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# THE ROAD TO BALANCE

In an uncertain world, Canada's Economic Action Plan (EAP) is working—creating jobs, keeping the economy growing and returning to balanced budgets. Since the beginning of the recovery, Canada has achieved the best job creation record of any Group of Seven (G-7) country, and one of the best economic performances in the G-7.

The cornerstone of the Government's efforts to create jobs and opportunities for Canadians is the commitment to return to balanced budgets in 2015. As Economic Action Plan 2014 makes clear, the Government is on track to deliver on that commitment.

## 🍁 A PLAN TO RETURN TO BUDGET BALANCE

Balancing the budget and reducing debt are not an end to themselves, but a means to increase Canada's economic potential, to improve employment opportunities and increase the standard of living of Canadians. The Government's plan to return to balanced budgets:

- Ensures tax dollars are used to support important social services—like health care—rather than paying interest costs.
- Preserves Canada's low-tax plan and allows for further tax reductions—fostering growth and the creation of jobs for the benefit of all Canadians.
- Helps to keep interest rates low, instilling confidence in consumers and investors, whose dollars spur economic growth and job creation.
- Strengthens the country's ability to respond to longer-term challenges, such as population aging and unexpected global economic shocks.
- Signals that public services are sustainable over the long run, and ensures fairness and equity for future generations by avoiding tax increases or reductions in services.



Canada's responsible fiscal position is key to economic growth and job creation for the long term. Canada's efforts to pay down debt before the global recession and control spending have helped ensure that Canada's net debt-to-GDP ratio is the lowest by far of any G-7 country, and among the lowest of advanced G-20 countries. It is also why Canada is among only a handful of countries with a triple-A credit rating, with a stable outlook, from all major credit rating agencies.

## 🍁 BUDGET BALANCE IN 2015-16

The Government is on track to return to balanced budgets. The deficit has been reduced by almost two-thirds since the height of the global economic and financial crisis, from \$55.6 billion in 2009-10 to \$18.9 billion in 2012-13.

Including measures in EAP 2014, the deficit is projected to fall to \$2.9 billion by 2014-15. A surplus of \$6.4 billion is expected in 2015-16, after taking into account a \$3.0 billion annual adjustment for risk.

## CONTROLLING PROGRAM SPENDING

Since EAP 2010, the Government has controlled direct program spending through targeted savings actions and broad-based reviews focused on reducing spending without compromising the delivery of priority services to Canadians. Taking into account the new measures in EAP 2014, direct program spending is projected to remain broadly in line with the 2010-11 level through to 2018-19.

In fact, direct program spending has declined for three consecutive years, a trend that has not been observed in decades. Federal transfers to individuals that provide important income support, such as Old Age Security, and major transfers to other levels of government, including those for social programs and health care, will continue to grow through to 2018-19.

## IMPROVING THE INTEGRITY OF THE TAX SYSTEM

These steps have been accompanied by measures to improve the fairness and integrity of the tax system with a view to ensuring everyone pays their fair share. EAP 2014 proposes a number of measures that reflect the Government's ongoing commitment in this area, including a package of actions to address international aggressive tax avoidance. Since 2006, and including measures proposed in EAP 2014, the Government has introduced more than 85 measures to improve the integrity of the tax system.

Together, measures in EAP 2014 to address international aggressive tax avoidance, improve tax integrity, strengthen tax compliance and enhance the fairness of the tax system will provide annual savings rising to \$454 million in 2018-19, for a total of \$1.8 billion from 2013-14 to 2018-19.

## CREATING WINNING CONDITIONS FOR BUSINESSES TO GROW AND COMPETE

The Government has delivered tax reductions totalling more than \$60 billion to job-creating businesses from 2008-09 through 2013-14. Among these tax relief measures are the reduction of the federal general corporate income tax rate to 15 per cent in 2012 from over 22 per cent in 2007, and an extension of the temporary accelerated capital cost allowance for manufacturing and processing machinery and equipment through 2015.

Canada's tax competitiveness and overall business environment have been significantly improved, with the result that Canada now offers the lowest overall tax rate on new business investment in the G-7. The competitiveness of Canada's business tax system is supported by third-party analysis. The KPMG publication *Competitive Alternatives 2012* concluded that Canada's total business tax costs are the lowest in the G-7 and more than 40 per cent lower than those in the United States.

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*With these and other measures, Economic Action Plan 2014 sets out a plan to return to budget balance.*

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