Guaranteed Annual Income could cost between $131.9 billion and $464.5 billion a year

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VANCOUVER—If the federal government introduces a Guaranteed Annual Income program, it could cost taxpayers between $131.9 billion and $464.5 billion a year, concludes a new study released today by the Fraser Institute, an independent, non-partisan Canadian public policy think-tank.

“Since the federal government introduced CERB there has been renewed interest in the idea of a Guaranteed Annual Income, but many Canadians are unaware of how much such a program could cost,” said Jake Fuss, an economist with the Fraser Institute and co-author of GAI: How Much Could A Guaranteed Annual Income Cost?

Guaranteed Annual Income (GAI) means that the government would ensure a minimum annual income to all individuals through cash transfers.

The study estimates the potential costs of four different GAI programs including different options for reducing program costs by “phasing out” the benefit as an individual’s income rises.

If the federal government extended the Old Age Security benefit (a basic benefit paid to eligible seniors) to all Canadians between the ages of 18 and 64—providing $7,272 a year in minimum income—it would cost $131.9 billion.

Alternatively, if the federal government based the Guaranteed Annual Income on CERB, providing a monthly benefit of $2,000 to all eligible Canadians, the annual program cost would soar to $464.5 billion, more than doubling all current federal government program spending.

A separate study also released today, GAI: Illustrating the Tax Implications of a Guaranteed Annual Income, helps to contextualize how much taxes would be required to pay for the GAI programs explained above. It finds that the federal Goods and Services Tax (GST) would have to increase from the current five per cent to between 26.25 and 105.35 per cent to pay for a GAI.

For those of the view that such a program could be financed by simply taxing top earners more, the study also calculated how much of the GAI programs explained above could be financed by taxing the entirety of disposable income for those earning more than $250,000. If all the disposable income of those earning more than $250,000 were taxes, it would only cover 25 to 87 per cent of the total cost of a GAI.

“If the federal government pursues a guaranteed annual income program, it will have to raise a staggering amount of revenue from taxpayers to pay for it,” said Tegan Hill, author of GAI: Illustrating the Tax Implications of a Guaranteed Annual Income.

“In order for Canadians to consider this type of new government program, it’s important for them to understand the true costs and tax implications.”

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