Tax relief options by keeping spending at budgeted levels

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Finance Minister Chrystia Freeland's recent fiscal update shows the federal government is on pace to spend $20 billion over budget. Instead of spending $20 billion over budget, Freeland could provide significant tax relief by maintaining the spending announced in April's 2022 budget.

Table 1 highlights Freeland's overbudget spending. Table 2 outlines the tax relief Freeland could fund instead of spending $20 billion over budget. The tax relief estimates rely on the Parliamentary Budget Officer's Ready Reckoner tool, which helps "parliamentarians and the general public to broadly estimate the revenue impacts of changes to the federal tax system."

TABLE 1

Freeland is spending $20 billion over budget

Budgeted spending 2022	$452.3 billion
Fiscal Update spending 2022	$472.5 billion
Overbudget spending	$20.2 billion

* The fiscal update also projects spending in 2023 to be $23.8 billion higher than what was projected in April's budget.

TABLE 2

Tax relief options instead of spending $20 billion over budget

Tax relief options	Reduction in government revenue	Money left over for deficit reduction
Cut the GST by two points (5% to 3%)	$18,000,000,000**	$2,200,000,000
Cut lowest income tax rate by 4 points (15% to 11%)	$19,200,000,000	$1,000,000,000
Increase basic personal amount by $5,000	$16,600,000,000	$3,600,000,000
Cut general business tax rate by 8 points (15% to 7%)	$17,600,000,000	$2,600,000,000
Eliminate small business tax and cut general business tax rate by 5 points	$16,580,000,000	$3,620,000,000

** The fiscal update estimates higher GST revenues than the PBO's revenue tool. The fiscal update project GST revenue to total $47.2 billion in 2022. Using the fiscal update's GST forecast, a two-point reduction to the GST would reduce the government's revenue by $18.9 billion this year. That means Freeland could still fund the GST cut by maintaining spending at budgeted levels.