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Coming tax cuts made possible by paydown on national debt

For Immediate Release

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OTTAWA – Saskatoon-Wanuskewin MP Maurice Vellacott is very glad to see coming to pass something he has campaigned on for a decade.

Thursday, Prime Minister Stephen Harper announced one of the largest reductions in the federal debt in Canadian history and said the resulting effective interest savings will be used to reduce personal income taxes as required by law under the Government's Tax Back Guarantee.

"Less debt means interest savings," said the Prime Minister. "And under the Tax Back Guarantee our Government legislated in Budget 2007, every time we reduce the debt, the interest savings will go back in the pockets of hardworking Canadians – where it belongs."

The announcement coincided with the release of the Government's 2006–07 Annual Financial Report. The report showed a \$14.2 billion reduction in the federal debt. Canada's federal debt as measured against the economy fell to its lowest level in 25 years. It stood at \$467.3 billion at the end of 2006–07, down \$95.6 billion from its peak of \$562.9 billion in 1996–97. Canada is on track to eliminate total government net debt by 2021.

The reduction in the federal debt in 2006–07 means tax payers will benefit from personal income tax cuts of approximately \$725 million per year ongoing under the Tax Back Guarantee that passed into law earlier this year.

The Prime Minister was joined at the announcement by Finance Minister Jim Flaherty, who praised the initiative: "The Tax Back Guarantee is giving Canadians a direct stake and a direct benefit in how we manage government finances on their behalf," Minister Flaherty said. The Finance Minister also said Canadians should be proud of the country's strong economic performance over the past year. Governments across Canada, federal, provincial and territorial, have benefited from this solid economic growth and thanks to sound financial management are in surplus.

“We have to keep our spending prudent, keep reducing the debt and keep lowering taxes,” said the Prime Minister. “That’s why we are moving forward with today’s good news for taxpayers, which is even better news for the taxpayers of tomorrow, our children and grandchildren.”

Further information is contained in the Annual Financial Report, which reviews the Government’s financial performance for the 2006–07 fiscal year.

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