

# NEWS RELEASE

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

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For Immediate Release

**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 published by the Fraser Institute, an independent, non-partisan Canadian public policy think-tank.

“Canadian families with modest incomes face high marginal effective tax rates, often higher rates than Canadians in top income tax brackets,” said Jake Fuss, director of fiscal studies at the Fraser Institute, which published *Marginal Effective Tax Rates for Working Families in Canada* by Philip Bazel, an associate at the School of Public Policy at the University of Calgary.

The marginal effective tax rate (METR) 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. This unfortunately creates a disincentive for earning additional income, as the financial benefits are significantly offset by increased taxes and/or reduced government benefits.

Canadian families with modest incomes, particularly those earning between \$30,000 and \$60,000, face the highest marginal effective tax rates. For example, families earning a household income of \$60,000 are subject to an effective tax rate of 50 per cent or higher in every province. In Quebec, the METR is as high as 67 per cent at this income level.

Among provinces, BC has the lowest rate (38 per cent) averaging across the \$30,000 to \$60,000 bracket. Ontario’s rate for the \$30,000 to \$60,000 bracket is 6 percentage points higher (50 per cent) than high-income families at \$300,000 or higher (44 per cent).

“Families with modest income brackets consistently face disproportionately high METRs, raising questions of fairness and efficiency in the tax and transfer system,” Bazel said.

“These findings highlight the need to prioritize METR reductions for low-income families.”

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