

Views on Taxes and Tax Credits

CERTIFIED GENERAL ACCOUNTANTS ASSOCIATION OF CANADA

Draft Report • Project 2012-283

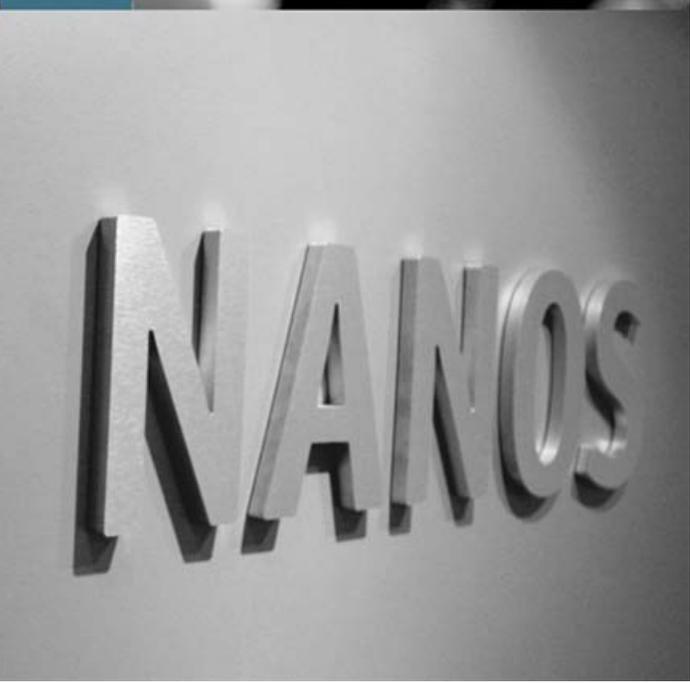


Table of Contents

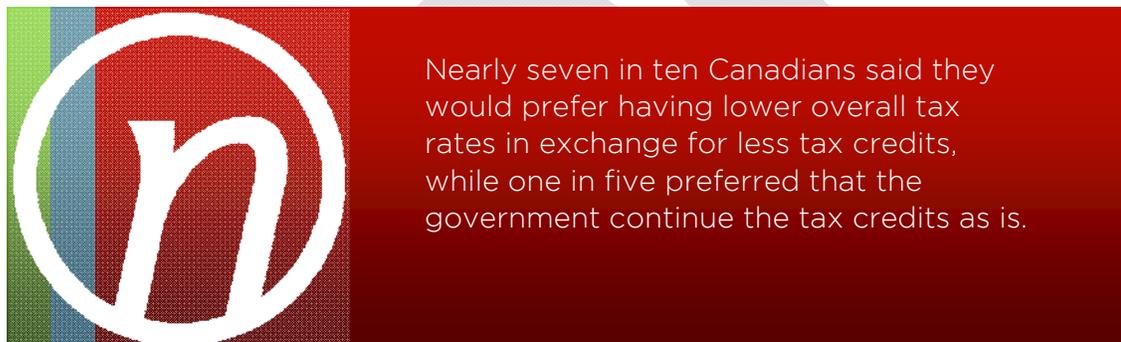
1.0	Executive Summary	2
	Key Findings	2
2.0	Perceptions of Canada's Tax System.....	4
	2.1 Perceived Direction of Canada's Tax System	4
	2.2 Opinion Drivers on Canada's Tax System.....	5
	2.3 Perceived Complexity of Canada's Tax System	6
3.0	Importance of Proposed Priorities	7
	3.1 Having a Fair Tax System	7
	3.2 Having an Efficient Tax System	7
	3.3 Having a Simple Tax System	7
	3.4 Having a Tax System which Makes Canada Competitive.....	8
	3.5 Reducing the Cost Government Incurs to Run our Tax System	8
	3.6 Creating Special Tax Incentives that Apply to Specific Groups of People or Businesses	8
	3.7 Reducing the Overall Personal Income Tax Rate.....	9
4.0	Views on Tax Credits	10
	4.1 Choice between Tax Credits and Lower Overall Tax Rates	10
	4.2 Perceived Effects of Tax Credits.....	11
	Appendix A – Methodology.....	13
	Appendix B – The Tax System Is Unfair	15
	Appendix C – Statistical Tables	17



1.0 Executive Summary

The survey conducted by Nanos Research indicated that one in two Canadians (49.4%) still thought the tax system is moving in the wrong decision while one in three (36.0%) thought the opposite. Canadians were significantly more likely to find having a fair tax system important, and conversely, were more likely to deem creating special tax incentives that apply to specific groups of people or businesses unimportant. Of note, nearly seven in ten Canadians (68.4%) would prefer having lower overall tax rates in exchange for less tax credits, than having the government continue the tax credits as is.

To follow are the findings of a national random telephone survey conducted by Nanos Research between May 26th and 31st, 2012 on behalf of the CGA. A total of 1,201 Canadians aged 18 and older participated in the survey. The survey is accurate to within ± 2.8 percentage points, 19 times out of 20.



Key Findings

- **Right Direction/Wrong direction** – Canadians were more likely to believe that Canada’s tax system is moving in the wrong direction (49.4%) than in the right direction (36.0%). The opinions of those who thought that the system is moving in the right direction were most commonly driven by the belief that Canada maintains an effective tax system (33.9%) and that it is improving (11.1%), while many who thought the system is moving in the wrong direction thought taxes are too high (31.8%) or that the system is unfair (28.8%).
- **Top Proposed Tax Priorities** – Respondents were asked to rate seven proposed priorities related to the tax system on a ten–point scale, where 1 was “not at all important” and 10 was “very important”. Having a fair tax system was the most important priority among four out of five Canadians (81.3%). Having an efficient tax system came second, with three in four respondents (74.0%) thinking it is important while having a simple tax system was viewed as important by six in ten Canadians (62.1%).



- **Least Important Proposed Tax Priority** – Two in five respondents (43.9%) were neutral about creating special tax incentives that apply to specific groups of people or businesses, while three in ten (30.5%) thought it is important and less than one in four (22.0%) thought the opposite. Compared to last year, fewer Canadians thought that creating special tax incentives that apply to specific groups of people or businesses is important (30.5% in 2012 versus 33.5% in 2011) while more thought it is not important (22.0% in 2012 versus 17.9% in 2011).
- **Tax Credits** – Asked to choose, nearly two in three Canadians (64.2%) preferred having lower overall tax rates, one in four (26.4%) preferred government to preserve the special tax credits. This may be partly explained by the fact that more than half of Canadians (54.8%) perceived tax credits as failing to positively change people's behaviour. Compared to last year, there was a 6.8 percentage point drop in the proportion of respondents who preferred lower overall tax rates while there was a 2.4 percentage point increase for preserving tax credits.
- **Complexity of the tax system** – Half of respondents (49.8%) thought that the tax system is more complex today than it was 10 years ago. One in four (26.7%) thought the tax system is the same while less than one in ten (7.9%) thought it is less complex and a further one in six (15.6%) were unsure.

Key Insights

- **Right Direction/Wrong Direction** – Canadians are still more likely to believe that the tax system is moving in the wrong direction than the right direction.
- **Tax Credits and Incentives** – Canadians did not consider tax credits or incentives as a priority and would prefer if the government would lower the overall personal income tax.
- **Priorities of Canadians** – Having a fair tax system was the top priority for Canadians while creating special tax incentives that apply to specific groups of people or businesses was considered the least important.



2.0 Perceptions of Canada's Tax System

Overall, Canadians were more likely to think that the tax system is heading in the wrong direction than in the right direction, with their opinions most likely being driven by the belief that taxes were too high or that the tax system was unfair. They were also more likely to perceive Canada's tax system as more complex than 10 years ago.

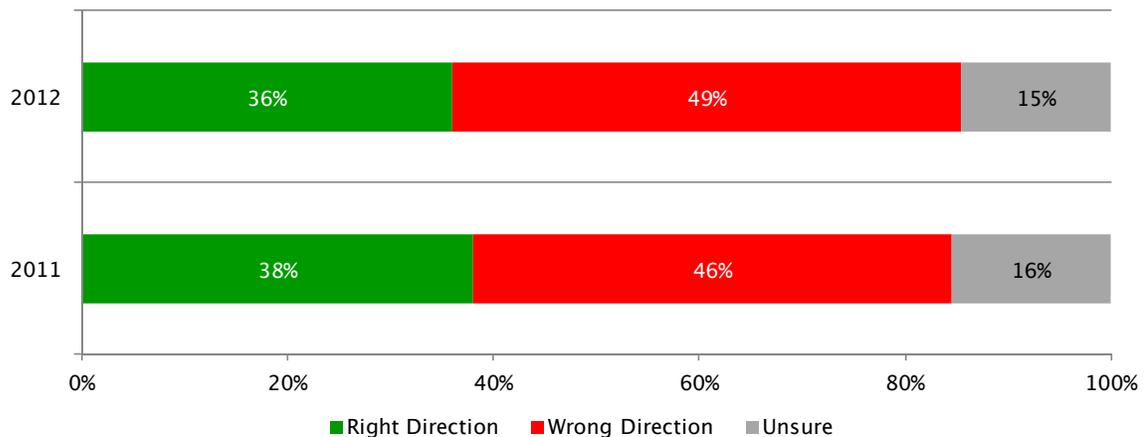
2.1 Perceived Direction of Canada's Tax System

One out of two Canadians (49.4%) thought that Canada's tax system is moving in the wrong direction, followed by one in three (36.0%) who thought it is headed in the right direction and less than one in five (14.5%) who were unsure. Results are comparable to those seen in 2011, when 46.4 percent thought the tax system was moving in the wrong direction, 38.1 percent thought it was moving in the right direction, and 15.5 percent were unsure.

Residents of Quebec were comparatively less likely to say that the tax system is moving in the wrong direction (46.6%) while being more likely to say it is moving in the right direction (42.5%).

Those who self-identified as Conservative Party supporters were comparatively more likely to be optimistic about the direction of Canada's tax system, with 49.3% saying it is moving in the right direction and 35.7%, the opposite.

Exhibit 2A: Do you think Canada's tax system is moving in the right direction or the wrong direction? (n=1,201)



2.2 Opinion Drivers on Canada's Tax System

The most commonly cited opinion driver for the perceptions of the direction of Canada's tax system was that taxes are too high, an opinion shared by 16 percent of Canadians.

Among those who were positive about the direction of Canada's tax system, the most commonly cited opinion driver was that Canada maintains an effective tax system and that taxes are used well (33.9%), followed by those who said they were unsure (16.6%).

Of those who thought the tax system is heading in the wrong direction, one in three (31.8%) thought that taxes are too high. One in four (28.8%) said they thought the tax system is moving in the wrong direction because the current tax system is unfair.

Exhibit 2B: Why do you have that opinion about the tax system? [Open-ended]

			Question 1 – Do you think Canada's tax system is moving in the right direction or the wrong direction?			Total
			Right direction	Wrong direction	Unsure	
Question 2 – Why do you have that opinion about the tax system?	The tax system is unfair	Count	0	171	5	176
		Column %	.0%	28.8%	2.8%	14.6%
	Taxes are too high	Count	0	189	4	193
		Column %	.0%	31.8%	2.3%	16.0%
	Social programs/services	Count	41	0	0	41
		Column %	9.5%	.0%	.0%	3.4%
	Austerity measures/deficit reduction	Count	24	8	0	32
		Column %	5.5%	1.3%	.0%	2.7%
	Canadian tax system is better than in other countries	Count	31	0	0	31
		Column %	7.2%	.0%	.0%	2.6%
	Tax dollars are not used in the interest of the public	Count	10	80	5	95
		Column %	2.3%	13.5%	2.8%	7.9%
	Canada maintains an effective tax system and taxes are used well	Count	147	0	1	148
		Column %	33.9%	.0%	.6%	12.3%
	The tax system has not changed	Count	10	1	0	11
		Column %	2.3%	.2%	.0%	.9%
	The tax system is improving	Count	48	0	0	48
		Column %	11.1%	.0%	.0%	4.0%
	The tax system needs to be improved	Count	26	56	4	86
		Column %	6.0%	9.4%	2.3%	7.1%
Other	Count	24	43	10	77	
	Column %	5.5%	7.2%	5.7%	6.4%	
Unsure	Count	72	46	147	265	
	Column %	16.6%	7.7%	83.5%	22.0%	
Total	Count	433	594	176	1203	
	Column %	100.0%	100.0%	100.0%	100.0%	



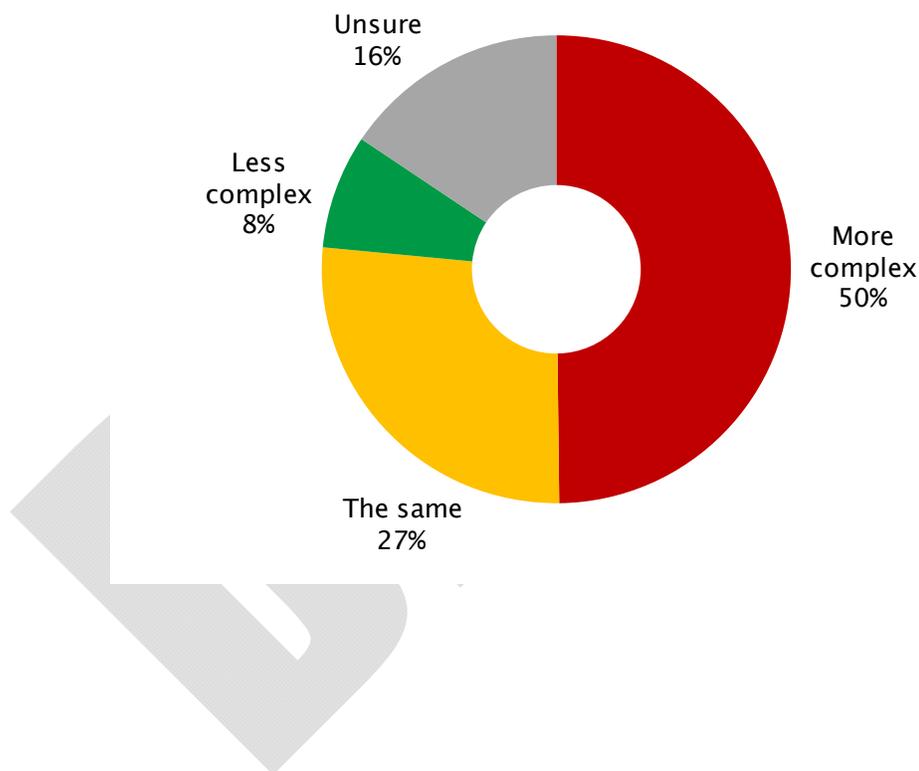
2.3 Perceived Complexity of Canada's Tax System

One out of two Canadians (49.8%) thought that Canada's tax system is more complex today, followed by one in four (26.7%) who thought it is the same and less than one in ten (7.9%) who thought it was less complex. One in six (15.6%) were unsure of how the tax system changed.

Respondents from Quebec were the least likely to think that Canada's tax system is more complex (37.7%), while respondents from Ontario were most likely to find that this was the case (59.2%).

Canadians older than 60 were the most likely to be pessimistic about the complexity of Canada's tax system (56.8%) while Canadians aged 30 to 39 were the least likely (40.1%).

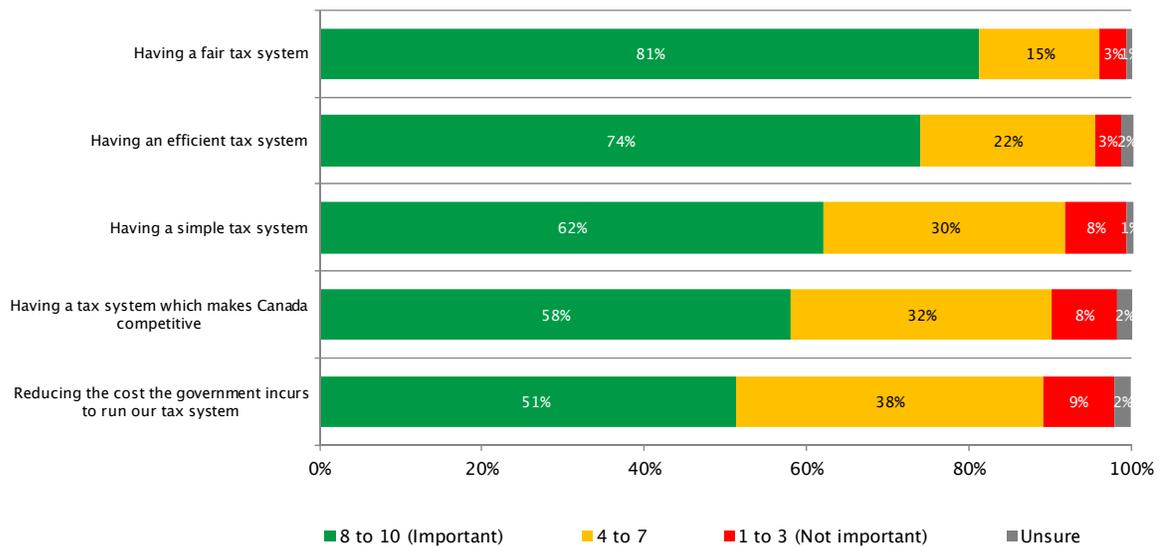
Exhibit 2C: Do you think Canada's tax system is more complex, the same or less complex than it was 10 years ago? (n=1,201)



3.0 Importance of Proposed Priorities

Respondents were asked to rate seven proposed priorities related to the tax system on a ten-point scale, where 1 was “not at all important” and 10 was “very important”. Canadians were most likely to say that having a fair tax system was important while creating special tax incentives that apply to specific groups of people or businesses was less likely to be considered important.

Exhibit 3C: On a scale of 1 to 10, where 1 is not at all important and 10 is very important, please rate the following: (Randomize) (n=1,201)



3.1 Having a Fair Tax System

Having a fair tax system was considered important (8–10 out of 10) by four out of five Canadians (81.3%), while one in six (14.8%) were neutral (4–7 out of 10) followed by 3.3 percent who thought it was not important (1–3 out of 10) and 0.7 percent who were unsure. This priority received the highest rating of all the proposed priorities with 56.7 percent of the population giving it ten on the ten-point scale.

3.2 Having an Efficient Tax System

Having an efficient tax system was considered important by three in four Canadians (74.0%), while two out of ten (21.5%) were neutral followed by 3.2 percent who thought it was not important and 1.5 percent who were unsure. Respondents in Quebec were comparatively more likely to consider it important (82.1%) than respondents in British Columbia (68.8%)

3.3 Having a Simple Tax System

Three in five Canadians (62.1%) considered that having a simple tax system was important while nearly one in ten (7.5%) thought the opposite. Three Canadians out of ten (29.8%)



were neutral towards this priority and 0.8 percent were unsure. Respondents from the Atlantic were comparatively more likely to consider it important (70.4%) than those from the Prairies (57.7%).

3.4 Having a Tax System which Makes Canada Competitive

Three in five Canadians (58.0%) considered that having a tax system which makes Canada competitive was important while nearly one in ten (8.1%) thought the opposite. Three Canadians out of ten (32.2%) were neutral towards this priority and 1.8 percent were unsure. Participants aged 18 to 29 were comparatively less likely to consider it important (43.4%) than Canadians aged 40 to 49 (65.7%).

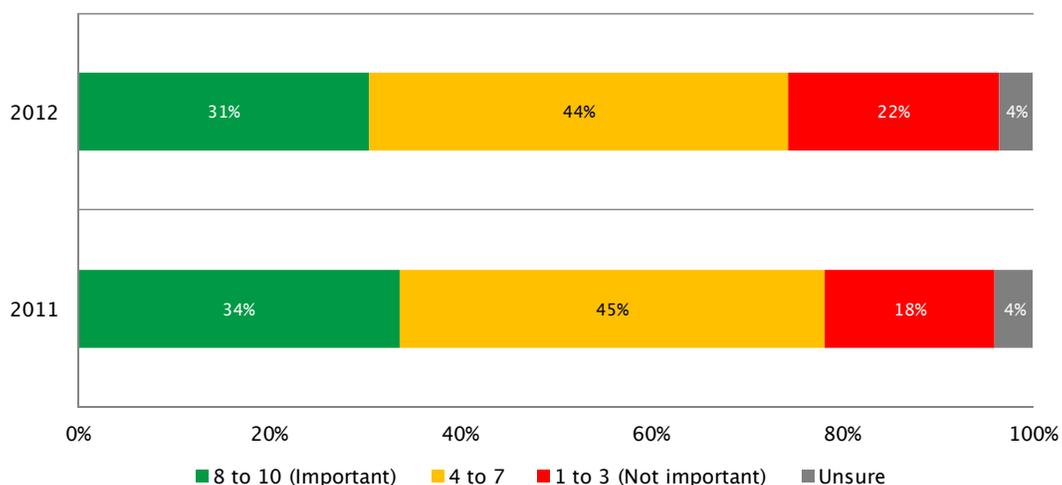
3.5 Reducing the Cost Government Incurs to Run our Tax System

Reducing the cost the government incurs to run our tax system was considered important by one out of two Canadians (51.3%), while nearly two in five (37.8%) were neutral followed by one in ten (8.8%) who thought it was not important and 2.1 percent who were unsure. Respondents aged 18 to 29 were comparatively less likely to consider it important (40.1%) than Canadians aged 40 to 49 (61.2%).

3.6 Creating Special Tax Incentives that Apply to Specific Groups of People or Businesses

One in three Canadians (30.5% in 2012 versus 33.5% in 2011) believed that creating special tax incentives that apply to specific groups of people or businesses was important, while one in five (22.0% in 2012 versus 17.9% in 2011) thought that it was not important. More than two in five Canadians (43.9% in 2012 versus 45.0% in 2011) were neutral about this statement and a small proportion of Canadians (3.6% in 2012 versus 3.5% in 2011) was unsure.

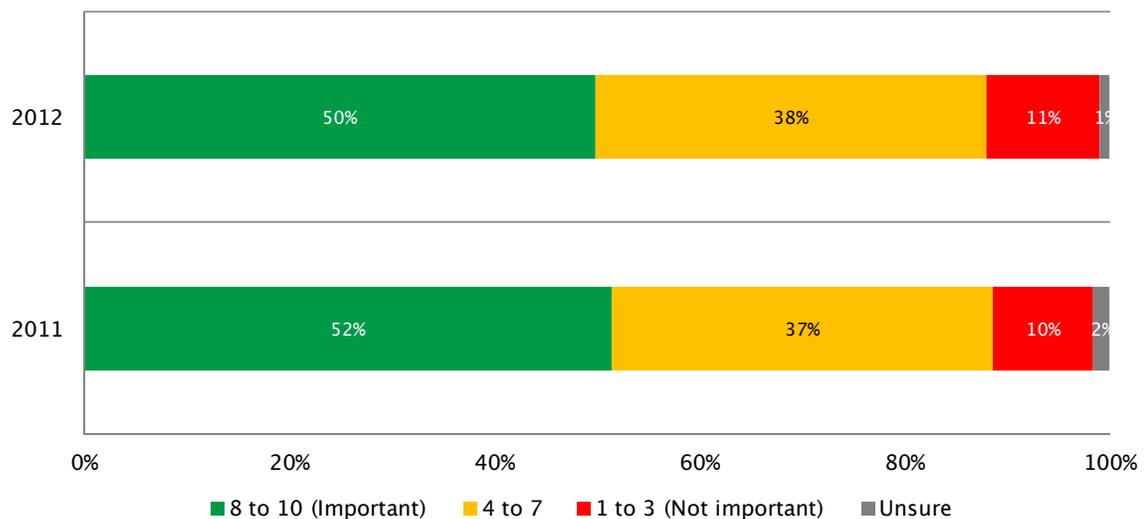
Exhibit 3A: On a scale of 1 to 10, where 1 is not at all important and 10 is very important, please rate the following: Creating special tax incentives that apply to specific groups of people or businesses (n=1,201)



3.7 Reducing the Overall Personal Income Tax Rate

One in two Canadians (49.8% in 2012 versus 51.5% in 2011) thought that reducing the overall personal income tax rate was important, while one in ten (11.0% in 2012 versus 9.8% in 2011) believed the opposite. Nearly four in ten Canadians (38.2% in 2012 versus 37.2% in 2011) were neutral about this statement and almost no Canadians (1% in 2012 versus 1.6% in 2011) were unsure. Compared to last year, the results remained relatively unchanged and the difference in the numbers stayed within the margin of error.

Exhibit 3B: On a scale of 1 to 10, where 1 is not at all important and 10 is very important, please rate the following: Reducing the overall personal income tax rate (n=1,201)



4.0 Views on Tax Credits

Overall, Canadians were more likely to choose lower overall tax rates than to preserve tax credits as is, which may be partly explained by the fact that Canadians were more likely to perceive tax credits as failing to positively change people's behaviour.

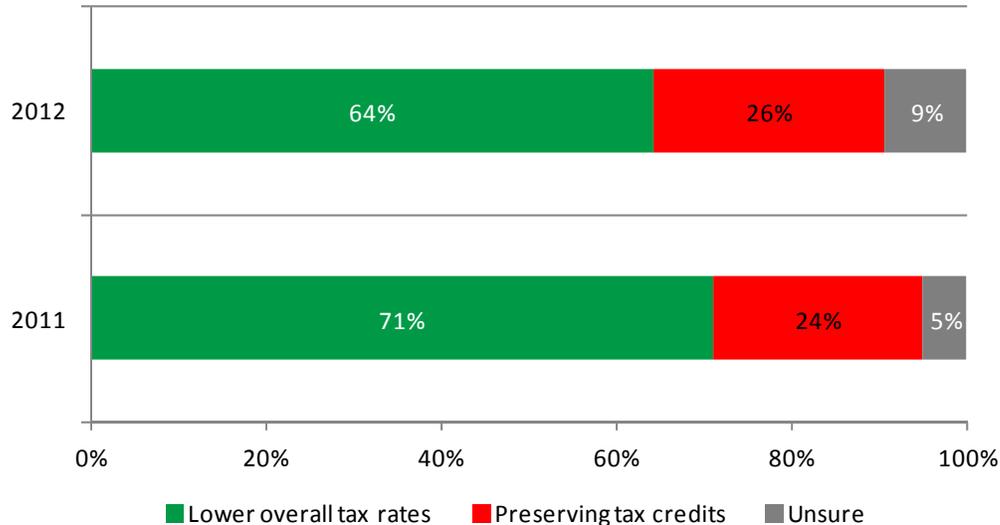
4.1 Choice between Tax Credits and Lower Overall Tax Rates

Asked to choose between preserving special tax credits and a lower overall personal tax rate, two Canadians out of three (64.2% in 2012 versus 71.0% in 2011) preferred lower overall tax rates while one in four (26.4% in 2012 versus 23.9% in 2011) chose to preserve tax credits and one in ten (9.4% in 2012 versus 5.1% in 2011) was unsure.

Respondents from Quebec were the most likely to choose to preserve tax credits (38.0%) while those from the Atlantic provinces were the most likely to choose lower overall tax rates (75.0%).

Those who self-identified as Conservative Party supporters were the least likely to choose to preserve tax credits (19.5%) and the most likely to choose lower overall tax rates (73.1%).

Exhibit 4A: If you had to choose between [ROTATE] the government preserving special tax credits OR having a lower overall personal tax rate, what would you prefer?



Later in the survey, Nanos tested views related to the cost of tax credits. Respondents were explained that a recent study¹ in 2012 identified over 100 tax credits available that cost the federal government \$130 billion a year while the government collects \$120

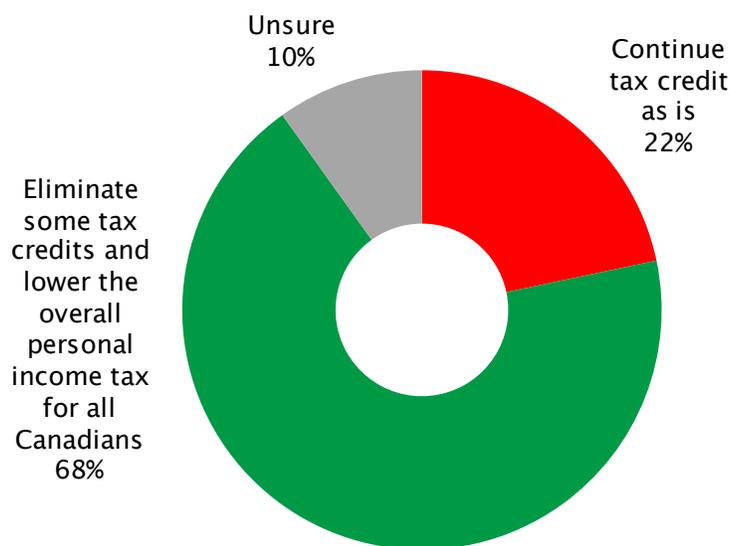
¹ Clemens, J. (2012). *Tax Reform Needed in Upcoming Federal Budget*. The Macdonald-Laurier Institute. <http://www.macdonaldlaurier.ca/wp-content/uploads/2012/03/Tax-reform-needed-in-upcoming-federal-budget-March-2012.pdf>



billion a year in income taxes. Following that statement, seven Canadians out of ten (68.4%) said they would choose to eliminate some tax credits and lower the overall personal income tax for all Canadians while one in five (21.7%) said they would continue the tax credits as is and one in ten (9.9%) was unsure.

Exhibit 4B: A recent study in 2012 calculated that there are over 100 tax credits available through the Government of Canada, such as the Child Fitness Tax, tax credits for tradespeople and apprentice mechanics, and first time home buyers. These tax credits cost the federal government \$130 billion a year while the government collects \$120 billion in personal income taxes a year.

Given the choice would you prefer that the government [ROTATE] continue the tax credits as is or eliminate some tax credits and lower the overall personal income tax rate for all Canadians? (n=1,201)



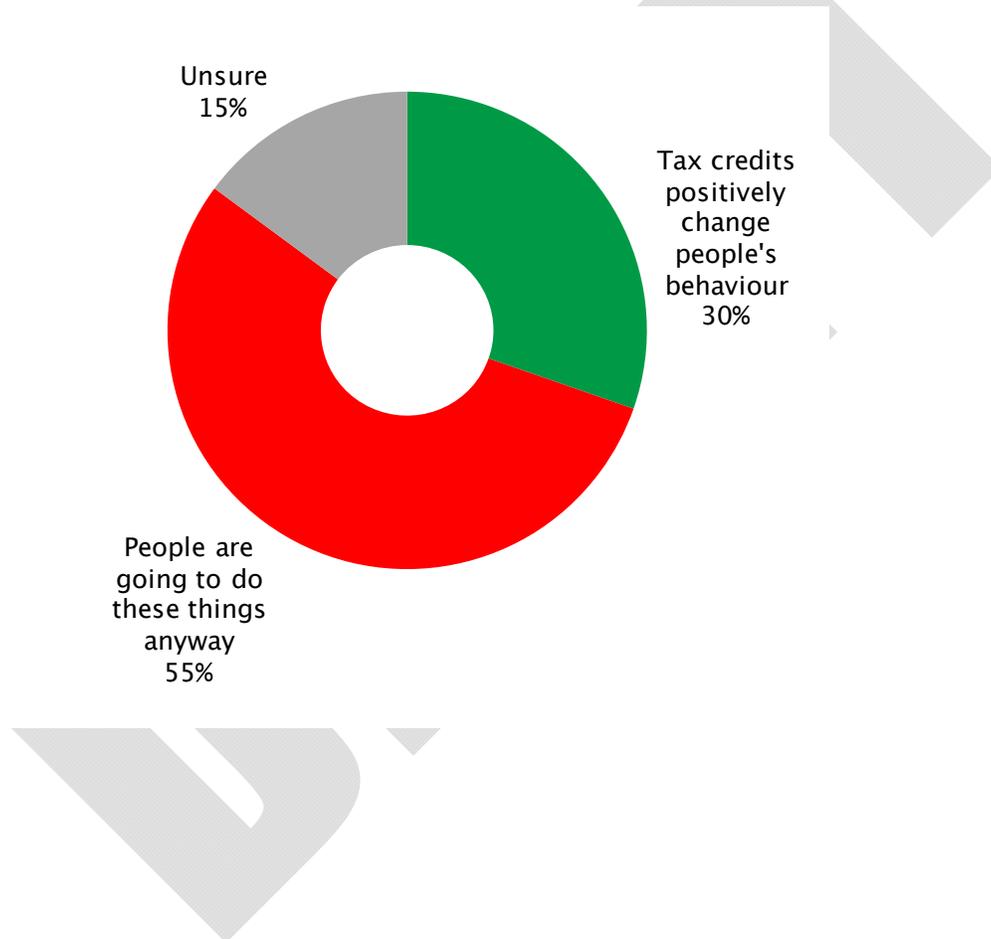
4.2 Perceived Effects of Tax Credits

During the survey, Nanos tested two statements: that some people think that tax credits positively change people's behavior such as taking public transit and that others think that people are going to do those things anyway but still get a tax credit afterwards. One in two Canadians (54.8%) thought that tax credits do not positively change people's behaviour while three in ten (30.3%) thought the opposite and one in six (14.9%) was unsure.

Residents of Quebec were the most likely to think that tax credits positively change people's behaviour (45.2%) while residents of Ontario were the least likely to think the same (23.1%).

Those who self-identified as Conservative Party supporters were less likely to think that tax credits positively change people's behaviour (20.5%) and more likely to think the opposite (64.3%).

Exhibit 4C: Some people think that [ROTATE] tax credits positively change people's behavior such as getting people to train for a job or take public transit, while others think that people are going to do those things anyway but that they just get a tax credit after the fact. Which of these two views, if either, best reflects your personal opinion? (n=1,201)



Appendix A

Methodology

DRAFT



Nanos Research was retained by the Certified General Accountants Association of Canada (CGA-Canada) to conduct a survey among Canadians to gauge perceptions on issues regarding Canada's tax system, including the future direction of the tax system, the importance of proposed priorities and views of tax credits.

This particular report includes a combination of longitudinal data and new research content. The most recent wave of data is comprised of a random telephone sample of 1,201 Canadians aged 18 and older. It was conducted between May 26th and 31st, 2012 and is accurate to within ± 2.8 percentage points, plus or minus, 19 times out of 20. The previous wave of data is comprised of a random telephone sample of 1,205 Canadians aged 18 and older. It was conducted between May 24th and 29th, 2011 and is accurate to within ± 2.8 percentage points, plus or minus, 19 times out of 20.

Within the sampling universe, potential respondents were randomly selected to participate in the study. All selected members of the sampling universe who were not available were called back five (5) times. Percentages may not add up to 100 due to rounding.

Ten percent of the fieldwork was monitored as part of the firm's quality and data integrity procedures. Validation and testing of key demographic cohorts indicate that the sample profiles were representative of the populations within acceptable margins of statistical accuracy.

DRAFT



Appendix B

The Tax System Is Unfair

DRAFT



Question 2 – Why do you have that opinion about the tax system?

Preceding question: Question 1 – Do you think Canada’s tax system is moving in the right direction or the wrong direction?

The following list represents the distribution of opinions or types of verbatim responses which were grouped into the code “The tax system is unfair” in Question 2:

- Many do not pay enough taxes;
- The burden is on the middle class;
- The tax system is unfair;
- The gap between the rich and the poor is getting bigger; and
- There are loopholes in the tax system.

DRAFT



Appendix C

Statistical Tables

DRAFT

