



NEWS RELEASE

Alberta’s personal income tax rate hike may prevent 1,374 new businesses from starting

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For immediate release

CALGARY—The Notley government’s increase to Alberta’s top personal income tax rate may be preventing 1,374 new businesses from starting in the province, finds a new study released today by the Fraser Institute, an independent, non-partisan Canadian public policy think-tank.

“Recent tax hikes by the Alberta government are discouraging entrepreneurs from starting new businesses, which are vital for economic growth and prosperity and drive innovation,” said Charles Lammam, director of fiscal studies at the Fraser Institute.

Using 30 years of Canadian data from 1984 to 2015, the study, titled *The Effects on Entrepreneurship of Increasing Provincial Top Personal Income Tax Rates in Canada*, finds that increases to the top personal income tax rate reduce the number of new businesses started.

That’s because entrepreneurship is inherently risky and higher personal income taxes decrease the potential income (and reward) for entrepreneurs who are successful, reducing their incentive to start a new business.

For Alberta, the study estimates that, holding all else constant, a one percentage point increase to the top personal income tax rate prevents 275 new businesses from starting over a four-year period.

Considering that the Alberta government in 2016 raised its top provincial rate five points to 15 per cent, over the same time span of four years, the province may lose out on 1,374 new businesses.

Crucially, this estimate does not include the impact of the federal government’s four percentage point increase to the federal top personal income tax rate, which will reduce entrepreneurship even further in Alberta and across Canada.

“Policymakers should be aware of the negative effects of higher personal income tax rates on entrepreneurial activity as Canadians risk losing out on job opportunities and economic prosperity,” Lammam said.

The number of businesses not created over a four-year period due to a one percentage point increase to the provincial top personal income tax rate (by province):

Ontario	696
Quebec	465
British Columbia	315
Alberta	275
Saskatchewan	85
Manitoba	74
Nova Scotia	62
New Brunswick	54
Newfoundland and Labrador	40
P.E.I.	14

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