

Government Reliance on the Proceeds of the Carbon Tax

Summary

The BC Chamber of Commerce has been a proponent of revenue neutrality on any carbon tax since its implementation. In 2015, we noted that program spending with carbon tax revenues was starting to erode the neutrality of the carbon tax. However, in 2017, the Provincial Government abandoned principles of neutrality for the tax, with the carbon tax becoming a simple revenue generator for the Province of British Columbia. The fact that carbon pollution will lead to increased revenues for government, with these funds utilized for non-related programs and resources, is problematic as it will create dependency by government on these revenues, defeating the ultimate purpose of the carbon tax, which was to reduce carbon emissions.

Business Case

The carbon tax is quickly becoming a significant expenditure for Canadian businesses, with costs embedded throughout the entire economy. Unfortunately, these taxes are passed on to consumers, increasing the cost of living for all individuals.

Disparity between implementation methods of various provinces as well as an increasingly competitive North American economy are posing challenges for businesses to remain competitive. An increasing tax that no longer adheres to principles of revenue neutrality further erodes the competitive position of businesses and puts our economy at risk.

Background

Most provincial governments have historically presented the carbon tax as revenue neutral, with rebates intended to offset the various costs. However, while the federal government has mandated the implementation of carbon tax by each province with specific benchmarks, no requirements have been laid out for revenue neutrality.

In British Columbia, since the carbon tax was introduced, the tax measures moved from broad-based personal and corporate tax cuts to a range of niche, targeted tax credits. This began to undermine the effectiveness of the carbon tax as a tax shift measure and reduced the impact that British Columbians should have seen in terms of reduced tax burden. In 2017, the provincial government took this one step further by eliminating the tenets of revenue neutrality, creating a scenario where government is and will become increasingly reliant on proceeds of pollution to fund operational costs.

While we have fundamental concerns regarding the ability of a carbon tax to reduce emissions and create a cleaner environment, we strongly maintain that the implementation of any carbon tax should not create a situation where the government is dependant on ongoing pollution to provide general revenue.

Recommendation

That the Federal Government:

1. require revenue neutrality in the collection and distribution of provincial carbon taxes
2. provide clarity around the processes of offsetting the cost of pollution in an effort to maintain a competitive business environment and a strong economy.

Submitted by the Business Advocacy Committee