
A Taxpayers' Bill of Rights

by Alex Shepherd, MP

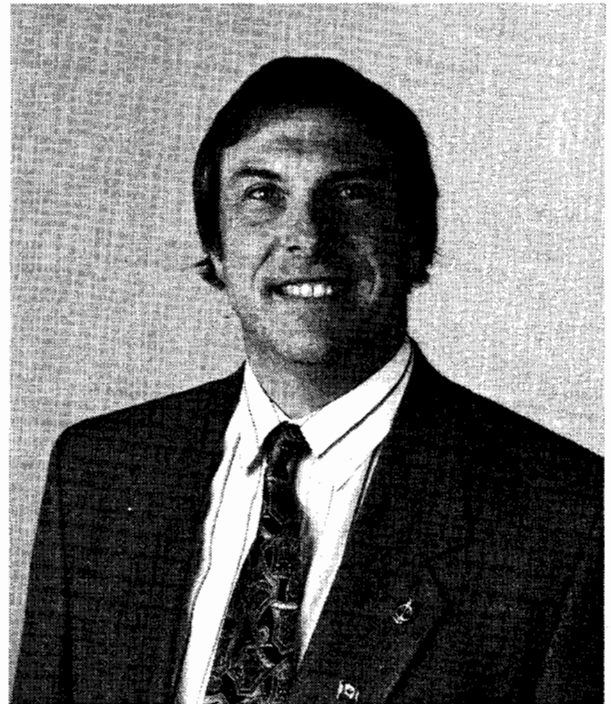
As taxation has changed, so have attitudes of taxpayers. Avoiding consumption taxes, offshore investments, and outright tax avoidance have become common practice. This article argues for the need to rethink our entire approach to taxation.

Taxation is fundamental to the functioning of our nation. Yet many citizens believe they are isolated from the process that sets income tax levels. They feel they no longer have the ability to pay. This is why I am advocating a Taxpayers' Bill of Rights.

Over the course of history people have shown a common reaction to taxation and the relationship between taxation and government. Whether it is donating a portion of your crop, being involved in a political issue that affects you, or being dependent on government for retirement support, a lot of our involvement with government stems from our view of taxation.

One hundred and fifty years ago Canadians consented to being taxed for what they received equaled what they paid for. Taxes went to build roads, rail lines and port facilities.

Now, times have changed. Canadians are suspicious of government spending and they do not feel the goods and services received is equal to the amount of tax paid. This came about for two reasons. First, Canadians do not understand the cost of government. Government has spent too many hours and dollars disguising it. Why do we include taxation in the price of liquor, cigarettes, gasoline and other products? Why are taxes not visible. Is there some efficiency involved here or is government ashamed of how it treats taxpayers? Secondly, Canadians do not feel they have consented to the collection, by government, of such high levels of income tax. Some



so-called experts have suggested different ways of limiting the amounts of money government can take from citizens. Mostly they advocate tax and expenditure limits but this approach places rigidities on fiscal arrangements and requires referendums to change. Furthermore taxation and expenditure limits do not contribute to a better understanding and knowledge of how and why government spends.

So why not put in place a degree of accountability taxpayers could accept, which would account for how taxes are spent to create government programs?

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Increasing visibility of how government spends is one major objective of the Taxpayers' Bill of Rights. Costing government programs, past, present and future, and having the costing method certified, as reasonable by the Auditor General, forms the basis for creating visibility in government.

Whether or not visibility would change voting behavior is not clear. But if voters clearly see the relevant cost of programs and how much their taxes are contributing to them, they would take a greater interest in what government is proposing and be more selective.

For example, if I told taxpayers that gun registration will cost a minimum of \$20 each per year for the rest of their lives, whether a gun is owned or not, they would want the benefits of registration clearly spelled out.

You can visualize the impact this would have. Political parties would have to have their programs properly costed, in total, and on an individual taxpayer basis. Is it not a logical extension of our democracy that we have the right to know what government programs and services are going to cost?

Revenue Canada has acquired enormous power. Much of this power has gone unchecked by government. Take, for example, the proposal in the last federal budget reducing the necessity to prove probable cause in order to make demands on third parties. This means Revenue Canada does not have to possess evidence of wrong-doing, before making demands for outstanding funds.

This is only the tip of the iceberg. Who knows how many bank seizures, property liens, people forced into bankruptcy (when a settlement would have made both parties better off) occurred because an unwieldy state apparatus regularly transgressed, what I believe to be, Canadians civil liberties.

Read your tax return. You will see included there, what Revenue Canada calls Taxpayers' Rights. It is about three paragraphs long. None of the so-called rights are legislated, they are only administrative practices. It would not take the casual observer long to realize he or she had very few practical rights with respect to taxation.

Reducing the number of changes to the *Income Tax Act*, and legislating major changes, approximately every 15 years, would assist taxpayers in familiarizing themselves with the tax system. Believe it or not, the system changes weekly. This is a root cause of blank stares by Canadians and feelings of total helplessness every year when tax time rolls around. A labyrinth of tax forms and regulations, bearing little resemblance to previous years forms, leaves taxpayers with the feeling the system is administered by sorcerers.

The ability to change, not only the rules of the game, but the entire game in mid stream, are normal practices

on the part of Revenue Canada. A Taxpayers' Bill of Rights would attempt to rein in this excessive power, while developing a degree of stability in tax policy, along with confidence and respect by Canadians for government.

A real Taxpayers' Bill of Rights would create a taxpayers ombudsman. The ombudsmans job is to stand between the state and the individual. The rights of taxpayers, compensation when the taxpayer is wronged, and defining taxpayers rights, all fall under the authority of this office.

Still the question remains of just how much money government can take? The taxes of an average family have risen to 36 per cent of total income from 26 per cent over the last 20 years. At the same time spending on food, shelter and clothing fell to 25 per cent from 32 per cent. Canadians are paying more in taxation than for basic necessities. The large outstanding balance of unpaid income tax - now approximately \$4.5 billion - represents people preferring to maintain the necessities of life during the recession of the 80s, instead of paying their taxes to government.

People who come into my office feel there is no end to the amount of money government will take from them. The Taxpayers' Bill of Rights addresses this. Government needs to define its limitation. I am suggesting government measure total taxation against total annual income since both can be easily measured. Starting with a threshold of 55 per cent of income, and reducing this by 1 per cent each year for 15 years, would give taxpayers the knowledge that limitations had been put on total taxation.

With the visibility of taxes, mentioned previously, it is possible to total the amount of direct taxes paid by a person in any one year. Then, by multiplying this amount to a factor established by Statistics Canada, to show how much a person paid in indirect taxes - such as royalties and custom duties - a total picture of the amount of taxes paid by a person can be accomplished.

If this amount exceeds the 55 per cent threshold, the difference is refunded by a tax commission, jointly chaired by the federal and provincial governments.

Obviously, some people may design their financial affairs to report low levels of income who have substantial assets. These people could finance

consumption out of capital. I have excluded people who have a net worth in excess of \$500,000 for this reason.

This kind of legislation is long overdue. Ask yourself this, "Would Canadians have rolled up the horrendous debts that tie the hands of policymakers if they were aware of what government programs and services cost?"

A Taxpayers' Bill of Rights would put the onus on government to manage its affairs differently, since there is only a limited amount of funds available to spend. Actually, the Bill would take us back to previous regimes where the powers to tax, spend and borrow were in different hands. The Bill would put Canadians on an equal footing with government.

Greater visibility of taxes and creating voter awareness are the main objectives of this legislation. Curbing excessive powers in the hands of Revenue Canada, a department constantly under pressure to collect more funds, is also an important objective of the Bill.

Determining specific individual limitations to taxation will give taxpayers a degree of certainty with respect to the future. Guaranteeing them access to a known quantity of their disposable income will make Canadians less likely to consider avoidance in paying taxes, while encouraging consumption.

Restoring mutual respect will actually discourage the movement of capital outside of Canada. The erosion of the underground economy is another benefit since Canadians would see that government has established limits on how deep it is willing to dig into the taxpayers pockets.

But most importantly, a Taxpayers' Bill of Rights establishes the basis for respect of government, and that is something sadly lacking in this great nation.