



Canadians Celebrate Tax Freedom Day on June 10, 2015

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SUMMARY

- On Tax Freedom Day, the average Canadian family has earned enough money to pay the taxes imposed on it by the three levels of government: federal, provincial, and local.
- In 2015, Canadians celebrate Tax Freedom Day on June 10. That is, Canadians will have worked until June 9 to pay the total tax bill imposed on them by all levels of government.
- Tax Freedom Day in 2015 arrives one day later than in 2014, when it fell on June 9, because the average Canadian family's total tax bill is expected to increase at a faster rate this year (3.1%) than the growth in income (2.1%). Governments across the country are partly to blame since many have raised taxes this year.

- In 2015, seven provincial governments expect to run budget deficits. Had Canadian governments increased taxes even more to balance their budgets, the average Canadian family would have worked until June 13 to pay the tax bill. In other words, the Balanced Budget Tax Freedom Day arrives on June 14, four days later than Tax Freedom Day.
- In 2015, the average Canadian family will earn \$102,874 in income and pay a total of \$44,980 in taxes (43.7%).
- Tax Freedom Day for each province varies according to the extent of the provincially levied tax burden. The earliest provincial Tax Freedom Day falls on May 19 in Alberta, while the latest falls on June 21 in Newfoundland & Labrador.

Introduction

It is nearly impossible for ordinary Canadians to have a clear idea of how much total tax they really pay. Most Canadians would have little difficulty determining how much income tax they pay; a quick look at their income tax return or pay stub would suffice. The same is true for mandatory Employment Insurance (EI) and Canadian Pension Plan (CPP) premiums. However, there are a host of other taxes that are not so obvious. For instance, while Canadians are painfully aware of sales taxes, calculating the total amount paid would require people to track all of their purchases over the course of a year. Further, there is a class of taxes of which Canadians are largely unaware and which are built into the price of goods and services. The most notable of these “hidden” taxes are import duties, fuel taxes, and excise taxes on tobacco and alcohol. Finally, most Canadians are unaware that they pay their employer’s portion of payroll taxes, such as EI and CPP premiums, and other taxes levied on businesses. Although businesses pay these taxes directly, the cost of business taxation is ultimately passed onto ordinary Canadians.¹

Each year, the Fraser Institute calculates Tax Freedom Day to provide a comprehensive and easily understood indicator of the overall tax burden faced by the average Canadian family. This publication presents preliminary calculations for Tax Freedom Day in 2015.²

¹ See Clemens and Veldhuis (2003) for a discussion of who actually pays business taxes.

² As is the case every year, Tax Freedom Day calculations are based on forecasts of personal income and federal and provincial budget tax revenue. When final revenue numbers become available at the end of each fiscal year and personal income data are updated by Statistics Canada, we revise our Tax Freedom Day calculations for previous years.

Tax Freedom Day

Tax Freedom Day is the day in the year when the average Canadian family has earned enough money to pay the taxes imposed on it by the three levels of Canadian government: federal, provincial, and local. In other words, if Canadians were required to pay all of their taxes up front, they would have to pay each and every dollar they earned to government prior to Tax Freedom Day.

Taxes used to compute Tax Freedom Day include income taxes, payroll taxes, health taxes, sales taxes, property taxes, profit taxes, taxes on the consumption of alcohol and tobacco, fuel taxes and motor vehicle licence fees, import duties, natural resource fees, and a host of other levies.

In 2015, Canadians start working for themselves on June 10 (table 1). That is, Canadians must work until June 9 to pay the total tax bill imposed on them by all levels of government. From June 10 to the end of the year, taxpayers can use the income they earn as they please. This represents a one day extension over 2014 when Tax Freedom Day fell on June 9.³

It is important to note that Tax Freedom Day is not intended to measure the benefits Canadians receive from governments in return for their taxes. Rather, it looks at the price that is paid for a product—government. Tax Freedom Day is not a reflection of the quality of the product, how much of it each of us receives, or whether we get our money’s worth. These are questions only each of us can answer for ourselves.

³ In last year’s Tax Freedom Day publication (Palacios and Lammam, 2014), our preliminary calculations estimated a June 9 Tax Freedom Day for 2014. This year we recalculated Tax Freedom Day for 2014 using updated provincial and federal budget numbers and updated data from Statistics Canada. Our revised calculations show that Tax Freedom Day in 2014 still fell on June 9 (table 1).

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Table 1: Tax Freedom Day

	1981	1985	1995	2000 ^{re}	2005 ^{re}	2010 ^{re}	2011 ^{re}	2012 ^{re}	2013 ^{re}	2014 ^{re}	2015 ^{pe}
NL	May 18	May 09	May 24	June 10	July 01	July 06	July 06	July 01	June 27	June 22	June 21
PE	May 06	June 07	May 22	May 29	June 13	May 31	June 03	June 03	June 07	June 07	June 08
NS	May 11	May 17	May 31	June 13	June 20	June 06	June 07	June 07	June 10	June 12	June 13
NB	May 06	June 02	June 01	June 09	June 11	June 04	June 04	June 05	June 08	June 13	June 14
QC	June 07	June 17	June 09	July 05	June 28	June 09	June 12	June 11	June 14	June 12	June 16
ON	May 29	May 26	June 08	June 18	June 16	June 04	June 05	June 05	June 07	June 08	June 10
MB	May 17	May 05	June 14	June 19	June 16	June 05	June 05	June 05	June 09	June 10	June 11
SK	May 24	May 17	June 20	June 26	June 29	June 11	June 05	June 04	June 04	June 04	June 06
AB	May 30	May 22	June 02	June 24	June 16	May 26	May 28	May 24	May 25	May 20	May 19
BC	June 09	June 16	June 12	June 28	June 22	June 03	June 05	June 06	June 05	June 06	June 06
CDA	May 30	June 06	June 11	June 25	June 22	June 06	June 07	June 07	June 09	June 09	June 10
<i>Without Natural Resources</i>											
NL	May 17	May 08	May 23	June 09	June 22	June 07	June 06	June 08	June 07	June 06	June 09
SK	May 15	May 09	June 13	June 14	June 17	June 01	May 26	May 28	May 28	May 27	May 30
AB	May 06	May 03	May 24	May 30	May 26	May 17	May 17	May 17	May 17	May 14	May 16
BC	June 06	June 12	June 08	June 20	June 15	May 31	June 02	June 03	June 02	June 03	June 03
CDA	May 27	June 04	June 09	June 21	June 18	June 04	June 05	June 05	June 07	June 07	June 09

re = revised estimate; pe = preliminary estimate

Notes:

- (1) Data based on total taxes as a percentage of cash income for families with two or more individuals.
- (2) Calculations for Alberta are based on adjusted revenue estimates contained in the Progressive Conservatives' March 2015 budget to account for a newly elected NDP government and the state of tax measures in the province at the time of writing.
- (3) Calculations for PEI are based on revenue estimates by the authors since a provincial budget was not released at the time of writing.

Source: The Fraser Institute's Canadian Tax Simulator, 2015.

Canadians can calculate their personal Tax Freedom Day using the Fraser Institute's Personal Tax Freedom Day Calculator at www.fraserinstitute.org.

A later Tax Freedom Day

This year, Tax Freedom Day arrives one day later than in 2014, when it fell on June 9. The latest Tax Freedom Day in Canadian history was in 2000, when it fell on June 25, almost two months later than in 1961 (May 3), the earliest year for which the calculation has been made.

Tax Freedom Day decreased slightly from 2000 to 2005, from June 25 to June 22. From 2005 to

2009, Tax Freedom Day for the average Canadian family decreased further—from June 22 in 2005, to June 3, in 2009.⁴

There are many reasons for the relatively large reduction in Tax Freedom Day over this period. Prior to the 2008/09 recession, many Canadian governments reduced taxes. For example, the federal government reduced the Goods and Services Tax (GST) rate from 7% to 6% in 2006, and again to 5% in 2008. In addition, the federal and many provincial governments reformed

⁴ Between 2005 and 2009, Tax Freedom Day fell on: June 20 (2006); June 14 (2007); and June 7 (2008) (The Fraser Institute's Canadian Tax Simulator, 2015).

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Table 2: Taxes of the Average Family (with two or more individuals), 2015, preliminary estimates (\$ Cdn)

	NL	PE	NS	NB	QC	ON	MB	SK	AB	BC	CDA
Cash income	99,905	76,752	87,892	84,395	88,533	103,983	98,971	115,591	136,646	101,364	102,874
Income taxes	14,659	10,607	14,456	12,513	12,384	14,443	15,575	17,261	22,654	13,533	14,954
Payroll & health taxes	8,397	6,649	7,278	7,789	10,509	10,581	8,331	8,452	9,536	9,782	10,264
Sales taxes	8,128	6,053	7,305	6,426	6,979	7,353	7,722	6,320	3,327	6,087	6,921
Property taxes	1,547	2,755	2,556	3,304	3,147	4,543	2,536	3,073	3,472	3,353	3,710
Profits taxes	3,899	3,070	3,270	2,701	3,186	4,090	3,226	5,055	4,214	3,683	3,796
Liquor, tobacco, amusement, & other excise taxes	3,245	2,010	2,381	2,357	2,013	2,074	2,774	3,054	3,430	2,585	2,387
Auto, fuel, & motor vehicle licence taxes	1,429	900	1,138	1,447	1,065	990	1,116	1,918	1,338	1,618	1,207
Other taxes	1,789	773	463	677	545	934	1,906	1,345	2,021	1,418	1,049
Import duties	359	281	323	314	333	392	369	432	499	378	388
Natural resource levies	3,139	0	44	179	10	25	64	2,267	800	701	305
Total tax bill	46,593	33,098	39,215	37,706	40,172	45,425	43,618	49,178	51,290	43,138	44,980

Notes:

(1) Calculations for Alberta are based on adjusted revenue estimates contained in the Progressive Conservatives March 2015 budget to account for a newly elected NDP government and the state of tax measures in the province at the time of writing.

(2) Calculations for PEI are based on revenue estimates by the authors since a provincial budget was not released at the time of writing.

(3) Payroll taxes include social security and pension deductions.

Source: The Fraser Institute's Canadian Tax Simulator, 2015.

their business tax regimes by cutting corporate income and corporate capital taxes. And some provinces, such as British Columbia and Manitoba, enacted personal income tax relief while Saskatchewan reduced its provincial sales tax.⁵

However, the decline in Tax Freedom Day in both 2008 and 2009 had little to do with either the federal or any provincial government's tax-reducing actions. Tax Freedom Day is determined by the ratio of total taxes to income for average Canadian families. When the economy slows and incomes either stagnate, or worse, decline, the tax burden of those families tends to decrease to a greater extent. The main rea-

son for this accelerated decrease in the tax burden compared to income is the progressive nature of the Canadian tax system. Progressivity means that as one earns more income, they pay proportionately more in taxes. The reverse is also true. It is this reverse phenomenon that drove some of the decrease in Tax Freedom Day in 2008 and 2009.

The Canadian economy rebounded from the 2008/09 recession and Tax Freedom Day now comes later in 2015 (June 10) than in 2009 (June 3). As explained above, when the economy recovers and incomes increase, a family's tax burden tends to increase to a greater extent because of our progressive tax system. Household consumption also increases, which results in an increase in the amount of sales and other consumption taxes that Canadian families pay.

⁵ A complete delineation of tax changes enacted before the recession is available in Treff and Perry, and Treff and Ort, *Finances of the Nation* (various issues).

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Table 3: Taxes of the Average Family (with two or more individuals), 2014, revised estimates (\$ Cdn)

	NL	PE	NS	NB	QC	ON	MB	SK	AB	BC	CDA
Cash income	99,355	75,617	85,626	82,534	86,320	101,774	96,173	113,940	136,293	99,360	100,721
Income taxes	14,444	10,248	13,417	11,904	11,384	13,546	14,541	16,379	21,791	12,928	14,026
Payroll & health taxes	8,079	6,449	7,019	7,480	10,144	10,268	8,042	8,147	9,299	9,453	9,951
Sales taxes	7,619	6,001	7,086	6,578	6,736	7,096	7,496	6,134	3,261	5,894	6,727
Property taxes	1,536	2,696	2,527	3,201	3,138	4,536	2,515	3,071	3,394	3,421	3,700
Profits taxes	3,908	3,100	3,502	2,718	3,023	4,011	3,215	5,229	4,851	3,856	3,814
Liquor, tobacco, amusement, & other excise taxes	3,303	2,006	2,333	2,377	1,973	2,068	2,874	3,016	3,332	2,609	2,370
Auto, fuel, & motor vehicle licence taxes	1,397	907	1,104	1,333	1,026	954	1,103	1,887	1,010	1,618	1,152
Other taxes	1,797	798	472	682	552	941	1,845	1,295	2,049	1,413	1,046
Import duties	331	261	298	289	307	365	341	398	466	352	360
Natural resource levies	4,346	0	75	183	14	23	61	2,342	2,399	757	481
Total tax bill	46,761	32,464	37,833	36,744	38,298	43,807	42,033	47,897	51,851	42,302	43,627

Note: Payroll taxes include social security and pension deductions.

Source: The Fraser Institute's Canadian Tax Simulator, 2015.

Table 4: Difference in the Average Family's Tax Bill between 2015 and 2014 (\$ Cdn)

	NL	PE	NS	NB	QC	ON	MB	SK	AB	BC	CDA
Cash income	550	1,135	2,266	1,861	2,212	2,208	2,797	1,651	353	2,004	2,153
Income taxes	215	360	1,039	609	1,000	897	1,034	883	863	605	927
Payroll & health taxes	318	200	259	309	365	313	289	305	237	329	312
Sales taxes	509	52	220	-152	243	257	226	186	66	193	195
Property taxes	11	59	28	103	8	8	21	2	78	-68	10
Profits taxes	-9	-30	-232	-16	163	79	11	-174	-636	-172	-18
Liquor, tobacco, amusement, & other excise taxes	-58	4	49	-20	40	6	-101	38	98	-24	17
Auto, fuel, & motor vehicle licence taxes	32	-7	34	114	39	36	13	31	328	0	55
Other taxes	-7	-25	-9	-5	-7	-7	61	50	-28	5	2
Import duties	28	20	25	25	26	27	28	34	33	26	28
Natural resource levies	-1,207	0	-31	-4	-3	1	3	-75	-1,599	-56	-175
Total tax bill	-168	633	1,382	961	1,875	1,618	1,585	1,280	-561	837	1,353

Note: Numbers may not add due to rounding.

Source: The Fraser Institute's Canadian Tax Simulator, 2015.

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Table 5: Tax Freedom Days including Government Deficits, 2015, preliminary estimates

	Tax Freedom Day	Balanced Budget Tax Freedom Day	Total increase (days)
NL	June 21	July 10	19
PE	June 08	N/A	N/A
NS	June 13	June 14	1
NB	June 14	June 20	6
QC	June 16	N/A	N/A
ON	June 10	June 15	5
MB	June 11	June 14	3
SK	June 06	N/A	N/A
AB	May 19	May 30	11
BC	June 06	N/A	N/A
CDA	June 10	June 14	4

Notes:

(1) The Balanced Budget Tax Freedom Day is affected by both federal and provincial government deficits and surpluses. For the 2015/16 fiscal year, the federal government and three provinces (BC, SK, and QC) are projecting a balanced operating budget. As a result, the balanced budget tax freedom day in these provinces receive an "N/A." In the case of PEI, the provincial government had not released its 2015 budget at the time of writing, meaning a balanced budget tax freedom day cannot be calculated.

(2) The deficit figure used to calculate Alberta's Balanced Budget Tax Freedom Day has been adjusted to reflect some of the tax increases and spending "savings" proposed in the March 2015 budget that will likely not be implemented under the new NDP government.

Sources: The Fraser Institute's Canadian Tax Simulator, 2015; 2015 Federal and Provincial Budgets; RBC Economics, 2015a; calculations by authors.

Business profits also increase during a recovery, which increases the profit taxes that are paid.

Tax Freedom Day has also come later since 2009 because many Canadian governments have increased taxes. For instance, in 2015 alone, British Columbia increased its monthly Medical Service Plan premiums (health tax); Alberta increased tobacco, liquor, and fuel taxes, as well as traffic fines;⁶ Manitoba increased to-

⁶ In their March budget, the Alberta Progressive Conservatives proposed a series of other tax hikes including a new health care contribution levy, higher personal income

tobacco taxes and the corporate capital tax on banks and trusts; Ontario increased fuel taxes; Quebec increased mandatory contributions to the Quebec Pension Plan (payroll tax); New Brunswick introduced higher personal income taxes on those earning over \$150,000 and increased fuel taxes; Nova Scotia increased tobacco taxes; and Newfoundland & Labrador introduced and increased several fees, added two new brackets for those with incomes over \$125,000, and increased the financial corporate capital tax rate.

It is important to note that Tax Freedom Day calculations are based on government forecasts of tax revenue and forecasts of income growth. When final revenue numbers become available at the end of each fiscal year and income data are updated by Statistics Canada, we revise our Tax Freedom Day calculations for previous years. If federal and provincial revenue or income ends up lower (or higher) than currently projected,

taxes on those earning over \$100,000, and numerous fees and charges (land titles, vehicle registration, etc.). In May, a new NDP government was elected. The new government had not released a budget at the time of writing but indicated it will do so sometime in the fall of 2015 <<http://calgaryherald.com/news/politics/incoming-alberta-ndp-government-says-no-full-budget-until-the-fall>>. Alberta's Tax Freedom Day estimate for 2015 are based on adjusted revenue estimates contained in the Progressive Conservatives March 2015 budget to account for a newly elected NDP government and the state of tax measures in the province at the time of writing. Specifically, the proposed health care contribution levy will likely not be implemented and the user fee increases scheduled for July 1 are under revision during the current budget process (information confirmed by personal communications with Alberta Treasury and Finance and Service Alberta). However, other increases announced in the March 2015 budget are currently in effect such as the fuel tax <http://www.finance.alberta.ca/publications/tax_rebates/fuel/fuel36.html>, tobacco tax <http://www.finance.alberta.ca/publications/tax_rebates/tobacco/tob15.html>, liquor mark-ups <<http://aglc.ca/news/default.asp>> and traffic fines <<http://globalnews.ca/news/1973873/albertans-facing-increased-distracted-driving-fine>>.

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Table 6: Average Income and Tax for Three Different Types of Family, 2015, preliminary estimates (\$ Cdn)

1. Families and unattached individuals

	NL	PE	NS	NB	QC	ON	MB	SK	AB	BC	CDA
Avg. cash income	78,820	61,217	67,770	67,510	67,472	84,153	77,315	88,865	109,685	75,987	80,475
Total tax	35,307	25,778	28,808	28,587	29,836	36,930	32,353	36,712	41,147	32,286	34,287
Tax rate	44.8%	42.1%	42.5%	42.3%	44.2%	43.9%	41.8%	41.3%	37.5%	42.5%	42.6%
Tax rate (excluding natural resources)	41.7%	42.1%	42.5%	42.1%	44.2%	43.9%	41.8%	39.4%	36.9%	41.8%	42.3%

2. Families with two or more individuals

	NL	PE	NS	NB	QC	ON	MB	SK	AB	BC	CDA
Avg. cash income	99,905	76,752	87,892	84,395	88,533	103,983	98,971	115,591	136,646	101,364	102,874
Total tax	46,593	33,098	39,215	37,706	40,172	45,425	43,618	49,178	51,290	43,138	44,980
Tax rate	46.6%	43.1%	44.6%	44.7%	45.4%	43.7%	44.1%	42.5%	37.5%	42.6%	43.7%
Tax rate (excluding natural resources)	43.5%	43.1%	44.6%	44.5%	45.4%	43.7%	44.0%	40.6%	36.9%	41.9%	43.4%

3. Families of four (parents and two children under 18)

	NL	PE	NS	NB	QC	ON	MB	SK	AB	BC	CDA
Avg. cash income	133,206	86,519	107,978	112,607	106,424	117,722	117,444	135,362	158,673	118,516	119,082
Total tax	60,981	33,676	50,057	50,473	47,374	47,252	51,619	54,283	58,529	46,864	49,038
Tax rate	45.8%	38.9%	46.4%	44.8%	44.5%	40.1%	44.0%	40.1%	36.9%	39.5%	41.2%
Tax rate (excluding natural resources)	42.5%	38.9%	46.3%	44.6%	44.5%	40.1%	43.9%	37.9%	36.2%	38.7%	40.8%

Notes:

(1) Calculations for Alberta are based on adjusted revenue estimates contained in the Progressive Conservatives' March 2015 budget to account for a newly elected NDP government and the state of tax measures in the province at the time of writing.

(2) Calculations for PEI are based on revenue estimates by the authors since a provincial budget was not released at the time of writing.

Source: The Fraser Institute's Canadian Tax Simulator, 2015.

the 2015 Tax Freedom Day will change when the preliminary estimates are revised.⁷

⁷ Historical Tax Freedom Days can change for other reasons as well. As is explained in the methodology section, Statistics Canada's Social Policy Simulation Database and Model (SPSD/M) is an important part of the Fraser Institute's Canadian Tax Simulator for calculating Tax Freedom Day from 1997 to 2015. Statistics Canada's Survey of Labour and Income Dynamics (SLID) is the host database for the SPSD/M. The latest version of the SPSD/M (version 22) is based on the 2010 Survey of Labour and Income Dynamics, an update of the 2009 survey used in the previous version (version 21). While the Fraser Institute's methodology has not changed, the change in base year from 2009 to 2010 has led to changes in historical Tax Freedom Days in some provinces.

Income and the average family's total tax bill

Table 2 displays the taxes and income of the average family in Canada and in each of the provinces.⁸ In 2015, the average Canadian family (with two or more individuals) will earn \$102,874 in cash income and pay a total of \$44,980 in

⁸ The average family income displayed throughout the report is not the true average of all families in a particular jurisdiction. Rather, the average income is determined by a sample of families that excludes those with incomes that are either significantly above or below the average. This is done to adjust for outliers.

Table 7: Breakdown of the Average Family's Tax Bill by Level of Government, 2015, preliminary estimate

	Federal		Provincial		Local		Tax bill
	\$	% of total	\$	% of total	\$	% of total	\$
NL	22,731	52.3%	19,126	44.0%	1,598	3.7%	43,454
PE	17,572	53.1%	14,550	44.0%	975	2.9%	33,098
NS	20,631	52.7%	15,930	40.7%	2,610	6.7%	39,171
NB	20,386	54.3%	15,301	40.8%	1,839	4.9%	37,527
QC	19,435	48.4%	17,541	43.7%	3,186	7.9%	40,162
ON	25,256	55.6%	15,754	34.7%	4,390	9.7%	45,400
MB	23,049	52.9%	17,966	41.2%	2,540	5.8%	43,554
SK	26,567	56.6%	16,877	36.0%	3,466	7.4%	46,910
AB	32,755	64.9%	15,082	29.9%	2,653	5.3%	50,490
BC	24,779	58.4%	15,487	36.5%	2,172	5.1%	42,437
CDA	24,468	54.8%	16,819	37.6%	3,388	7.6%	44,674

Notes:

(1) The average family with two or more individuals.

(2) Excludes natural resource levies.

(3) Calculations for Alberta are based on adjusted revenue estimates contained in the Progressive Conservatives' March 2015 budget to account for a newly elected NDP government and the state of tax measures in the province at the time of writing.

(4) Calculations for PEI are based on revenue estimates by the authors since a provincial budget was not released at the time of writing.

Source: The Fraser Institute's Canadian Tax Simulator, 2015.

taxes.⁹ In other words, the total tax bill of the average Canadian family in 2015 will amount to 43.7% of its income (table 8).

Between 2014 and 2015, the cash income of the average Canadian family increases by 2.1% (\$2,153) (table 4). This compares to a much larger percentage increase in the total tax bill of 3.1% (\$1,353).

The largest increase among the myriad taxes comes in the form of income taxes—up \$927 for the average Canadian family (table 4). Other notable increases come in the form of payroll and health taxes (\$312), sales taxes (\$195), and auto, fuel, and motor vehicle taxes (\$55). The only taxes that decreased between 2014 and 2015 for

the average Canadian family were natural resources levies and profit taxes (table 4). Both decreases are partly due to lower oil and commodity prices.¹⁰

Tax Freedom Day by province

Tax Freedom Day for each province varies according to the extent of the provincially levied tax burden (table 1). This year, the earliest provincial Tax Freedom Day falls on May 19 in Alberta; the latest in Newfoundland & Labrador on June 21.

¹⁰ For 2015, some provincial budgets are projecting a substantial decrease in natural resource and corporate income tax revenue. On personal tax revenue, the federal and some provincial governments expect revenue from this source to exceed the rate of personal income growth in 2015. This partly reflects the progressive income tax systems of the various jurisdictions.

⁹ For a definition and explanation of cash income, see the methodology section at the end of this publication.

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Table 8: Tax Rates (percent)

	1981	1985	1995	2000 ^{re}	2005 ^{re}	2010 ^{re}	2011 ^{re}	2012 ^{re}	2013 ^{re}	2014 ^{re}	2015 ^{pe}
NL	37.4	34.9	38.9	43.8	49.3	50.7	50.9	49.5	48.4	47.1	46.6
PE	34.2	42.8	38.5	40.5	44.5	40.9	41.8	42.1	42.8	42.9	43.1
NS	35.5	37.0	40.9	44.6	46.4	42.7	43.0	42.9	43.6	44.2	44.6
NB	34.2	41.6	41.1	43.5	44.0	41.9	42.1	42.5	43.1	44.5	44.7
QC	42.9	45.6	43.5	50.7	48.6	43.4	44.2	44.2	44.9	44.4	45.4
ON	40.3	39.5	43.1	45.9	45.4	42.1	42.2	42.6	42.9	43.0	43.7
MB	37.2	33.8	44.7	46.2	45.5	42.3	42.5	42.5	43.4	43.7	44.1
SK	39.0	37.1	46.5	48.1	49.0	44.0	42.3	42.3	42.1	42.0	42.5
AB	40.6	38.5	41.4	47.6	45.3	39.5	40.1	39.1	39.2	38.0	37.5
BC	43.4	45.2	44.3	48.8	47.1	41.8	42.3	42.6	42.2	42.6	42.6
CDA	40.8	42.7	43.9	48.0	47.1	42.7	43.0	43.0	43.3	43.3	43.7

Without Natural Resources

NL	37.2	34.6	38.8	43.6	46.9	42.9	42.6	43.3	42.8	42.7	43.5
SK	36.5	34.8	44.6	44.9	45.5	41.3	39.7	40.4	40.0	40.0	40.6
AB	34.2	33.3	39.1	40.9	39.5	37.2	37.2	37.3	37.1	36.3	36.9
BC	42.6	44.3	43.1	46.5	45.2	41.0	41.5	41.9	41.5	41.8	41.9
CDA	39.9	42.1	43.4	46.8	45.9	42.1	42.3	42.5	42.8	42.8	43.4

re = revised estimate; pe = preliminary estimate

Notes:

- (1) Data based on total taxes as a percentage of cash income for families with two or more individuals.
- (2) Calculations for Alberta are based on adjusted revenue estimates contained in the Progressive Conservatives' March 2015 budget to account for a newly elected NDP government and the state of tax measures in the province at the time of writing.
- (3) Calculations for PEI are based on revenue estimates by the authors since a provincial budget was not released at the time of writing.

Source: The Fraser Institute's Canadian Tax Simulator, 2015.

Compared to last year, Tax Freedom Day comes later in 2015 for all provinces but Newfoundland & Labrador and Alberta (table 1). This means that nearly all Canadians will work more for the government and less for themselves and their families this year. The largest delay in Tax Freedom Day among the provinces occurs in Quebec. Taxpayers in Quebec must wait an additional four days to celebrate Tax Freedom Day.¹¹

¹¹ Quebec is expecting its first balanced budget in six years. To achieve this, the provincial government is forecasting that tax revenue will grow 5.4% this year. This higher annual growth rate is the primary reason for Quebec's later Tax Freedom Day. Over the last five years, annual increases in tax revenues averaged 3.6%. The government justifies the increase in 2015/16 with the sharp drop in oil prices and depreciation of the Canadian dollar,

Taxpayers in Ontario and Saskatchewan wait two extra days to celebrate Tax Freedom Day this year, while Prince Edward Island,¹² Nova Scotia, New Brunswick, and Manitoba delay their celebrations by a day. Taxpayers in British Columbia celebrate their Tax Freedom Day on the same day as last year.

which are expected to have a net positive effect on the Quebec economy (RBC Economics, 2015b and 2015c).

¹² Due to the provincial election in Prince Edward Island this year, the release of the 2015 budget has been delayed. For 2014/15, the authors use tax revenue data from the *Third Quarter Forecast 2014-15*. The growth rate between 2013/14 and 2014/15 was used to project 2015/16 tax revenue (this estimate, of course, assumes that there will be no changes in tax rates and/or fees.)

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Table 9: The Distribution of Cash Income and Tax Across Deciles, and the Average Tax Rate by Decile, 2015, preliminary estimate

Decile	1	2	3	4	5	6	7	8	9	10
<i>Distribution across deciles</i>										
Tax	0.5%	1.3%	2.7%	4.3%	6.0%	7.7%	9.8%	12.3%	16.5%	39.0%
Income	1.6%	3.2%	4.4%	5.5%	6.7%	8.2%	10.0%	12.5%	16.1%	31.9%
<i>Average tax rate</i>	14.5%	18.8%	27.4%	35.6%	39.8%	42.1%	44.0%	44.4%	46.1%	55.1%

Notes:

(1) Deciles group families from lowest to highest incomes with each group containing ten percent of all families. The first decile, for example, represents the ten percent of families with the lowest incomes.

(2) Deciles may not sum to 100% due to rounding.

Source: The Fraser Institute's Canadian Tax Simulator, 2015.

Newfoundland & Labrador and Alberta are the only provinces where Tax Freedom Day comes earlier this year—one day earlier than in 2014. A key reason for the earlier Tax Freedom Day is that both governments expect natural resources revenue to decrease this year (by 28.5% and 66.9%, respectively), which translates into a lower total tax bill for average families through a reduction in natural resources levies. In addition, the Newfoundland & Labrador government is forecasting a 3.6% reduction in personal income tax revenue while the Alberta government expects a 20.8% reduction in corporate income tax revenue. Both forces result in lower taxes paid by average families in each province.¹³

There is an unresolved debate as to whether natural resource royalties are actually a tax, or simply the conversion of a balance sheet asset (“public asset”) into an income stream. This debate is not one we attempt to resolve in our annual calculations. For this reason, we provide two sets of Tax Freedom Days for prov-

¹³ If natural resources levies are excluded from the total tax bill, Tax Freedom Day this year arrives three days later in Newfoundland and Labrador and two days later in Alberta.

inces with significant natural resources, one including and one excluding resource royalties. If natural resource revenues are excluded, Tax Freedom Day is 12 days earlier in Newfoundland & Labrador, seven days earlier in Saskatchewan, and three days earlier in British Columbia and Alberta (table 1).

Balanced Budget Tax Freedom Day

Canadians may be thinking about the economic and tax implications of budget deficits since seven provincial governments (Newfoundland & Labrador, Prince Edward Island, Nova Scotia, New Brunswick, Ontario, Manitoba, and Alberta)¹⁴ are forecasting budget deficits this year. Specifically, the provinces are cumulatively forecasting deficits amounting to \$18.2 billion.¹⁵

¹⁴ The deficit figure used to calculate Alberta’s Balanced Budget Tax Freedom Day has been adjusted to reflect that some of the tax increases (amounting to \$727 million) and spending “savings” (\$1.9 billion) proposed in the March 2015 budget will likely not be implemented. For further information about these measures, see Alberta 2015 budget, pages 13 and 28 <<http://finance.alberta.ca/publications/budget/budget2015/fiscal-plan-complete.pdf>>

¹⁵ The cumulative deficit figure only includes those provinces with forecasted deficits for 2015/16. During the election campaign, Prince Edward Island’s

Of course, today's deficits must one day be paid for by taxes. Deficits should therefore be considered as deferred taxation. For this reason, we calculate a Balanced Budget Tax Freedom Day, the day on which average Canadians would start working for themselves if governments were obliged to cover current expenditures with current taxation.

Table 5 presents Balanced Budget Tax Freedom Days for Canada and the provinces (Quebec, Saskatchewan, and British Columbia are excluded because they are expecting balanced operating budgets this year while Prince Edward Island, at the time of writing, has not released its 2015 budget).¹⁶ Balanced Budget Tax Freedom Day for Canada arrives on June 14, which means that the average Canadian family has to work until June 13 to pay its tax bill if, instead of financing expenditures with deficits, Canadian governments had simply increased taxes to balance their budgets. The Balanced Budget Tax Freedom Day arrives four days later than Tax Freedom Day. Among the provinces for which a calculation has been made, the latest Balanced Budget Tax Freedom Day falls on July 10 in Newfoundland & Labrador.

government noted the budget might not be balanced until 2016 (<http://www.theguardian.pe.ca/News/Local/2015-04-22/article-4120496/Balanced-budget-delayed-for-PEI/1> and <http://www.cbc.ca/news/elections/prince-edward-island-votes/p-e-i-election-promises-balancing-the-budget-1.3057072>). At the time of writing, a deficit figure for 2015/16 was not available. If Prince Edward Island does in fact record a deficit in 2015/16, its Balanced Budget Tax Freedom Day will likely arrive later than its Tax Freedom Day.

¹⁶ British Columbia, Saskatchewan, and Quebec are expecting to balance their operating budget but will still accumulate net debt because these provinces separate their annual spending (the operating budget) from long-term spending (the capital budget). For further discussion, see Wen (2014).

Fairness in the tax system

In addition to the size of the average family's tax bill, there are concerns about the fairness of the Canadian tax system. The top 30% of income earners pays 67.7% of all taxes and earns 60.4% of all income, while the bottom 30% of all income earners pays 4.5% of all taxes and earns 9.1% of all income (table 9). The overall distribution shows that Canada's tax system is effectively progressive and extracts proportionately more money from those on the higher end of the income scale.

Conclusion

The Canadian tax system is complex and no single number can give us a complete idea of who pays how much. That said, Tax Freedom Day is the most comprehensive and easily understood indicator of the overall tax bill of the average Canadian family. In 2015, Canadians celebrate Tax Freedom Day on June 10, one day later than in 2014.

Methodology—How the Fraser Institute's Canadian Tax Simulator Works

Tax Freedom Days are calculated using the Fraser Institute's Canadian Tax Simulator. The Canadian Tax Simulator is a model we use to calculate all the taxes paid to the three levels of government by average families. The calculation has two parts. First, we calculate total cash income and then we estimate total taxes paid.

Cash income includes wages and salaries, self-employment income (farm and non-farm), interest, dividends, private and government pension payments, old age pension payments, and other transfers from governments (such as the Universal Child Care Benefit). The sources for this data are Statistics Canada (Provincial Economic Accounts, National Accounts, Investment

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Income division, farm income series) and the Canada Revenue Agency.

A broader definition of income is total income before taxes, which includes cash income plus fringe benefits from employment, value of food from farm, investment income from pension plans and insurance companies, and corporate retained earnings. However, cash income is the appropriate income measure to convey the size of the total tax bill imposed on Canadian families because total income before taxes includes deferred incomes such as investment income accumulated by pension plans, interest accumulated on insurance policies, and corporate retained earnings. While these types of incomes are accumulated, they are not paid to Canadian families in the current year, and thus should not be considered as part of their income for Tax Freedom Day calculations.

The tax calculation consists of adding up the various taxes that Canadian families pay to the three levels of government: federal, provincial, and local. These include income taxes, payroll taxes, health taxes, sales taxes, property taxes, profit taxes, fuel taxes, vehicle taxes, import duties, liquor taxes, tobacco taxes, amusement taxes, natural resource fees, and a host of other levies. The tax data comes from Statistics Canada (System of National Accounts, Government Finance) as well as federal and provincial public accounts and government budgets (for the latest year of analysis).

Statistics Canada's Social Policy Simulation Database and Model, version 22.0 (SPSD/M), is an important part of the Canadian Tax Simulator; it is used to calculate Tax Freedom Days from 1997 to 2015. SPSD/M helps allocate federal taxes to the provinces as well as cash income and tax shares to an average family.

After the current income and tax totals for each family type is determined, Tax Freedom Day is calculated by dividing total taxes paid in the current year by total cash income. The result is then converted to days of the year, starting from January 1. That date on the calendar is then Tax Freedom Day.

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Disclaimer

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