

Tax man to hit Canadian workers harder in 2011

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Ontario residents will see the sharpest payroll tax hike, followed by B.C. and Nova Scotia

From the stockbroker to the sandwich-maker, nearly all Canadian workers will pay more income and payroll taxes in 2011.

The Canadian Taxpayers Federation released its annual tax calculations Tuesday and projected an average increase of 2 per cent in 2011 over 2010. The federation said Ontario residents will see the sharpest payroll tax hike, with British Columbia and Nova Scotia right behind them.

While those three provinces will be particularly hard hit, the federation's report said the working poor – regardless of region – will be seriously affected.

“In previous years, there have almost always been winners and losers depending on income levels, family scenarios and what province one lives in. This year everyone loses, although some more than others,” said Derek Fildebrandt, the federation's national research director.

The federation's annual study found that while virtually every worker in Canada will pay more, taxpayers in provinces with inflation rates above the national average will see a disproportionate increase. In the federation's research scenarios, Ontario residents saw an average increase of 4.3 per cent. B.C. and Nova Scotia workers came in at 2.9 per cent.

Mr. Fildebrandt said much of the blame for the increase lies with the Employment Insurance and Canada Pension Plan programs.

“Nationally, the culprit is EI. The federal government has created new social programs that it's decided will be funded through EI premiums, even though most of these things have little if anything to do with employment insurance as the words should actually mean.”

The federation – a non-profit group that advocates for lower taxes – pointed to a program that provides \$246-million in EI funds as special benefits for fisheries.

Chisholm Pothier, a Department of Finance spokesman, defended Prime Minister Stephen Harper's record on EI, though he did not address accusations its funds have been stretched too thin.

“[The] Harper government has not increased taxes, we believe in lower taxes and we have the record to prove it – cutting over 100 taxes and lowering taxes \$3,000 for an average family,” Mr. Pothier wrote in an e-mail. He added the Conservative government has kept EI premiums low with rate freezes.

Minister of Finance Jim Flaherty released a statement Tuesday mentioning tax relief, though it only addressed a reduction in the corporate income tax rate.

B.C. has been in the midst of a tax uproar since 2009, when the Liberal government announced it would implement the harmonized sales tax. The fate of the tax – which has forced British Columbians to pay an extra 7 per cent on some goods and services – will be decided in a referendum next year.

Before he announced he was stepping down as leader, Premier Gordon Campbell promised a 15-per-cent personal income-tax cut. The Liberals scrapped the plan soon after.

Jim May, a Vancouver schoolteacher with three children and a wife who is a nurse, said more money coming out of their wallets is the last thing they need. “Two people working in the big city, we’re basically making it but we’re not going ahead drastically. Anything that erodes our earnings is a concern,” he said.

Mr. May, 50, said trying to live within his means can be a bit tricky at times. He noted a recent rise in gasoline prices in B.C. has been enough of a shock, let alone an increase in payroll tax. “It’s another burden we have to bear,” he said.

Mr. Fildebrandt said part of B.C.’s payroll tax increase can be attributed to a hike in health premiums. Nationally, he said increases in EI and CPP thresholds mean anyone earning more than \$44,200 will pay an additional \$76, while employers pay an additional \$110 in payroll taxes.

He added increased payroll taxes disproportionately hurt the working poor, since they have less money to spare.