax revenue** as Canada's biggest corporations made record profits while paying record low tax rates.

A minimum tax on accounting profits, or "book profits," are a tax on a corporation's reported profits, typically disclosed to shareholders. This value differs from taxable income, which is the basis of a company's tax obligation, because of differences between tax filing and corporate accounting. According to the PBO's 2025 estimates, a minimum 15% tax rate on corporate accounting profits, the same rate implemented in the United States by the Biden administration in 2022, would generate **more than $4 billion in revenue annually**. The implementation of this measure requires robust service from the CRA to generate the revenue needed for all Canadians.

4. Investment in public service and a windfall profit tax for economic shocks

"Inflation kills governments," according to economist Isabella Weber, who also says, "we have to understand the political consequences of fighting inflation with austerity as a serious concern." Spending reductions in the public sector make economies vulnerable to economic shocks, and therefore open the way for radical far-right threats when governments fail because they are weakened while facing crises. We need an inflation fighting toolbox that buffers against price explosions induced by sellers' inflation during economic shocks that includes investments in the public service to regulate price gouging and corporate power concentration, as well as build resilience and guide industrial transformation needed to meet these crises.

This toolbox will also require a windfall profit tax to ensure corporations cannot take advantage of crises to increase their profits at the expense of consumers. Excess profit taxes were essential during the First and Second World Wars, helping Canadian families through the war efforts while ensuring corporations did not profiteer off the men and women making the greatest sacrifices for their country. A windfall profit tax for Canada would be triggered by elevated rates of profits from pre-crisis levels to help soften prices for Canadians who may be affected by price increases passed on from producers such as expected tariff price increases that occur *before* a tariff comes into effect. According to PBO estimates during the 2021 election, the federal government could have generated **$15 billion in revenue** for FY 2021-22 by introducing an additional 15% tax on profits defined as "excess" earned by Canadian corporations in 2020 and 2021, applied to Canadian corporations that had earned more than $10 million in revenues in at least one year between 2016 and 2020.

5. **Recognize the rights of unions**

Canada cannot be losing good union jobs when the spectre of Trump's trade war threatens our economy. During the Second World War, workers struggled for labour rights in recognition of their contributions to the war effort. Similarly, Canadian public sector workers contribute to our efforts against US economic aggression. It was the "Great Compromise" of post-war public policy and labour laws that underwrote Canada's post-war prosperity. To end this compromise by using legal loopholes to end labour disputes weakens our democracy, the capacity to defend Canadians against inflation and US threats, induces job losses, and does not help the well-being of Canadians. The 2025 budget must include measures to reinforce the rights of labour unions, and that includes investments in the workforce.

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The demands of Canada's ongoing crises require a strong public service to defend Canadians against economic shocks like those brought on by Trump's trade war. In a war, Canada needs a wartime economy and that means fair taxation coupled with investment instead of tax cuts and workforce adjustments. By prioritizing Canada's public service, we can save tens of thousands of jobs that help to fight inflation, ensure revenues are collected, and deliver programming such as Employment Insurance that Canadians need in times of crisis. Government initiatives that consider increasing the efficiency and productivity of program delivery that reinforces jobs, helps expand green industrial policy, and fix the care economy ought to complement new public service workforce considerations.

In solidarity,

Jen Hassum
Executive Director, Broadbent Institute