



For Immediate Release
February 29, 2008

Liberal Finance Committee Members call on Auditor General to Examine Government's Claims of Income Trust Tax Leakage

OTTAWA – Liberal Members of the Standing Committee on Finance today called on the Auditor General to investigate the tax leakage claims that the government used as the basis for its October 31, 2006, decision to tax income trusts.

"I think that this government's stonewalling has gone on long enough and it's time that Canadians got to see that the Government simply made up its story that income trusts cause federal tax leakage," said Liberal Finance Critic John McCallum.

"Prime Minister Stephen Harper promised to Canadians that he would never tax income trusts. Then he went back on his word, costing Canadians billions overnight and in the wake of his silence on the issue we feel that only the Auditor General can shine some light into this matter."

All four Liberal Members of the Finance Committee signed a letter to Auditor General Sheila Fraser asking her to investigate the matter, particularly the government's unproven allegations about income trusts causing tax leakage.

"This has clearly become much more than just another instance of the government not doing its homework before acting. It has become a full-blown scandal and cover-up," said John McKay, Member of Parliament for Scarborough-Guildwood. "We have tried virtually every tool at our disposal to get the government to show us how they came to their conclusions about tax leakage and the Auditor General may be Canadians' last resort."

An Access to Information request asking for the Department of Finance's assumptions, data and methodology resulted in the release of only 23 pages of documents that are almost entirely blacked out.

A direct request from the Finance Committee to see the data was met with two thick binders of superfluous information that did not contain the data or methodology originally requested.

A written question was placed on the Order Paper asking the government to recalculate its estimate of tax leakage using the 15 per cent federal corporate tax rate that will actually be in effect in 2012, the year after the income trust tax begins, as opposed to the 21 per cent tax rate that was in effect at the time of the announcement. The government's response to the question indicated that that this would be a hypothetical calculation and therefore impossible to do.

"That's not a hypothetical, that's what the federal tax rate will be," said Garth Turner, Member of Parliament for Halton. "If the government can't manage to run the new 2012 corporate tax rate through their calculators then I have no reason to believe they ran the old one through their calculators in October of 2006."

In 2006, Stephen Harper ran on a campaign commitment to never tax income trusts. The Conservative election platform characterized any attempt to impose such a tax as, "An attack on retirement savings."

"That election commitment was obviously a falsehood. Unfortunately the voters who believed it and invested even more money in income trusts lost a significant portion of their nest eggs," said Massimo Pacetti, Member of Parliament for MP for Saint-Léonard—Saint-Michel.

"Even today, 15 months after they broke their election promise, Members of Parliament still hear from the thousands of Canadians whose retirement plans were shattered by this deception. Liberal Members of Parliament continue to stand up for them."

-30-

The full text of the letter sent to the Auditor General is attached.

To see the government response to written question 149 on the Order Paper please visit: www.liberal.ca/pdf/docs/080229_Q-149_en.pdf

Contact:

Office of Hon. John McCallum
(613) 996-3375