



The Centre for
Civic Engagement



The Politics of Big Bold Tax Reform

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This study was commissioned by the Centre for Civic Engagement. The CCE is a non-partisan Canadian charity dedicated to conducting original research on public policy issues related to Canadian prosperity, productivity, and national flourishing. The CCE's research informs an active program of policy seminars, events, conferences, and lectures all aimed at providing the policy making community with actionable insights that encourage informed decision making on issues that matter to Canadians.

Introduction

Forty years ago, Finance Minister Michael Wilson and the Mulroney government kickstarted a major tax reform agenda for Canada. This was the last comprehensive tax reform package introduced, with piecemeal changes that followed from the Martin, Harper, Trudeau, and now Carney governments.

The key distinction is that Wilson's reforms were structural. They broadened the base dramatically, eliminated several deductions, introduced an entirely new tax (the GST), and lowered rates across the board. Everything since has been incremental rate adjustments or adding new preferences, not fundamental redesign.

While Wilson's approach was controversial and expended political capital, Canada emerged with a simpler, more competitive tax system that helped power economic growth through the 1990s and 2000s.

Today, we need that same ambition. That's why I put forward **Big Bold Tax Reform (BBTR)**,¹ a radical overhaul that ruthlessly prioritizes growth, investment, and productivity over boutique preferences. Like Wilson's reforms, BBTR is comprehensive and broadens the tax base, trading lower taxes on income and production for slightly higher taxes on consumption. And like Wilson's approach, it requires political courage in service of economic necessity.

The conventional wisdom suggests BBTR is a political non-starter in our populist moment. But the conventional wisdom belongs to a different era. In a period of deep economic frustration, the greatest risk is not boldness but staying the course. The "safe" path of minor adjustments has only led to stagnation.

This study explores the political economy of Big Bold Tax Reform and argues that, despite challenges, it may be more politically feasible than you think.

¹ Charles Lammam, "Canada's slow economic growth is a national emergency, and small tweaks won't fix it: Hunter Prize 2025," *The Hub Canada*, November 28, 2025, <https://thehub.ca/2025/11/28/canadas-slow-economic-growth-is-a-national-emergency-and-small-tweaks-wont-fix-it-hunter-prize-2025/>.

The Case for Comprehensive Tax Reform

Why radical tax reform, and why now? Because the economic challenges we face are structural and significant; they demand transformative policy change. Big problems require big solutions.

The Canadian economy is grossly underperforming, despite Statistics Canada revising GDP upward² for the past three years. Even with the revision, real GDP per capita in 2025 sits at roughly the same level as 2019. We have flatlined while our competitors sprinted ahead.³

Beyond the statistics, the crisis reveals itself in lost potential: the young Waterloo graduate who sees her stagnant wage and soaring living costs and chooses Austin or Seattle. The Vancouver entrepreneur who wants to scale but is suffocated by a tax system that punishes ambition. Policymakers who have forgotten how to think big, settling instead for comfortable stagnation.

We are in a war for capital and we are losing. Capital powers wage growth, innovation, and productivity. Without it, the engine stalls.

History is rhyming. Forty years ago, Canada confronted a similar challenge when President Reagan's Tax Reform Act of 1986⁴ slashed U.S. corporate rates from 46 to 34 percent and top personal rates from 50 to 28 percent, threatening to drain investment and talent from Canada. Wilson responded with comprehensive reform that repositioned Canada competitively.

Today, the United States, through tariff threats and President Trump's "One Big Beautiful Bill Act" (OBBBA), has lowered⁵ the cost of capital, aggressively positioning itself as an investment magnet while creating immense economic uncertainty⁶ for Canada. Once again, we face an American tax shock that demands a bold Canadian response.

Our response must be asymmetric. We cannot simply match their rates; we must offer a radically simpler, more neutral, and more competitive⁷ environment to attract and retain investment.

² Mark Rendell and Jacob Kirby, "Economy was on stronger footing heading into trade war, Statscan revisions show," *The Globe and Mail*, December 4, 2025, <https://www.theglobeandmail.com/business/article-economy-stronger-footing-trade-war-statscan-revisions-show/>.

³ Trevor Tombe (@trevortombe), "Comparing GDP/capita growth across OECD countries over the past decade (plus selected aggregates like EU/G7/etc). #cdnecon," X, March 19, 2025, <https://x.com/trevortombe/status/1902484645096440256?lang=en>.

⁴ *Tax Reform Act of 1986*, Pub. L. No. 99-514, <https://www.everycrsreport.com/reports/IP267T.html>.

⁵ "FAQ: The One Big Beautiful Bill, Explained," *Tax Foundation*, July 23, 2025, <https://taxfoundation.org/research/all/federal/one-big-beautiful-bill-act-tax-changes/>.

⁶ Trevor Tombe, "Get ready for a troubling new era for the Canadian economy," *The Hub Canada*, December 11, 2025, <https://thehub.ca/2025/12/11/get-ready-for-a-troubling-new-era-for-the-canadian-economy/>.

⁷ Charles Lammam, "Why Canada should follow in Ireland's tax reform footsteps," *The Hub Canada*, December 4, 2025, <https://thehub.ca/2025/12/04/why-canada-should-follow-in-irelands-tax-reform-footsteps/>.

Architecture of Ambition

BBTR is a two-stage approach with the federal government moving first.

It starts with a single 12 percent federal corporate rate paired with 100 percent immediate expensing for all capital investments. This replaces complex depreciation schedules and effectively reduces the marginal tax rate on new investment to near zero, mirroring the powerful incentives of the Estonian model.⁸

On the personal side, we stop punishing success. A single 20 percent flat federal rate applies to all income above \$22,500, significantly expanding the amount Canadians can earn tax-free. This couples with full capital gains inclusion, softened by a generous rollover provision allowing tax deferral if proceeds are reinvested.

To fund this, we shift the tax mix. We raise the GST by two points to 7 percent and eliminate billions in corporate subsidies and tax expenditures, trading lower taxes on income and production for slightly higher taxes on consumption. Economists writing for the OECD⁹ and the University of Calgary¹⁰ recognize this shift favors long-term growth. Consumption taxes raise revenue more efficiently because they don't penalize saving, investment, or work effort like income taxes do.

BBTR's success depends on federal-provincial coordination. A Federal-Provincial Tax Competitiveness Panel would encourage provinces to adopt compatible reforms. Target combined rates are: 20 percent corporate (down from 26.5 percent in Ontario), 35 percent top personal income (down from 53.5 percent in Ontario), and 15 percent GST/HST (up from 13 percent in Ontario). These targets would vault Canada into the top five most competitive OECD tax jurisdictions.

BBTR at a glance: What changes

	STATUS QUO (FEDERAL)	BBTR (FEDERAL)	COMBINED FED-PROV TARGET
Corporate tax	9% small / 15% large Limited depreciation	12% flat for all 100% immediate expensing	20% (down from 26.5% in Ontario)
Personal tax	5 brackets: 14–33% Tax-free: \$16,129	Single rate: 20% Tax-free: \$22,500	35% top rate (down from 53.5% in Ontario)
Capital gains	50% inclusion Tax on all gains	100% inclusion Rollover if reinvested	n/a
GST/HST	Federal: 5% Credit: \$6.4B	Federal: 7% Credit: \$12.8B (doubled)	15% (up from 13% in Ontario)
Tax base	300+ tax expenditures \$11B corporate subsidies	Eliminate \$25B expenditures Eliminate \$11B subsidies	n/a

Note: RRSPs, TFSA, Canada Workers Benefit, and Child Care Expense Deduction preserved.

⁸ Alex Mengden, "International Tax Competitiveness Index 2024," *Tax Foundation*, October 21, 2024, <https://taxfoundation.org/research/all/global/2024-international-tax-competitiveness-index/>.

⁹ Åsa Johansson, Christopher Heady, Jens Mathias Arnold, Bert Brys, and Laura Vartia, "Taxation and Economic Growth," *OECD Economics Department Working Papers* no. 620 (2008).

¹⁰ Don Drummond, "Tax Reform to Raise Canada's Pitiful Productivity," *School of Public Policy Briefing Paper* 18-19 (2025).

The Politics of Comprehensive Reform

Comprehensive tax reform can be more politically feasible¹¹ than piecemeal changes, counterintuitive as that sounds. When reform is incremental, losers organize intensely against each specific change while winners remain diffuse and unorganized. Every tweak becomes a political battle where concentrated interests defeat broader public benefits.

Bold, comprehensive reform flips this dynamic. When everyone gives up something and everyone gains something, the political equation changes. Losses are shared widely enough that no single group can block reform, while the aggregate benefits become large enough to mobilize broader support. The comprehensive nature of the BBTR package makes vote-trading and coalition-building possible in ways that narrow reforms do not.

Wilson understood this required careful staging. The Mulroney government didn't drop comprehensive reform on an unsuspecting public overnight. It began with the 1986 discussion paper¹² outlining reform principles, followed by the detailed 1987 white paper¹³ proposing specific changes, then the 1988 budget¹⁴ implementing income tax reforms. The GST came later, in 1991, after Canadians had already experienced lower income tax rates.

This sequencing was strategic: deliver visible benefits first, then introduce the more controversial consumption tax. The approach built trust and demonstrated commitment while giving interest groups time to adjust and the public time to understand the full package.

Wilson's reforms succeeded precisely because they were comprehensive. The GST was politically toxic on its own, but paired with lower income tax rates and a broader base, it became part of a package that enough Canadians and businesses could support. The pain was spread; the gain was real.

BBTR follows the same logic. Yes, it raises the GST. But it also slashes personal and corporate income tax rates, eliminates the capital gains penalty on reinvestment, and provides immediate expensing for all business investment. Yes, it ends the small business deduction. But it offers a lower flat rate for everyone and cash-flow benefits from full expensing that dwarf any statutory rate increase for growing firms.

The package creates a new coalition: workers who keep more of their paychecks, businesses that can invest without penalty, entrepreneurs who can reinvest without tax lock-in, and provinces that benefit from the growth dividend. Against this coalition, the defenders of the status quo—subsidy and carve-out recipients and passive investors using small business structures as tax shelters—become the minority.

¹¹ Ethan Ilzetzki, "A Positive Theory of Tax Reform," *CEPR Discussion Paper* no. DP10922 (2014).

¹² Michael H. Wilson, *Guidelines for Tax Reform in Canada*, [Ottawa, ON] Department of Finance Canada, 1986, https://publications.gc.ca/collections/collection_2016/fin/F2-249-1986-eng.pdf.

¹³ Michael H. Wilson, *Tax Reform 1987*, [Ottawa, ON] Department of Finance Canada, 1987, https://publications.gc.ca/collections/collection_2016/fin/F2-75-1987-2-eng.pdf.

¹⁴ Michael H. Wilson, Parliament, House of Commons, *Budget Papers*, 33rd Parliament, 1988, <https://budget.canada.ca/archives/1988-pap-eng.pdf>.

Defending the Tough Choices

Building this coalition requires confronting head-on the policies that Ottawa considers untouchable. Raise the GST? Eliminate the small business deduction? Cut rates for corporations and high earners? The conventional wisdom says doing so is a political non-starter in our populist moment. But the negative knee jerk reaction fails to account for shifting tectonic plates in Canada's political economy. The electorate is smarter and more open to change than we think.

Reframing the GST

While the orthodoxy is that consumption taxes are regressive and unpopular, consider BBTR's trade-off. We're not raising the GST to fund new programs or pay down debt. We're raising it to fund massive income tax cuts.

For most working Canadians, savings from a 20 percent flat tax and an expanded \$22,500 tax-free threshold will outweigh the extra two percentage points at the register. The narrative shifts from "a tax hike" to "a pay raise."

Imagine telling a Sudbury construction worker or Halifax nurse: "Everything costs two percent more, but you keep thousands more from your paycheck monthly." That's a winning proposition.

And by doubling the GST/HST Credit (from \$6.4 billion to \$12.8 billion annually), we insulate the lowest-income Canadians entirely.

Globally, we have room to maneuver. Canada derives less than 22 percent¹⁵ of government revenue from consumption taxes, below the OECD average of 31 percent. Our federal 5 percent GST, which was 7 percent before Harper's reductions, leaves room for increase while maintaining competitiveness. The average OECD value-added tax rate is around 20 percent; New Zealand uses 15 percent GST alongside lower income taxes. Increasing Canada's federal GST to 7 percent (combined with the provinces totaling 15 percent) remains below international standards.

Escaping the "small business" trap

The GST is only one "third rail" we must grasp. The other is also politically fraught: eliminating the Small Business Deduction (SBD). The CFIB¹⁶ is a formidable lobby, and the "mom and pop" shop is a powerful symbol in Canadian politics. The federal system currently taxes small businesses at 9 percent and larger ones at 15 percent. BBTR proposes a flat 12 percent for everyone.

Critics will scream we're hurting the little guy. The defense must distinguish between being small and *growing*.

¹⁵ Cristina Enache, "Sources of Government Revenue in the OECD, 2025," *Tax Foundation*, May 22, 2025, <https://taxfoundation.org/data/all/global/oecd-tax-revenue-by-country/>.

¹⁶ "Struggling small businesses won't find much help in the federal budget," *CFIB*, November 4, 2025, <https://www.cfib-fcei.ca/en/media/struggling-small-businesses-wont-find-much-help-in-the-federal-budget>.

The current SBD creates a “tax cliff,”¹⁷ exacerbated by provincial rate differentials. When a business crosses the threshold (typically \$500,000), its tax rate more than doubles—from 12.2 to 26.5 percent in Ontario. This creates perverse incentives to stay small or splinter into smaller units. It pays firms to lack ambition.

Recent Statistics Canada research¹⁸ highlights how these preferences prevent scale-up, trapping capital in less productive firms.¹⁹ Businesses engage in costly income-splitting, corporation multiplication, and deliberate growth limitation to preserve SBD eligibility.

By contrast, BBTR offers immediate expensing, which is a game-changer. For any small business owner actually investing (buying a truck, upgrading software, expanding a warehouse), the ability to write off 100 percent in year one provides cash-flow benefits that dwarf the statutory rate increase.

Consider an example: A small manufacturer investing \$200,000 in equipment receives an immediate \$200,000 deduction at 12 percent, generating \$24,000 in tax savings in Year 1. The present value benefit of immediate expensing far exceeds the 3-percentage-point rate increase for any business investing in growth.

Small businesses also spend disproportionately more per revenue dollar on tax compliance than large firms. Eliminating the SBD threshold, phase-out calculations, passive income restrictions, and associated multiplication rules dramatically reduces compliance costs. The professional fees saved help to offset the rate increase.

We need to pivot rhetoric from protecting the static state of “small business” to championing the dynamic process of “business growth.” This splits the small business coalition: growth-oriented entrepreneurs who want to scale will support reform versus professionals and passive investors using the SBD primarily as a tax shelter.

Empirical evidence²⁰ shows the SBD disproportionately benefits professional service corporations (doctors, lawyers, consultants) using corporate structures to defer personal income tax, rather than genuine entrepreneurial businesses investing in productive capital, hiring employees, and scaling operations.

Justifying rate cuts for corporations and high earners

Critics will frame corporate rate cuts and the flat personal tax as “giveaways” to the wealthy. But this ignores the economic reality of tax competition and the relationship between investment, productivity, and wages.

¹⁷ Stéfane Marion and Ethan Currie, “Base Hits to Make Canada Investable Again (Chapter 4),” *National Bank of Canada*, October 28, 2025, <https://nbf.bluematrix.com/links2/pdf/92b239b3-ba44-4fd3-9052-6a52ca6cef63>.

¹⁸ Josip Lesica, Statistics Canada, *Responsiveness of small businesses to corporate income taxation in Canada: A summary of new findings*, Economic and Social Reports Catalogue no. 36-28-0001, Ottawa, 2025, <https://www150.statcan.gc.ca/n1/en/pub/36-28-0001/2025003/article/00003-eng.pdf>.

¹⁹ Wulong Gu and Josip Lesica, Statistics Canada, *The role of firm size in the Canada–U.S. labour productivity gap since 2000*, Economic and Social Reports Catalogue no. 36-28-0001, Ottawa, 2025, <https://www150.statcan.gc.ca/n1/en/pub/36-28-0001/2025012/article/00002-eng.pdf?st=OyNFvM3>.

²⁰ Michael Smart, “Small Business Taxation and Income Inequality: The View from Canada,” *National Tax Journal* 74, no. 2 (2021).

On corporate taxes, Canada has lost its advantage. The average combined federal–provincial rate now sits above²¹ the OECD average. Our competitors are moving aggressively. Canada faces an existential threat to its capital base, which is fleeing the country on net.²²

The corporate tax is ultimately borne by workers through lower wages and reduced employment, with studies consistently showing that a big chunk²³ of the burden falls on labour. Cutting the corporate rate with immediate expensing isn't about helping shareholders; it's about making Canadian workers more productive and better paid.

On personal taxes, high marginal rates drive away mobile talent. Research demonstrates taxation significantly affects²⁴ the international mobility of inventors and high-skilled workers. Canada's top combined rates (exceeding 53 percent in several provinces) make us uncompetitive²⁵ for retaining and attracting entrepreneurs, innovators, and highly skilled professionals who drive growth. High personal income tax rates also reduce²⁶ entrepreneurship rates provincially, and cutting top marginal rates have significant positive effects²⁷ on GDP and employment.

The stakes are high given Canada's reliance on top earners. The top 10 percent of income earners currently pay 55 percent²⁸ of all personal income taxes, while the top 1 percent alone contributes 22 percent. When such a small segment drives the majority of tax revenue, persistently high rates encouraging brain drain create serious fiscal vulnerabilities alongside economic damage.

The flat 20 percent federal rate (combined with provincial rates to reach 35 percent) represents dramatic competitiveness improvement while maintaining progressivity through the expanded \$22,500 Basic Personal Amount. Someone earning \$50,000 would pay an effective federal rate of just 11 percent. Someone earning \$150,000 would pay 17 percent.

Broadening the base through tax expenditure elimination

To make the math work, we must broaden the base and scrap carveouts. Canada has approximately 300 federal tax expenditures²⁹ costing billions annually. BBTR eliminates \$25 billion in tax expenditures while protecting core elements: RRSPs, TFSA's, the Canada Workers Benefit, and the Child Care Expense Deduction.

²¹ Lammam, "Why Canada should follow in Ireland's tax reform footsteps."

²² Laurence B. Mussio, "Canada's money lives in exile. We're rich abroad, but starved at home," *The Globe and Mail*, October 25, 2025, <https://www.theglobeandmail.com/business/commentary/article-canada-money-lives-exile-productivity-investment/>.

²³ Alex Durante, "Who Bears the Burden of Corporation Taxation? A Review of Recent Evidence," *Tax Foundation*, June 10, 2021, <https://taxfoundation.org/blog/who-bears-burden-corporate-tax/>.

²⁴ Ufuk Akcigit, Salomé Baslandze and Stefanie Stantcheva, "Taxation and the International Mobility of Inventors," *American Economic Review* 106, no. 6 (2016): 2930–2981.

²⁵ Meera Raman, "More Canadian millionaires are seeking to move abroad. Why do so many never take off?," *The Globe and Mail*, December 29, 2025, <https://www.theglobeandmail.com/investing/personal-finance/retirement/article-more-canadian-millionaires-are-seeking-to-move-abroad-why-do-so-many/>.

²⁶ Ergete Ferede, "Entrepreneurship and personal income tax: evidence from Canadian provinces," *Small Business Economics* 56 (2021): 1765–1781.

²⁷ Karel Mertens and José L. Montiel Olea, "Marginal Tax Rates and Income: New Time Series Evidence," *NBER Working Paper* 19171 (2013).

²⁸ *Tax Reform for Growth in Canada* (CPA Ontario, 2025), <https://assets.cpaontario.ca/insights/thought-leadership/pdfs/tax-reform-for-growth-in-canada-final.pdf>.

²⁹ *Report on Federal Tax Expenditures Concepts, Estimates and Evaluations* (Government of Canada, 2025), <https://www.canada.ca/content/dam/fin/publications/taxexp-depfisc/2025/taxexp-depfisc-25-eng.pdf>.

The Auditor General has long criticized³⁰ the lack of systematic evaluation of tax expenditures. They create complexity disproportionate to benefit, favour narrow constituencies, are poorly targeted, could be better delivered through direct spending, or distort economic decision-making. While each constituency will argue their preference is vital, many add complexity without delivering commensurate economic or social benefits.

Affected interest groups would recover through dramatically lower personal and corporate rates, BBTR's economic growth dividend of 4.5 to 5.5 percent, 240,000 to 280,000 new jobs, 2.0 to 2.5 percent wage increases, enhanced investment opportunities under immediate expensing, and reduced compliance costs.

³⁰ *Report 3—Tax-Based Expenditures* (Office of the Auditor General of Canada, 2015), https://www.oag-bvg.gc.ca/internet/English/parl_oag_201504_03_e_40349.html.

A New Coalition for Growth

These economic arguments are sound, but economics alone won't win the debate. Political success requires building a coalition of "builders" against "protectors."

For too long, Canadian economic policy has been dominated by protectors: protected industries sheltering behind oligopolies, rent-seekers relying on government subsidies, and homeowners relying on tax-free capital gains from restricted housing supply. This coalition benefits from the status quo because their wealth derives from scarcity and protection rather than production.

BBTR appeals to the builders. The young professional seeing half their marginal income vanish to taxes and wondering why they shouldn't move to Austin. The startup founder who wants to reinvest every profit dollar into expansion without penalty. The resource workers in Northern Ontario or Alberta whose jobs depend on heavy capital investment that has been fleeing.

The Estonian example is instructive. Since its reforms in 2000, Estonia has grown immensely and become a society of owners and innovators, leading³¹ Europe in startups per capita. That cultural shift is what Canada needs. We need to stop viewing the economy as a fixed pie to be redistributed and start viewing it as an engine currently seizing up.

The arithmetic is straightforward. BBTR creates a broad coalition of growth-oriented interests against a narrow coalition of status quo defenders. The former outnumbers the latter; the latter is louder but weaker.

³¹ Invest Estonia, "Estonia leads Europe in startups, unicorns and investments per capita," *Invest Estonia*, December 2022, <https://investestonia.com/estonia-leads-europe-in-startups-unicorns-and-investments-per-capita/>.

BBTR SUPPORTERS	BBTR DETRACTORS
<p>Larger business community and industry associations will rally behind lower corporate rates with immediate expensing, providing unprecedented reinvestment incentives beneficial for startups and growth companies.</p>	<p>Corporate subsidy recipients will resist spending constraint measures required to eliminate \$11 billion in corporate subsidies.</p>
<p>Export-oriented industries will gain critical competitiveness for trade-dependent sectors facing tariff uncertainty and intensified U.S. competition post-OBBBA.</p>	<p>Recipients of eliminated tax expenditures will mobilize against the loss of specific preferences, each arguing their expenditure serves vital policy purposes despite BBTR's broader economic benefits.</p>
<p>Tech sector (founders, investors, innovators) will value the capital gains rollover provision that eliminates the tax penalty on reinvestment, enabling entrepreneurship and angel investing without lock-in effects.</p>	<p>CFIB and its members will oppose elimination of the small business rate, overlooking benefits from immediate expensing and elimination of growth-discouraging rate cliffs.</p>
<p>High-income earners, salaried professionals, and entrepreneurs will support dramatic marginal tax rate cuts that reduce brain drain pressure and improve work and entrepreneurship incentives.</p>	<p>Incorporated professionals (doctors, lawyers, consultants) who use the small business deduction as an income-splitting and tax-deferral vehicle rather than for productive business investment will oppose the rate increase (with minimal capital investing, immediate expensing wouldn't provide a sufficient offset).</p>
<p>Working families retain the Child Care Expense Deduction while benefiting from rate reductions, the expanded \$22,500 Basic Personal Amount, and doubled GST/HST Credit.</p>	<p>Low-income Canadians may be skeptical of higher consumption taxes despite the doubled GST/HST Credit and expanded BPA, especially with lingering effects from the recent inflation surge.</p>
<p>Young workers entering the labour market will directly benefit from economic growth expanding opportunity and job creation.</p>	<p>Some tax preparers may oppose reforms that reduce complexity rents from a simplified system, though many CPA groups actually advocate for tax simplification.</p>
<p>Economic policy establishment including the C.D. Howe Institute, OECD, and many academic economists supports efficiency gains aligning with expert consensus.</p>	<p>Social activists and progressive thought leaders will oppose the flat personal tax as inherently "regressive" and frame GST increases as hurting the poor, despite the expanded BPA creating a larger zero-tax bracket and doubled GST/HST Credit. Ideological opposition will overshadow evidence that wage gains and job creation disproportionately benefit workers, and that high statutory rates don't yield high revenues if they drive away the tax base.</p>
<p>Taxpayer advocacy groups will support BBTR's elimination of corporate subsidies and inefficient tax expenditures, viewing the shift toward a simpler, more neutral tax system as advancing efficiency.</p>	<p>Public sector unions will oppose the administrative efficiency measures and spending constraints required to fund the reform, framing BBTR as an attack on public services and government workers despite the focus on eliminating subsidies and tax expenditures rather than core program spending.</p>
<p>Provincial premiers and finance ministers committed to growth gain from the growth dividend expanding provincial revenues even at lower rates, administrative savings from harmonization, and competitive advantage for early-adopter provinces.</p>	<p>Provincial governments prioritizing short-term fiscal pressures over long-term growth may be tempted to raise rates opportunistically to capture federal tax room rather than adopting compatible reforms, undermining the competitiveness gains BBTR seeks to achieve.</p>

Cost of Inaction

Implementing this agenda is a big political undertaking, requiring significant political capital to overcome inertia. But we must weigh the political risks against the economic risks of inaction.

We are in danger of becoming a poor relative in the North American house—a place where ambitious people leave,³² and where those who remain struggle with declining public services and stagnating wages.

The Bank of Canada's Nicolas Vincent³³ recently warned of a “vicious circle” where low investment leads to low productivity, which in turn deters further investment. Breaking this cycle requires a shock to the system.

We are at a juncture where the “safe” option is actually the most dangerous. Incrementalism is a slow march to irrelevance. Big Bold Tax Reform offers a way out. It is a plan to make Canada a place where capital comes to work, where builders are rewarded, and where the future is something to be seized rather than feared.

Forty years ago, Michael Wilson had the courage to pursue comprehensive reform despite fierce opposition. The GST became law. The base was broadened. And rates came down.

The political class might think this is impossible. But looking at the anxiety of the Canadian electorate, I suspect the public is ahead of them. They know the status quo is untenable. They are waiting for someone with the courage to fix it.

³² Gideon Hayden, “Where have all the Canadian startups gone?,” *Leaders Fund*, September 22, 2025, <https://leaders.vc/research/canadianstartups>.

³³ Nicolas Vincent, “Canada’s weak productivity: reversing course,” Press release, November 19, 2025, <https://www.bankofcanada.ca/2025/11/canadas-weak-productivity-reversing-course/>.

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