

BUDGET 1999



*Building today for
a better tomorrow*

Providing Tax Relief
and Improving
Tax Fairness

February 1999



Department of Finance
Canada

Ministère des Finances
Canada

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“Our goal and our commitment is to ensure that Canadians keep more of the money that they earn. After all, they worked for it. It’s theirs.”

Finance Minister Paul Martin
1999 budget speech

Highlights

- The government's objective is to provide substantial tax relief in the fairest way possible. Each of the government's budgets has provided targeted tax relief where it would be most beneficial. Significant relief was directed at students, charities, persons with disabilities and the children of parents with low incomes.
- The elimination of the deficit in 1997-98 allowed the government to introduce measures providing broad-based tax relief. The 1999 budget builds on these measures as part of a long-term strategy to permanently reduce taxes.

Measures

- The 1998 budget raised by \$500 the amount of income low-income taxpayers can earn before paying a cent of income tax. The 1999 budget increases that amount by a further \$175 to \$675 and extends it to all taxpayers – more than offsetting the effects of inflation on this amount since 1992.
- The 1998 budget began the process of eliminating the 3-per-cent surtax. The surtax was eliminated for taxpayers with incomes up to about \$50,000 and reduced for those with incomes between \$50,000 and \$65,000. The 1999 budget completes the process by eliminating the 3-per-cent surtax for all taxpayers.
- The 1998 budget announced a further \$850 million under the Canada Child Tax Benefit (CCTB) for the National Child Benefit (NCB) system. The 1999 budget sets out the design for this increased assistance, agreed to by the federal, provincial and territorial governments. Together with the \$850 million announced in the 1997 budget, this brings the federal investment in the NCB system to \$1.7 billion, targeted at low-income families.

Highlights (*cont'd*)

- The 1999 budget also commits an additional \$300 million to increase CCTB payments for modest- and middle-income families.
- Total federal support for families through the CCTB increases by \$2 billion through these measures and will reach an annual level of close to \$7 billion by July 2000.

Impacts on Taxpayers

- The 1998 and 1999 budgets together provide tax relief of \$3.9 billion in 1999-2000, \$6 billion in 2000-01 and \$6.6 billion in 2001-02, for a total of \$16.5 billion over three years.
- In combination, the 1998 and 1999 budget actions, and the \$800-million employment insurance (EI) premium rate reduction for 1999-2000 provide tax relief of \$17.3 billion over the next three years.
- The 1998 budget reduced taxes for 14 million Canadian taxpayers. The 1999 budget will reduce taxes for all 15.3 million Canadian taxpayers.
- Together, the 1998 and 1999 budgets provide the largest proportionate tax reductions at the lowest income levels.
- Single taxpayers earning \$20,000 and less will have their federal income taxes reduced by at least 10 per cent.
- Typical one-earner families with two children and incomes of \$30,000 or less will pay no net federal tax.
- Families with incomes of \$45,000 or less will have their taxes reduced by a minimum of 10 per cent and, in some cases, more.

Highlights (*cont'd*)

- As a result of the 1998 budget, 400,000 lower-income Canadians no longer pay any federal income taxes. The 1999 measures will ensure that an additional 200,000 lower-income Canadians will no longer pay federal income taxes, bringing to 600,000 the total number of taxpayers removed from the tax rolls due to both budgets.
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Introduction

The government is committed to providing substantial tax relief to Canadians on an ongoing basis. This will increase disposable incomes and enhance job creation and productivity through increased rewards for work, saving and investment.

Tax revenues finance important government programs that Canadians need and value such as health care and education. Taxes also pay for interest on the government's public debt.

A balance, therefore, must always be struck between keeping taxes low and providing a source of revenue for vital social and economic programs.

The government is committed to substantially reducing taxes, as and when it can. For tax relief to be permanent, it must be affordable and not jeopardize the soundness of Canada's finances.

For the first time since 1965, the 1999 budget provides tax relief for every taxpayer without the government having to borrow money to pay for it. The greatest proportionate relief goes to low- and middle-income Canadians.

Tax reduction plays a key role in building a better tomorrow.

Tax Policy Principles

Tax policy, an important pillar of economic and social policy, is based on three fundamental principles.

- Our tax system must be fair. Tax reductions must benefit first those who need them the most – low- and middle-income Canadians.
- Broad-based tax relief should focus initially on personal income taxes. That is where the burden is greatest and where Canadian tax rates are most out of line with certain other countries.
- Because of our debt burden, broad-based tax relief should not be financed with borrowed money.

Targeted tax reductions to meet key social and economic priorities

There are many social and economic needs in the country where the benefits from tax relief outweigh any revenue cost to the government.

In recognition of this fact, each of the government's budgets has provided targeted tax relief where the payoff was substantial and where it would be most beneficial. Targeted tax relief was provided for students, charities, persons with disabilities and the children of parents with low incomes. Examples of actions taken in budgets from 1994 to 1997 are detailed below.

- For students, the amount of the education credit was increased; the basis for the education credit was doubled; ancillary fees were made eligible for the tuition credit; and a carry-forward was allowed for unused tuition and education credits. As well, the annual and lifetime limits on contributions to registered education savings plans (RESPs) were increased.
- For charities, the threshold at which charitable donations begin to earn the 29-per-cent tax credit was lowered; GST relief on purchases and fundraising was extended; and the percentage of net income that can be claimed as charitable donations was more than doubled.
- For persons with disabilities, the tax credit for infirm dependants was enriched; the medical expense tax credit was broadened; and the limit on the attendant care deduction was removed.
- For the children of parents with low incomes, the Child Tax Benefit was increased by \$850 million in the 1997 budget.

Providing tax relief to those who need it most

With the books in balance in 1997-98, the government was able to deliver a comprehensive set of measures to further support Canada's students, families and workers as they pursue higher education, training and lifelong learning.

- The 1998 budget provided tax relief for interest on student loans; extended the education credit and the child care expense deduction to part-time students; and allowed tax-free withdrawals from RRSPs for lifelong learning.
- The 1998 budget also made tax-assisted RESPs more attractive by providing a 20-per-cent top-up to contributions through the Canada Education Savings Grant.

Personal income tax relief – 1998 and 1999 budgets

The 1998 budget provided broad-based reductions in personal income taxes for low- and middle-income taxpayers. The 1999 budget builds on the actions taken last year.

Increasing tax-free income

Personal tax credits ensure that no tax is paid on a basic amount of income. They make the tax system fairer.

- The 1998 budget raised the amount of income that low-income taxpayers can earn before paying federal income tax by \$500. The measure was targeted at low-income Canadians due to limited resources. The 1999 budget increases that amount by a further \$175 to \$675 and extends it to all taxpayers – more than offsetting the effects of inflation on this amount since 1992.
- This measure will raise the basic amount to \$7,131 and the spousal and equivalent-to-spouse amounts to \$6,055 effective July 1, 1999.
- The largest proportionate benefits of these measures will accrue to low-income Canadians.
- Due to the 1998 budget, 400,000 lower-income Canadians no longer pay any federal income taxes. The 1999 budget measures ensure that 200,000 more Canadians will be removed from the tax rolls. Together, the 1998 and 1999 budgets will remove 600,000 Canadians from the tax rolls.

Income tax relief for every Canadian taxpayer

Eliminating the 3-per-cent surtax for all taxpayers

The 3-per-cent surtax was introduced in the 1986 budget as a temporary deficit fighting measure.

- With the books in balance, the 1998 budget began the process of eliminating the 3-per-cent surtax. The surtax was eliminated for taxpayers with incomes up to about \$50,000 and reduced for those with incomes between \$50,000 and \$65,000.
- The 1999 budget completes the process by eliminating the 3-per-cent surtax for all Canadian taxpayers effective July 1, 1999.

Tax fairness

The 1999 budget proposes a number of measures that will improve the fairness of Canada's tax system.

- Currently, some low-income single parents may not fully benefit from the supplement under the GST credit. Changes are being proposed to ensure that all low-income single parents receive the maximum amount under the GST credit supplement. This measure will provide additional annual benefits of \$20 million to 300,000 single-parent families with incomes under \$12,000.
- Currently, it can take up to a year before GST credit payments are adjusted to reflect changes in family situations. Changes are being proposed that would shorten the response time.
- To provide increased assistance for people with disabilities, the list of expenses eligible for the medical expense tax credit is being expanded. For the 1999 and subsequent tax years, eligible expenses will include tutoring for persons with learning disabilities, therapy for persons with severe and prolonged disabilities and the costs of care and supervision of such persons in a group home.
- Changes are being proposed that would increase the fairness of the rules governing investments in foreign-based investment funds and transfers to non-resident trusts. This will ensure that Canadians keeping their money in Canada are not disadvantaged relative to those taking their money abroad.
- Changes are being proposed that would prevent high-income individuals from being able to reduce their taxes by income splitting with their minor children.

Improving the fairness of Canada's tax system

- To alleviate hardship when a parent of a child dies, the favourable treatment of the disposition of RRSP proceeds on death will be extended to include distribution to financially dependent children even when the annuitant has a surviving spouse.

Assistance to families with children

The 1999 budget builds on measures introduced in previous budgets to provide additional assistance for families with children through the Canada Child Tax Benefit (CCTB). The CCTB has two components: a base benefit and a supplement for low-income families. The supplement is an integral part of the National Child Benefit (NCB) system, a federal-provincial-territorial initiative to support families and reduce child poverty.

Supporting families and reducing child poverty

- The CCTB ensures that most taxpayers with children pay less tax than individuals with similar incomes but no children.
- The NCB ensures that low-income parents do not lose income supports and services when moving from welfare to the workforce.

CCTB/NCB

The 1998 budget committed an additional \$850-million federal contribution to the NCB, to be delivered in two \$425-million investments in July 1999 and July 2000, bringing the federal investment in the NCB to \$1.7 billion.

- The 1999 budget sets out the design for the \$850-million increase in assistance, agreed to by federal, provincial and territorial governments. Under this design, low-income families would receive an increase of \$350 per child in the NCB supplement.
- The design also increases the maximum level of income at which the NCB supplement benefits are provided from \$25,921 to \$29,590. This will allow for a more gradual phase-out of benefits and will provide more money to modest-income families to support their children.

Extending benefits to modest- and middle-income families

The 1999 budget proposes to allocate an additional \$300 million in July 2000 to enhance CCTB benefits for modest- and middle-income families.

- This will be done through an increase in the income threshold at which CCTB base benefits start to be reduced from \$25,921 to \$29,590.
- This measure will provide increased child benefits to 2 million modest- and middle-income families.

Significant benefits for families

Total federal support for families through the CCTB has increased by \$2 billion through the measures in the 1997, 1998 and 1999 budgets, and will reach an annual level of close to \$7 billion by July 2000. This investment provides substantial benefits to families. By July 2000:

- the maximum CCTB benefits will reach \$1,975 for the first child and \$1,775 for each additional child;
- a typical two-child family with family income of \$20,000 will receive \$3,750 in CCTB benefits compared to \$2,540 in 1996, an increase of \$1,210 or 48 per cent; and
- a family with two children and an income of \$50,000 will receive \$1,020 in CCTB benefits compared to \$836 in 1998, an increase of \$184 or 22 per cent for that family.

Substantial and Fair Tax Relief

As shown in Tables 1 through 8, combined with 1998 budget measures, the 1999 budget provides substantial and fair tax relief. Tables 3 through 8 indicate tax relief based on the situation of specific taxpayers such as marital status, family size and annual income.

The 1999 budget actions will provide Canadians with \$1.5 billion of tax relief in 1999-2000, \$2.8 billion in 2000-01 and \$3.4 billion in 2001-02. Together, the 1998 and 1999 budgets and the \$800-million EI premium rate reduction for 1999-2000 will provide \$17.3 billion in tax relief over the three fiscal years from 1999-2000 to 2001-02.

Table 1
Impact on federal revenues

General tax relief and Canada Child Tax Benefit (CCTB)	1999-2000	2000-01	2001-02	3-year cumulative impact
	(millions of dollars)			
Measures effective July 1, 1999				
Extension of \$500 supplement to all taxpayers	-665	-1,110	-1,290	-3,065
\$175 increase in tax-free income	-270	-450	-525	-1,245
Elimination of 3% surtax	-595	-995	-1,150	-2,740
Total	-1,530	-2,555	-2,965	-7,050
Tax fairness measures	-15	-25	-100	-140
Increase to CCTB ¹	0	-225	-300	-525
Total-1999 budget	-1,545	-2,805	-3,365	-7,715
Memorandum item: 1998 budget				
General and tax fairness measures	-2,070	-2,405	-2,425	-6,900
Increase to CCTB for low-income families ²	-320	-750	-850	-1,920
Total-1998 budget	-2,390	-3,155	-3,275	-8,820
Total-1998 and 1999 budgets	-3,935	-5,960	-6,640	-16,535

¹ Effective July 2000. The amount is in addition to the cumulative \$1.7-billion increase in CCTB in the 1997 and 1998 budgets.

² \$425 million effective July 1999 and an additional \$425 million effective July 2000.

The 1998 budget provided tax reductions for 14 million Canadian taxpayers. The 1999 budget will provide tax reductions for all 15.3 million Canadian taxpayers. As a result of the 1998 budget, 400,000 low-income Canadians will no longer pay any federal income tax whatsoever. The 1999 budget removes an additional 200,000 from the tax rolls for a total of 600,000.

Table 2
Impact on taxpayers – mature system

General tax relief and Canada Child Tax Benefit (CCTB)	Number of taxpayers		
	1998 and 1999 budgets	1998 budget	1999 budget
Changes to personal amounts ¹			
Number with tax reductions ²	15,700,000	5,000,000	15,300,000
Number removed from the tax rolls	600,000	400,000	200,000
Elimination of 3% surtax			
Number with tax reductions ³	15,100,000	14,000,000	2,700,000
Increase to CCTB			
Number of families with CCTB increases ⁴	3,300,000	1,400,000	2,000,000
Number of families added to CCTB eligibility ⁵	100,000	–	100,000

¹ Includes extension of \$500 supplement to all taxpayers and \$175 increase in tax-free income.

² The 1999 budget provides tax reductions to all 15.3 million taxpayers remaining after the 1998 budget removed 400,000 from the tax rolls. Consequently all 15.7 million taxpayers receive tax reductions from the two budgets combined.

³ The 1999 budget eliminates the surtax for the 2.7 million taxpayers who remained liable for the surtax following the 1998 budget measures. This number includes taxpayers who received only partial relief from the surtax in the 1998 budget.

⁴ The total number of families receiving CCTB benefits following the full implementation of the 1999 budget measures will be 3.3 million. Some families gain from benefit increases provided by both the 1998 and 1999 budgets.

⁵ As a result of the 1998 budget, the number of families eligible for the NCB supplement will increase by 175,000. However, the number of families eligible for the CCTB remains unchanged as these families were already receiving the base benefit.

Table 3
Typical single individual
Full-year impact of proposed measures

Total income	1999 budget tax relief measures										Federal tax post-1999 budget
	Federal tax ¹ pre-1998 budget	1998 budget impacts	Extending the \$500 supplement	\$175 increase to basic amounts	Surtax elimination	Canada Child Tax Benefit	Total 1999 budget	Total 1998 and 1999 budgets	Total 1998 and 1999 of federal tax ^{2,3}	\$, %	
\$ 7,500	-98	-85	-4	-30	0	0	-34	-119	-119	-119	\$ -217
10,000	262	-80	-21	-30	0	0	-51	-131	-131	-50.0%	131
15,000	1,047	-70	-55	-30	0	0	-85	-155	-155	-14.8%	892
20,000	1,866	-63	-85	-30	0	0	-115	-178	-178	-9.5%	1,688
25,000	2,685	-87	-85	-30	0	0	-115	-202	-202	-7.5%	2,483
30,000	3,746	-112	-85	-30	0	0	-115	-227	-227	-6.1%	3,519
35,000	5,128	-149	-85	-30	0	0	-115	-264	-264	-5.1%	4,864
40,000	6,429	-187	-85	-30	0	0	-115	-302	-302	-4.7%	6,127
45,000	7,768	-226	-85	-30	0	0	-115	-341	-341	-4.4%	7,427
50,000	9,107	-219	-93	-32	-35	0	-160	-379	-379	-4.2%	8,728
55,000	10,446	-141	-93	-32	-152	0	-277	-418	-418	-4.0%	10,028
60,000	11,810	-62	-93	-32	-272	0	-397	-459	-459	-3.9%	11,351
65,000	13,324	0	-92	-32	-384	0	-508	-508	-508	-3.8%	12,816
75,000	16,456	0	-92	-32	-471	0	-595	-595	-595	-3.6%	15,861
100,000	24,286	0	-92	-32	-689	0	-813	-813	-813	-3.3%	23,473

1 Includes federal income tax and the goods and services tax (GST) credit. Does not include provincial income tax. The negative value indicates that refundable GST credit received is greater than income tax paid.

2 The negative value indicates a reduction in net tax paid to the federal government.

3 Typical singles at an income of about \$7,500 and less receive more in federal refundable credit (GST credit) than they pay in federal income tax. The federal tax reduction indicated in bold therefore represents the increase in the net benefits they receive from the tax and transfer system. Percentage is not meaningful so the dollar amount is repeated.

Table 4
Typical one-earner family of four
Full-year impact of proposed measures

Total income	1999 budget tax relief measures										Total 1998 and 1999 budgets	Total 1998 and 1999 as a % of federal tax ^{3,4}	Federal tax post-1999 budget
	Federal pre-1998 budget	1998 budget impacts	Extending the \$500 supplement	\$175 increase to basic amounts	Surtax elimination	Canada Child Tax Benefit ²	Total 1999 budget	Total 1998 and 1999 budgets	Total 1998 and 1999 as a % of federal tax ^{3,4}	Federal tax post-1999 budget			
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$, %	\$
13,500	-3,708	-163	0	0	0	-700	-700	-700	-863	-863	-4,571	-863	-4,571
15,000	-3,462	-174	-7	-60	0	-700	-767	-941	-941	-941	-4,403	-941	-4,403
20,000	-2,643	-164	-41	-60	0	-700	-801	-965	-965	-965	-3,608	-965	-3,608
25,000	-1,000	-154	-75	-60	0	-719	-854	-1,008	-1,008	-1,008	-2,008	-1,008	-2,008
30,000	451	-145	-109	-60	0	-184	-353	-498	-498	-498	-47	-110.4%	-47
35,000	2,233	-149	-143	-60	0	-184	-387	-536	-536	-536	1,697	-24.0%	1,697
40,000	3,938	-160	-170	-60	0	-184	-414	-574	-574	-574	3,364	-14.6%	3,364
45,000	5,527	-199	-170	-60	0	-184	-414	-613	-613	-613	4,914	-11.1%	4,914
50,000	7,116	-238	-170	-60	0	-184	-414	-652	-652	-652	6,464	-9.2%	6,464
55,000	8,705	-197	-185	-65	-60	-184	-494	-691	-691	-691	8,014	-7.9%	8,014
60,000	10,319	-117	-185	-65	-179	-184	-613	-730	-730	-730	9,589	-7.1%	9,589
65,000	12,063	-30	-185	-65	-310	-184	-744	-774	-774	-774	11,289	-6.4%	11,289
75,000	15,469	0	-184	-64	-440	0	-688	-688	-688	-688	14,781	-4.4%	14,781
100,000	23,299	0	-184	-64	-658	0	-906	-906	-906	-906	22,393	-3.9%	22,393

¹ Includes federal income tax, refundable Canada Child Tax Benefit (CCTB) and the goods and services tax (GST) credit. Does not include provincial income tax. Negative values indicate that refundable CCTB and GST credits received are greater than income tax paid.

² Design change announced in the 1999 budget – includes the effect of the \$850-million increase announced in the 1998 budget as well as the \$300-million increase announced in the 1999 budget.

³ Negative values indicate a reduction in net tax paid to the federal government.

⁴ Typical one-earner families of four at incomes of about \$25,000 and less receive more in federal refundable credits (CCTB and GST credit) than they pay in federal income tax. The federal tax reduction indicated in bold therefore represents the increase in the net benefits they receive from the tax and transfer system. Percentages are not meaningful so the dollar amounts are repeated.

Table 5
Typical two-earner family of four
Full-year impact of proposed measures

Total Income	1999 budget tax relief measures										Federal tax post-1999 budget
	Federal tax ¹ pre-1998 Budget	1998 budget impacts	Extending the \$500 supplement	\$175 increase to basic amounts	Surtax elimination	Canada Child Tax Benefit ²	Total 1999 budget	Total 1998 and 1999 budgets	Total 1998 and 1999 as a % of federal tax ^{3,4}	Federal tax post-1999 budget	
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$, %	\$	
20,000	-3,345	-173	-18	-60	0	-700	-778	-951	-951	-4,296	
25,000	-2,687	-165	-45	-60	0	-700	-805	-970	-970	-3,657	
30,000	-1,368	-156	-77	-60	0	-712	-849	-1,005	-1,005	-2,373	
35,000	-8	-117	-85	-30	0	-344	-459	-576	-576	-584	
40,000	1,311	-161	-102	-60	0	-184	-346	-507	-38.7%	804	
45,000	2,609	-171	-116	-60	0	-184	-360	-531	-20.4%	2,078	
50,000	3,716	-183	-129	-60	0	-184	-373	-556	-15.0%	3,160	
55,000	5,063	-201	-143	-60	0	-184	-387	-588	-11.6%	4,475	
60,000	6,410	-219	-157	-60	0	-184	-401	-620	-9.7%	5,790	
65,000	7,764	-238	-170	-60	0	-184	-414	-652	-8.4%	7,112	
75,000	10,437	-304	-170	-60	0	-95	-325	-629	-6.0%	9,808	
100,000	16,498	-199	-178	-62	-272	0	-512	-711	-4.3%	15,787	

¹ Includes federal income tax, refundable Canada Child Tax Benefit (CCTB), and the goods and services tax (GST) credit. Does not include provincial income tax. Negative values indicate that refundable CCTB and GST credits received are greater than income tax paid.

² Design change announced in the 1999 budget — includes the effect of the \$850 million increase announced in the 1998 budget as well as the \$300 million increase announced in the 1999 budget.

³ Negative values indicate a reduction in net tax paid to the federal government.

⁴ Typical two-earner families of four at incomes of about \$35,000 and less receive more in federal refundable credits (CCTB and GST credit) than they pay in federal income tax. The federal tax reduction indicated in bold therefore represents the increase in the net benefits they receive from the tax and transfer system. Percentages are not meaningful so the dollar amounts are repeated.

Table 6
Typical single parent with one child
Full-year impact of proposed measures

Total income	1999 budget tax relief measures										Total 1998 and 1999 budgets	Total 1998 and 1999 as a % of federal tax ^{3,4}	Federal tax post-1999 budget
	Federal pre-1998 budget	1998 budget impacts	Extending the \$500 supplement	\$175 increase to basic amounts	Surtax elimination	Canada Child Tax Benefit ²	Total 1999 budget	Total 1998 and 1999 budgets	Total 1998 and 1999 as a % of federal tax ^{3,4}	Federal tax post-1999 budget			
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$, %	\$
10,000	-2,273	0	0	0	0	-350	-350	-350	-350	-350	-350	-350	-2,623
15,000	-2,128	0	0	0	0	-350	-350	-350	-350	-350	-350	-350	-2,478
20,000	-1,496	-123	-66	-60	-60	-350	-476	-476	-599	-599	-599	-599	-2,095
25,000	-772	-114	-95	-60	-60	-351	-506	-506	-620	-620	-620	-620	-1,392
30,000	648	-104	-129	-60	-60	-397	-586	-586	-690	-690	-690	-106.5%	-42
35,000	1,973	-97	-163	-60	-60	-92	-315	-315	-412	-412	-412	-20.9%	1,561
40,000	3,648	-129	-170	-60	-60	-92	-322	-322	-451	-451	-451	-12.4%	3,197
45,000	5,112	-168	-170	-60	-60	-92	-322	-322	-490	-490	-490	-9.6%	4,622
50,000	6,579	-207	-170	-60	-60	-92	-322	-322	-529	-529	-529	-8.0%	6,050
55,000	8,040	-246	-170	-60	-60	-92	-322	-322	-568	-568	-568	-7.1%	7,472
60,000	9,504	-181	-185	-65	-65	-92	-425	-425	-606	-606	-606	-6.4%	8,898
65,000	11,024	-99	-185	-65	-65	-92	-547	-547	-646	-646	-646	-5.9%	10,378
75,000	14,216	0	-184	-64	-64	0	-653	-653	-653	-653	-653	-4.6%	13,563
100,000	22,046	0	-184	-64	-64	0	-871	-871	-871	-871	-871	-4.0%	21,175

¹ Includes federal income tax, refundable Canada Child Tax Benefit (CCTB) and the goods and services tax (GST) credit. Does not include provincial income tax. Negative values indicate that refundable CCTB and GST credits received are greater than income tax paid.

² Design change announced in the 1999 budget – includes the effect of the \$850-million increase announced in the 1998 budget as well as the \$300-million increase announced in the 1999 budget.

³ Negative values indicate a reduction in net tax paid to the federal government.

⁴ Typical single parents with one child at incomes of about \$25,000 and less receive more in federal refundable credits (CCTB and GST credit) than they pay in federal income tax. The federal tax reduction indicated in bold therefore represents the increase in the net benefits they receive from the tax and transfer system. Percentages are not meaningful so the dollar amounts are repeated.

Table 7
Typical elderly single
Full-year impact of proposed measures

Total income	1999 budget tax relief measures										Federal tax post-1999 budget
	Federal tax ¹ pre-1998 budget	1998 budget impacts	Extending the \$500 supplement	\$175 increase to basic amounts	Surtax elimination	Canada Child Tax Benefit	Total 1999 budget	Total 1998 & 1999 budgets	Total 1998 & 1999 of federal tax ^{2,3}	Federal tax	
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$, %	\$
12,500	-30	-55	-38	-30	0	0	-68	-123	-123	-123	-153
15,000	407	-51	-55	-30	0	0	-85	-136	-136	-33.4%	271
20,000	1,283	-46	-85	-30	0	0	-115	-161	-161	-12.5%	1,122
25,000	2,158	-72	-85	-30	0	0	-115	-187	-187	-8.7%	1,971
30,000	3,383	-101	-85	-30	0	0	-115	-216	-216	-6.4%	3,167
35,000	4,953	-144	-85	-30	0	0	-115	-259	-259	-5.2%	4,694
40,000	6,424	-187	-85	-30	0	0	-115	-302	-302	-4.7%	6,122
45,000	7,894	-230	-85	-30	0	0	-115	-345	-345	-4.4%	7,549
50,000	9,341	-206	-93	-32	-56	0	-181	-387	-387	-4.1%	8,954
55,000	10,877	-132	-93	-32	-167	0	-292	-424	-424	-3.9%	10,453
60,000	12,765	-66	-93	-32	-266	0	-391	-457	-457	-3.6%	12,308
65,000	14,785	0	-92	-32	-375	0	-499	-499	-499	-3.4%	14,286
75,000	18,947	0	-92	-32	-449	0	-573	-573	-573	-3.0%	18,374
100,000	28,007	0	-92	-32	-651	0	-775	-775	-775	-2.8%	27,232

¹ Includes federal income tax, refundable goods and services tax (GST) credit. Does not include provincial income tax.

Negative values indicate that refundable GST credit received is greater than income tax paid.

² The negative value indicates a reduction in net tax paid to the federal government.

³ Typical elderly singles at an income of about \$12,500 and less receive more in federal refundable credit (GST credit) than they pay in federal income tax. The federal tax reduction indicated in bold therefore represents the increase in the net benefits they receive from the tax and transfer system. Percentages are not meaningful so the dollar amount is repeated.

Table 8
 Typical elderly couple
 Full-year impact of proposed measures

Total income	1999 budget tax relief measures										Total 1998 and 1999 budgets	Total 1998 and 1999 of federal tax ^{2,3}	Federal tax post-1999 budget
	Federal tax ¹ budget	1998 budget impacts	Extending the \$500 supplement	\$175 increase to basic amounts	Surtax elimination	Canada Child Tax Benefit	Total 1999 budget	Total 1998 and 1999 budgets	Total 1998 and 1999 of federal tax ^{2,3}	Federal tax post-1999 budget			
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
20,000	-307	-91	0	0	0	0	0	0	0	-91	-398	-91	-398
25,000	453	-119	-87	-60	0	0	0	0	0	-266	187	-58.7%	187
30,000	1,498	-110	-121	-60	0	0	0	0	0	-291	1,207	-19.4%	1,207
35,000	2,705	-105	-155	-60	0	0	0	0	0	-320	2,385	-11.8%	2,385
40,000	4,176	-122	-182	-60	0	0	0	0	0	-364	3,812	-8.7%	3,812
45,000	5,646	-164	-182	-60	0	0	0	0	0	-406	5,240	-7.2%	5,240
50,000	7,116	-207	-182	-60	0	0	0	0	0	-449	6,667	-6.3%	6,667
55,000	8,566	-249	-182	-60	0	0	0	0	0	-491	8,075	-5.7%	8,075
60,000	10,094	-177	-198	-65	-89	0	0	0	0	-529	9,565	-5.2%	9,565
65,000	11,982	-111	-198	-65	-188	0	0	0	0	-562	11,420	-4.7%	11,420
75,000	16,044	0	-196	-64	-386	0	0	0	0	-646	15,398	-4.0%	15,398
100,000	25,626	0	-196	-64	-582	0	0	0	0	-842	24,784	-3.3%	24,784

¹ Includes federal income tax, refundable goods and services tax (GST) credit. Does not include provincial income tax.

Negative values indicate that refundable GST credit received is greater than income tax paid.

² The negative value indicates a reduction in net tax paid to the federal government.

³ Typical elderly couples at an income of about \$20,000 and less receive more in federal refundable credit (GST credit) than they pay in federal income tax. The federal tax reduction indicated in bold therefore represents the increase in the net benefits they receive from the tax and transfer system. Percentages are not meaningful so the dollar amount is repeated.

1998 and 1999 budgets: relief for families

Tax relief actions in the 1998 and 1999 budgets particularly benefit low- and modest-income Canadians and their families.

■ As illustrated in the table below, a typical single parent with one child earning \$20,000 received \$123 in federal tax relief from the 1998 budget. The 1999 budget provides an additional \$476 to this individual – \$126 through the increase in personal credits and \$350 in increased CCTB benefits – for total relief of \$599 as a result of both budgets.

Table 9

Federal tax relief for Jane

Single parent with one child and an income of \$20,000

	Net federal relief (dollars)	
Pre-1998 budget federal tax ¹		-1,496
1998 budget tax reduction		
Increased tax-free income	-104	
3% surtax reduction	-19	
Total		-123
1999 budget tax reduction		
Increased tax-free income	-126	
3% surtax elimination	0	
Total		-126
Canada Child Tax Benefit ²	-350	
Total relief ³	-599	-599
Post-1999 budget federal tax ¹ (net benefit)		-2,095

¹ Negative values indicate that Jane receives more in federal refundable credits (CCTB & GST credit) than she pays in federal income tax.

² 1998 and 1999 budget increases. Negative values indicate an increase in benefits and thus a reduction in tax.

³ Full-year impact.

■ As illustrated in the table below, a typical one-earner family of four earning \$30,000 received \$145 in federal tax relief from the 1998 budget. The 1999 budget provides an additional \$353 to this family – \$169 through the increase in personal credits and \$184 in increased CCTB benefits – for total relief of \$498 as a result of both budgets.

Table 10

*Federal tax relief for Louis & Marie**One-earner couple with two children and an income of \$30,000*

	Net federal relief (dollars)	
Pre-1998 budget federal tax		451
1998 budget tax reduction		
Increased tax-free income	-60	
3% surtax reduction	-85	
Total	-145	
1999 budget tax reduction		
Increased tax-free income	-169	
3% surtax elimination	0	
Total	-169	
Canada Child Tax Benefit ¹	-184	
Total relief ²	-498	-498
% of federal income tax	-110.4%	
Post-1999 budget federal tax ³ (net benefit)		-47

¹ 1999 budget increases. Negative values indicate an increase in benefits and thus a reduction in tax.

² Full-year impact.

³ Negative values indicate that Louis and Marie receive more in federal refundable credits (CCTB & GST credit) than they pay in federal income tax.

■ As illustrated in the table below, a typical two-earner family of four earning \$50,000 received \$183 in federal tax relief from the 1998 budget. The 1999 budget provides an additional \$373 to this family – \$189 through the increase in personal credits and \$184 in increased CCTB benefits – for total relief of \$556 as a result of both budgets.

Table 11
Federal tax relief for Don & Jenna
Two-earner couple with two children and an income of \$50,000

	Net federal relief (dollars)	
Pre-1998 budget federal tax		3,716
1998 budget tax reduction		
Increased tax-free income	-41	
3% surtax reduction	-142	
Total		-183
1999 budget tax reduction		
Increased tax-free income	-189	
3% surtax elimination	0	
Total		-189
Canada Child Tax Benefit ¹	-184	
Total relief ²	-556	-556
% of federal income	-15.0%	
Post-1999 budget federal tax		3,160

¹ 1999 budget increases. Negative values indicate an increase in benefits and thus a reduction in tax.

² Full-year impact.

Conclusion

In the 1998 budget, with deficit elimination finally secure, the government was able to move more forcefully on tax reduction, putting in place a comprehensive set of tax measures to support Canada's students, families and workers as they pursue higher education, training and lifelong learning. The government was also able to undertake broader tax relief measures directed at low- and middle-income Canadians.

The 1999 budget builds on those measures to extend and enhance tax relief for all Canadians. The government has done so without prejudicing the soundness of Canada's finances or the security of our society.

As resources become available, the government will provide as much tax relief as possible. This will occur year after year, each budget building on the progress made in the years before.

How can I get more information on the 1999 budget?

Information is available on the Internet at: <http://www.fin.gc.ca>

You can also obtain copies of this brochure or other budget documents from:

Distribution Centre
Department of Finance
300 Laurier Ave. West
Ottawa, Ontario, K1A 0G5
Tel.: (613) 995-2855
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