

NEWS RELEASE

Low- and middle-income Canadians hit hardest by high marginal effective tax rates

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TORONTO—Canadian families and individuals with annual incomes between \$30,000 and \$60,000 face marginal effective tax rates near or above 50 per cent, finds a new study from the Fraser Institute, an independent, non-partisan Canadian public policy think-tank.

“Canadians with modest incomes face extremely high marginal effective tax rates, often higher rates than Canadians in top income tax brackets,” said Finn Poschmann, resident scholar at the Fraser Institute, which published the study [*Marginal Effective Tax Rates Across Provinces: High Rates on Low Income*](#) by Philip Bazel, an associate at the School of Public Policy at the University of Calgary.

The marginal effective tax rate measures the personal income taxes paid (federal and provincial) and the reductions in government benefits, resulting from earning an extra dollar. For example, the Canada Child Benefit, a monthly payment, is reduced as family income increases. In other words, the effective tax rate is the combination of taxes you pay and benefits you lose as you make more money.

Crucially, across the provinces, individuals and families with relatively modest incomes face the highest rates.

For example, families earning between \$30,000 to \$60,000 in Quebec face an average marginal effective tax rate of 53 per cent—the highest in Canada—compared to 44 per cent for Quebecers earning more than \$300,000 per year. An individual’s effective tax rate in Quebec at some income levels exceeds 70 per cent.

Among provinces, Alberta has the lowest rate (38 per cent) for the \$30,000 to \$60,000 bracket and the lowest rate (40 per cent) for high-income earners. Ontario’s rate for the \$30,000 to \$60,000 bracket and high-income families is the same—44 per cent, two points below the national average of 46 per cent.

“High marginal effective tax rates reduce the gains some families achieve by working more, which can discourage people from working more and increase reliance on government benefits,” Poschmann said.

“If policymakers want to help lower-income Canadians climb the income ladder and become more prosperous, they should reform the tax system so it encourages work—not discourages it,” Poschmann said.

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