NEWS RELEASE

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Federal spending restraint could have provided $18.7 billion in tax relief for Canadians and a budget surplus in 2023/24

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VANCOUVER—If the federal government had self-imposed some meaningful spending restraint since 2015/16, it could have provided $18.7 billion of tax relief to Canadians while running a surplus of $4.6 billion this year (2023/24), finds a new study published by the Fraser Institute, an independent, non-partisan Canadian public policy think-tank.

"The cost of increased spending by Ottawa, largely paid for through additional debt is that Canadians have foregone any meaningful tax relief since 2015/16," said Jake Fuss, director of fiscal studies at the Fraser Institute and co-author of ***Missed Opportunity: Federal Spending Increases Prevent Real Tax Relief for Canadians.***

This study calculates an alternative fiscal path assuming the federal government exercised spending restraint starting in 2015/16 based on limiting increases in spending to population growth and inflation. Such an alternative would have forced greater scrutiny of existing spending to finance the new initiatives of the federal government rather than simply rely on borrowing.

Instead, federal spending is expected to reach $453.0 billion with a $40.1 billion deficit this fiscal year (2023/24).

In the alternative scenario, the federal government would have been projected to run a $23.3 billion surplus in 2023/24, providing the fiscal space for $18.7 billions in tax relief, enough to eliminate the second lowest personal income tax bracket entirely, while still running a smaller surplus of $4.6 billion in 2023/24.

"As Canadians continue to see high federal spending and significant debt accumulation, it's important to recognize what the fiscal situation would look like had the government shown more spending restraint," Fuss said.

"There is clear opportunity cost to more spending and borrowing, which is the lack of tax relief for Canadians."

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