NEWS RELEASE

Federal tax reform can reduce the top marginal income tax rate and eliminate middle income tax rates, leaving just two tax rates

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For Immediate Release

VANCOUVER—The federal government can reduce the top marginal income tax rate to 29.0 per cent—where it was before the Trudeau government increased it—and completely eliminate the three middle income tax rates of 20.5 per cent, 26.0 per cent, and 29.0 per cent by reforming and simplifying the tax code, finds a new report published today by the Fraser Institute, an independent, non-partisan Canadian public policy think-tank.

“With this plan for tax reform, the federal government could create a more pro-growth-environment than Canadians are presently living in,” said Jake Fuss, director of fiscal policy at the Fraser Institute and study co-author of Enhancing Economic Growth Through Federal Personal Income Tax Reform.

According to the analysis, there are 49 different federal tax credits, deductions, and special preferences that could be eliminated. Each of these measures currently reduces tax revenues to the federal government, the elimination of these special treatments allows the general personal income tax rates to be reduced.

In addition to eliminating a host of tax credits and deductions, a reduction of $5.6 billion in spending is also required to cover the costs of the proposed tax reforms.

These changes would establish a new tax landscape with just two federal personal income tax rates. Nearly all Canadians would face a marginal tax rate of 15.0 per cent, while top earners would pay a marginal tax rate of 29.0 per cent, the rate in place since 1988 before it was increased in 2016—providing a much-needed boost to the Canadian economy by improving the incentives to work, save, and invest and for entrepreneurship and innovation.

“By making these tax changes, Canada would be more tax competitive with the US, who currently enjoy a substantial advantage over us on personal income taxes.”

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