



# NEWS RELEASE

## Provincial governments discouraging new businesses from starting with higher income taxes

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For immediate release

**VANCOUVER**—By increasing top personal income tax rates, many provincial governments are discouraging entrepreneurship and preventing hundreds of new businesses from starting, finds a new study released today by the Fraser Institute, an independent, non-partisan Canadian public policy think-tank.

“When governments raise the top personal income tax rate, they discourage entrepreneurs from taking risks and starting new businesses, which are vital for economic growth and prosperity and drive innovation,” said Charles Lammam, director of fiscal studies at the Fraser Institute.

Using 30 years of Canadian data from 1984 to 2015, the study, titled *The Effects on Entrepreneurship of Increasing Provincial Top Personal Income Tax Rates in Canada*, finds that increases to the top personal income tax rate reduce the number of new businesses started.

That’s because entrepreneurship is inherently risky and higher personal income taxes decrease the potential income (and reward) for entrepreneurs who are successful, reducing their incentive to start a new business.

The negative impacts vary by province. The number of new businesses not created due to higher provincial top personal income tax rates range from a high of 696 over four years in Ontario to 14 over a four-year period in Prince Edward Island (see table below).

Crucially, these estimates do not include the impact of the federal government’s four percentage point increase to the federal top personal income tax rate, which will reduce entrepreneurship even further in every province.

“Policymakers should be aware of the negative effects of higher income tax rates on entrepreneurial activity as Canadians risk losing out on job opportunities and economic prosperity,” Lammam said.

**The number of businesses not created over a four-year period due to a one percentage point increase to the provincial top personal income tax rate (by province):**

Ontario	696
Quebec	465
British Columbia	315
Alberta	275
Saskatchewan	85
Manitoba	74
Nova Scotia	62
New Brunswick	54
Newfoundland and Labrador	40
P.E.I.	14

(30)

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