

Immediate Release

Ottawa, August 15, 1996
96-052

FINANCE DEPARTMENT RELEASES TAX EXPENDITURE REPORT

The Department of Finance today released its annual report on tax expenditures entitled *Government of Canada: Tax Expenditures*. The estimates in this year's report are for 1992 and 1993 for personal tax expenditures and Goods and Services Tax (GST) expenditures. Corporate tax expenditures are provided for the 1991 and 1992 taxation years.

Tax expenditures are special provisions which result in reductions in tax revenues. Typically they take the form of exclusions, deductions, credits and deferrals. They can be viewed as alternatives to direct expenditures for achieving government policy objectives.

It is important to recognize that reasonable differences of opinion can exist as to what constitutes a tax expenditure. The approach to defining a tax expenditure in the report is a broad one. It defines a "benchmark" tax structure which does not contain any preferential tax provisions; tax expenditures are then defined as departures from this benchmark. This approach provides information on a full range of measures and so allows readers to construct their own list of tax expenditures.

The figures presented in the report are estimates of the tax revenues forgone due to the existence of the various tax expenditures. However, care should be taken not simply to assume that the elimination of a given tax expenditure would yield the full estimated amount shown in the report. As pages 16 through 21 of the document explain, the actual yield would depend upon a number of factors including, for example, taxpayers' responses to the change.

Copies of the report are available from the Distribution Centre at (613) 995-2855 at a price of \$12.00.

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