

# Taxes versus the Necessities of Life: The Canadian Consumer Tax Index 2023 edition

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## Summary

- The Canadian Consumer Tax Index tracks the total tax bill of the average Canadian family from 1961 to 2022. Including all types of taxes, that bill has increased by 2,778% since 1961.
- Taxes have grown much more rapidly than any other single expenditure for the average Canadian family: expenditures on shelter increased by 1,880%, food by 870%, and clothing by 654% from 1961 to 2022.
- The 2,778% increase in the tax bill has also greatly outpaced the increase in the Consumer Price Index (863%), which measures the average price that consumers pay for food, shelter, clothing, transportation, health and personal care, education, and other items.
- The average Canadian family now spends more of its income on taxes (45.3%) than it does on basic necessities such as food, shelter, and clothing combined (35.6%). By comparison, 33.5% of the average family's income went to pay taxes in 1961 while 56.5% went to basic necessities.
- In 2022, the average Canadian family earned an income of \$106,430 and paid total taxes equaling \$48,199 (45.3%). In 1961, the average family had an income of \$5,000 and paid a total tax bill of \$1,675 (33.5%).

## Introduction

The Canadian tax system is complex and there is no single number that can give us a complete idea of who pays how much. That said, the Fraser Institute annually calculates the most comprehensive and easily understood indicator of the overall tax bill of the average Canadian family: Tax Freedom Day (see Palacios et al., 2023). This publication draws from those calculations and examines what has happened to the tax bill of the average Canadian family over the past 61 years.<sup>1</sup> To do this, we have constructed an index of the tax bill of the average Canadian family, the Canadian Consumer Tax Index, for the period from 1961 to 2022.

## The total tax bill

In order to calculate the total tax bill of the average Canadian family, we add up all the various taxes that the family pays to federal, provincial, and local governments. This includes income taxes, payroll taxes, health taxes, sales taxes, property taxes, fuel taxes, carbon taxes, vehicle taxes, import taxes, alcohol and tobacco taxes, and the list goes on. Average Canadians also pay the taxes levied on businesses. Although businesses pay these taxes directly, the cost of business taxation is ultimately passed onto ordinary Canadians.<sup>2</sup>

In 2022, the average Canadian family, including both families and unattached individuals, earned cash income of \$106,430 and paid total taxes equaling

**Table 1: Tax bill of the average Canadian family (families and unattached individuals), 2022**

Taxes	In dollars (\$)	As % of total taxes
Income taxes	15,063	31.3%
Payroll & health taxes	9,341	19.4%
Sales taxes	6,650	13.8%
Property taxes	4,150	8.6%
Profit tax	7,310	15.2%
Liquor, tobacco, amusement, & other excise taxes	1,724	3.6%
Fuel, motor vehicle licence & carbon taxes	1,260	2.6%
Other taxes	1,332	2.8%
Natural resource taxes	1,037	2.2%
Import duties	331	0.7%
<b>Total taxes</b>	<b>\$48,199</b>	
<b>Total cash income</b>	<b>\$106,430</b>	
<b>Taxes as a percentage of cash income</b>	<b>45.3%</b>	

Source: The Fraser Institute's Canadian Tax Simulator, 2023.

\$48,199 (table 1).<sup>3</sup> In other words, the total tax bill of the average Canadian family in 2022 amounted to 45.3% of cash income.

## The Canadian Consumer Tax Index

The Canadian Consumer Tax Index tracks the total tax bill paid by a Canadian family with average income.

- 1 The Tax Freedom Day calculations are for the average Canadian family with two or more people. The average family in this publication includes families and unattached individuals. That is why the data for the same year are different. For instance, in 2022 the tax rate for the average Canadian family with two or more people was 46.5% and for the average family including unattached individuals it was 45.3% (see Palacios et al., 2023).
- 2 See Clemens and Veldhuis (2003) for a discussion of who actually pays business taxes and Ebrahimi and Vaillancourt (2016) and McKenzie and Ferde (2017) for empirical evidence in Canada on the incidence of business taxes.
- 3 The tax and income calculations are based on the methodology used in Palacios et al. (2023). Cash income is used to convey the size of the total tax bill imposed on Canadian families and includes wages and salaries, income from farm operations, unincorporated non-farm income, interest, dividends, private and government pension payments, old age pension payments, and other transfers from government.

While each of these families had average income in the year selected, the family is not the same one from year to year. The objective is not to trace the tax experience of a particular family, but rather to plot the experience of a family that was average in each year.<sup>4</sup>

The “consumer” in question is the taxpaying family, which can be thought of as consuming government services. Much like the Consumer Price Index calculated by Statistics Canada, which measures the average price that consumers pay for the goods and services that they buy of their own choice, the Canadian Consumer Tax Index measures the price of goods and services that government buys on behalf of Canadians.

The Canadian Consumer Tax Index thus answers the following question: How has the tax burden of the average family changed since 1961, bearing in mind that the average family has itself changed in that period?

Table 2 presents the average cash income and total tax bill paid by the average Canadian family from 1961 to 2022. In 1961, the average Canadian family earned an income of \$5,000 and paid \$1,675 in taxes (33.5%). In 2022, the average Canadian family earned an income of \$106,430 and paid a total of \$48,199 in taxes (45.3%).

The basis of the Canadian Consumer Tax Index is the total tax calculation presented in table 2. Specifically, the Canadian Consumer Tax Index is constructed by dividing the tax bill of an average Canadian family by the average tax bill of an average family in 1961, and then multiplying by 100, for each of the years included in the index. The Canadian Consumer Tax Index has a value of 100 in 1961; in subsequent years, values reflect the percentage increase over the 1961 value. The value of the Canadian Consumer Tax Index for 2022 is 2,878 (Figure 1), which indicates that the tax bill of the average Canadian family has increased by 2,778% since 1961.

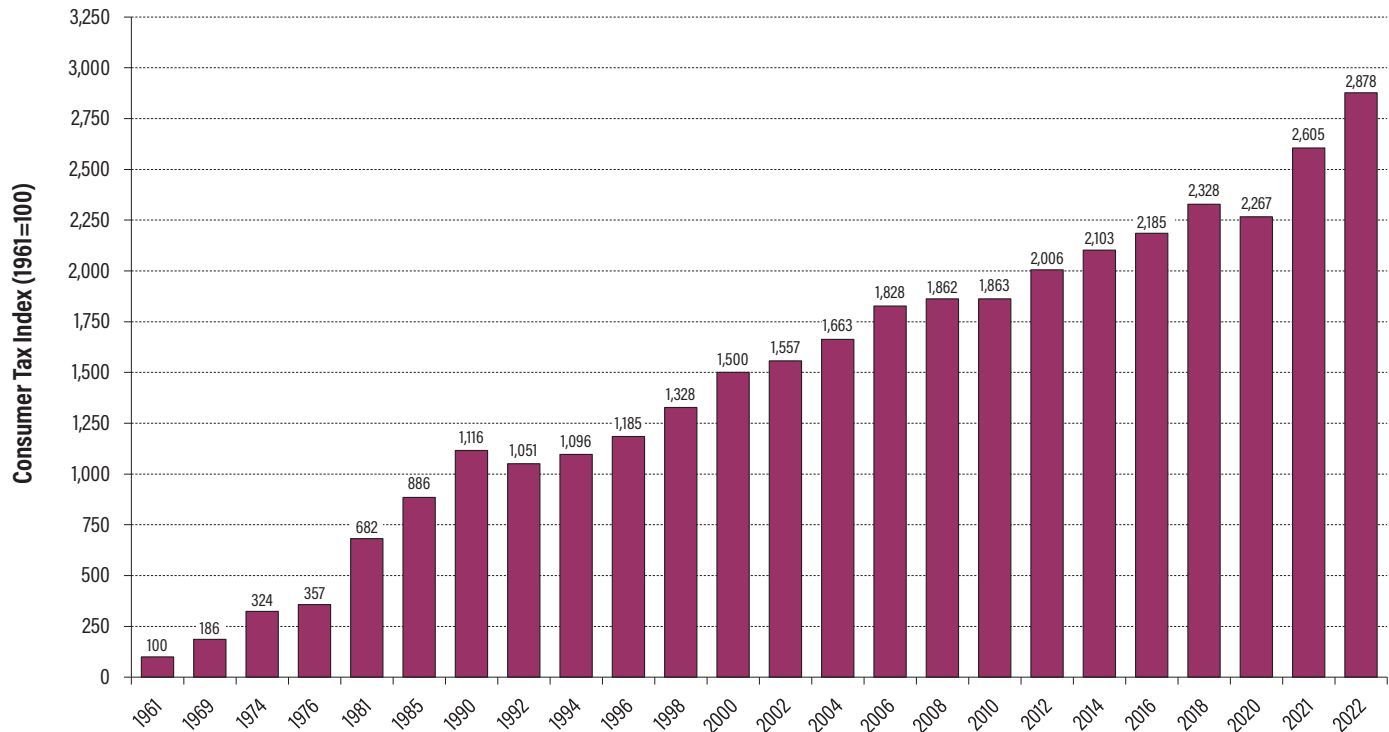
**Table 2: Taxes paid by the average Canadian family (families and unattached individuals), 1961-2022**

Year	Average cash income (\$)	Tax bill (\$)	Increase in tax bill over base year (%)
1961	5,000	1,675	—
1969	8,000	3,117	86
1974	12,500	5,429	224
1976	16,500	5,979	257
1981	27,980	11,429	582
1985	32,309	14,834	786
1990	43,170	18,693	1,016
1992	43,516	17,612	951
1994	44,095	18,366	996
1996	45,370	19,844	1,085
1998	48,464	22,241	1,228
2000	54,042	25,131	1,400
2002	56,280	26,072	1,457
2004	60,288	27,858	1,563
2006	66,865	30,620	1,728
2008	72,529	31,191	1,762
2010	73,749	31,205	1,763
2012	78,112	33,594	1,906
2014	82,301	35,226	2,003
2016	84,114	36,591	2,085
2018	89,512	38,996	2,228
2019	92,399	39,377	2,251
2020	97,009	37,970	2,167
2021	99,896	43,633	2,505
2022	106,430	48,199	2,778

Source: The Fraser Institute's Canadian Tax Simulator, 2023.

<sup>4</sup> According to the latest Statistics Canada Survey of Household Spending, we can note, for example, that in 2019 the average family is headed by an older person who is more likely to own a car and a house, and has fewer members than the average family in 1961 (Dominion Bureau of Statistics, 1962; and Statistics Canada, 2022).

Figure 1: The Canadian Consumer Tax Index, 1961–2022



Sources: The Fraser Institute's Canadian Tax Simulator 2023; calculations by authors.

Part of that increase reflects the effects of inflation. In order to eliminate the portion of the increase that is due to the erosion of purchasing power, we also calculate the tax index in real dollars, that is, in dollars with 2022 purchasing power. While this adjustment has the effect of reducing the steepness of the index's path over time, the inflation-adjusted Consumer Tax Index nevertheless increased by 198.8% over the period (see table 3).<sup>5</sup>

## What the Canadian Consumer Tax Index shows

The interaction of a number of factors has produced the dramatic increase in the average family's tax bill from 1961 to 2022. Among those factors is, first, a sizeable increase in incomes over the period: 2,029% since 1961. Even with no changes in tax rates, the family's tax bill would have increased substantially; growth in family income alone would have produced an increase in the tax bill from \$1,675 in 1961 to \$35,654 in 2022. Second, the average family faced a tax rate increase from 33.5% in 1961 to 45.3% in 2022.

5 The percentage change in the inflation-adjusted tax bill in 2020 was down from 2019. This is primarily due to the economic and tax effects of the COVID-19 pandemic. Tax revenues fell and income rose in 2020, which caused the tax bill to decline for average Canadian families.

**Table 3: Inflation-adjusted tax bill and percent change since 1961**

Year	Tax bill (2022\$)	Percent change since 1961
1961	16,131	-
1969	23,923	48.3
1974	31,331	94.2
1976	29,068	80.2
1981	34,911	116.4
1985	35,602	120.7
1990	36,050	123.5
1992	31,702	96.5
1994	32,404	100.9
1996	33,751	109.2
1998	36,833	128.3
2000	39,830	146.9
2002	39,421	144.4
2004	40,231	149.4
2005	41,703	158.5
2006	42,435	163.1
2007	42,715	164.8
2008	41,333	156.2
2009	39,819	146.8
2010	40,499	151.1
2012	41,737	158.7
2014	42,542	163.7
2016	43,089	167.1
2018	44,199	174.0
2019	43,778	171.4
2020	41,906	159.8
2021	46,591	188.8
2022	48,199	198.8

Sources: The Fraser Institute's Canadian Tax Simulator, 2023; Statistics Canada, 2023; calculations by authors.

## Balanced Budget Consumer Tax Index

The federal and provincial governments have reverted to deficits to finance their expenditures in recent years, especially during and coming out of the COVID-19 pandemic.<sup>6</sup> Of course these deficits must one day be paid for by taxes. Deficits should therefore be considered as deferred taxation. Figure 2 shows what the Canadian Consumer Tax Index looks like when the annual deficits of governments are added to the tax bill.

The total tax bill of the average family would be much higher than it actually is if, instead of financing its expenditures with deficits, all Canadian governments had simply increased tax rates to balance their budgets. Indeed, the Canadian Consumer Tax Index would have increased to 2,967 if deferred taxation was added to the average family's total tax bill. Once deferred taxes are included, the tax bill of the average Canadian family has increased by 2,867% since 1961.

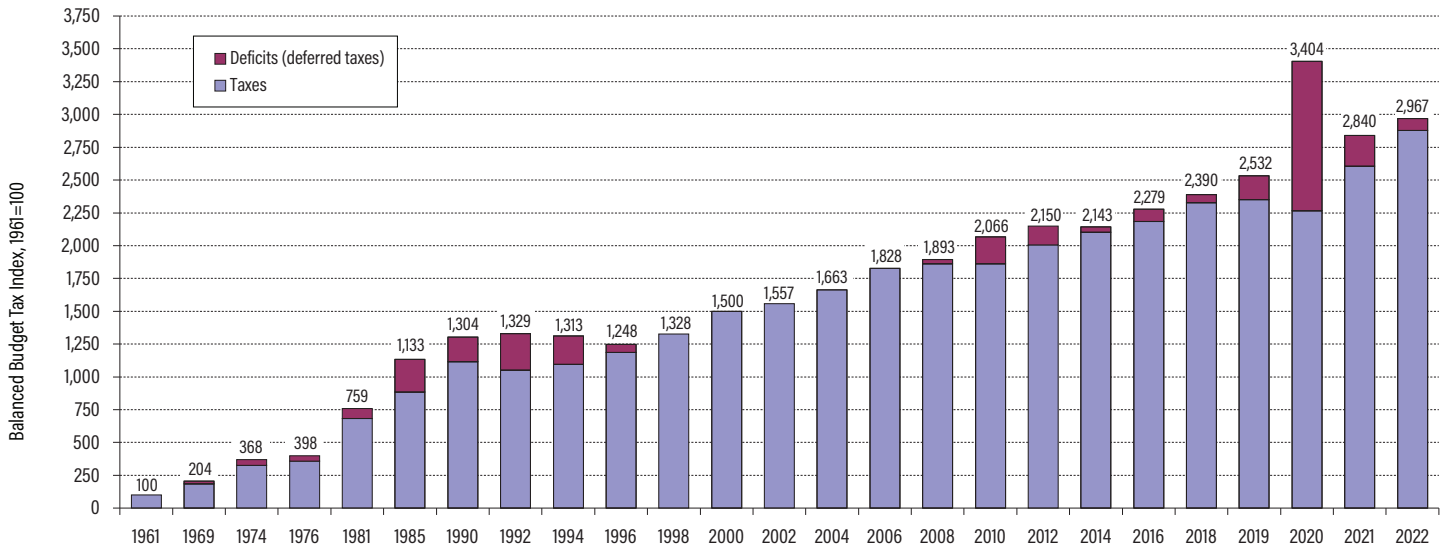
## Taxes versus the necessities of life

One way to gauge the significance of the increased tax bill on Canadian families is by comparing the evolution of the tax take with the average family's other major expenditures. Table 4 and figure 3 compare family cash income and total taxes paid with the family's expenditures on shelter, food, and clothing. It is clear that taxes have become the most significant item in family budgets, and that taxes have grown more rapidly than any other single item.

In 1961, the average family spent 56.5% of its cash income to pay for shelter, food, and clothing. In the same year, 33.5% of the family's income went to governments as tax. By 1981, the spending demands had roughly evened up: 40.8% of an average family's income

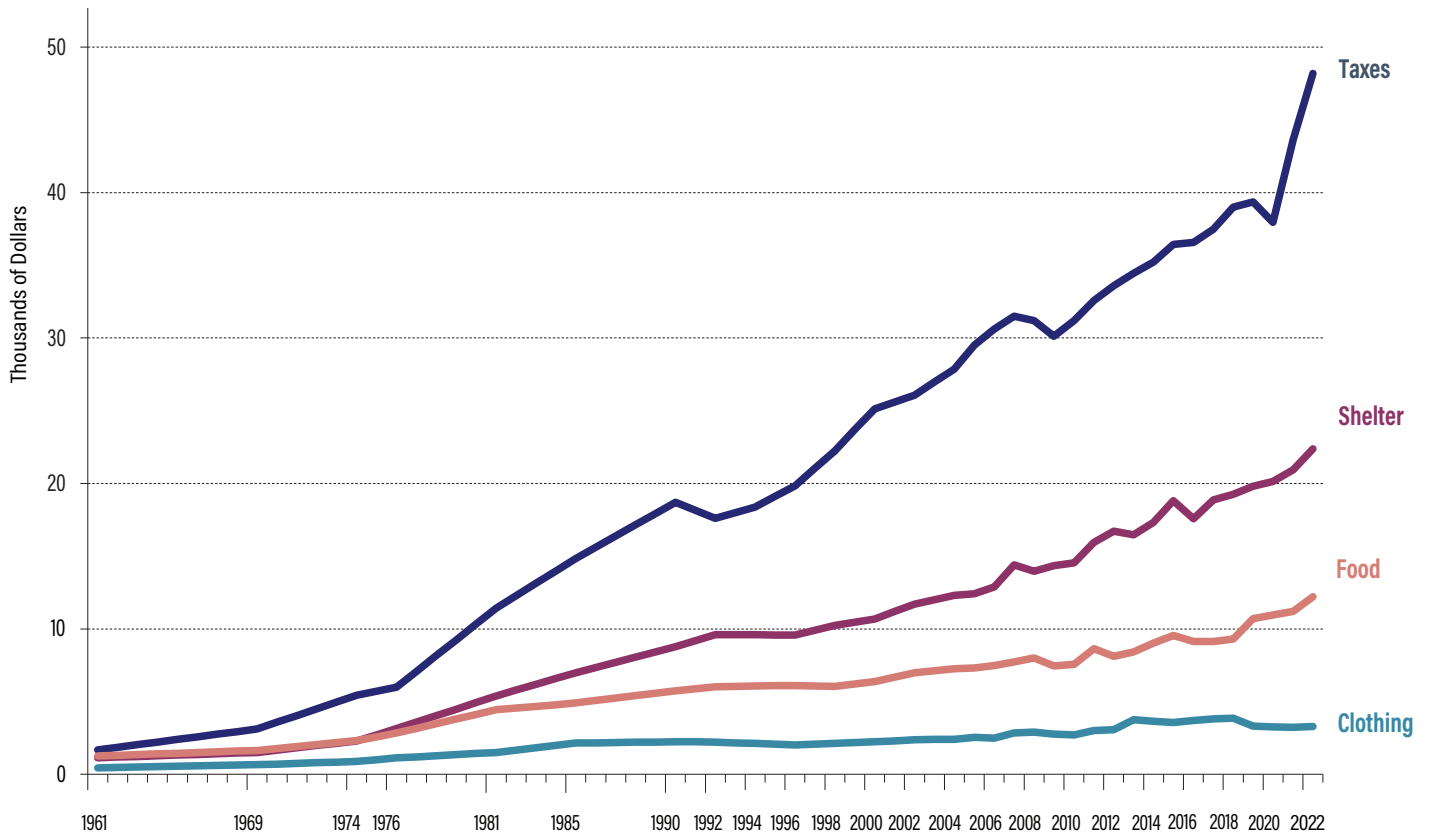
6 In fiscal year 2022/23, the federal and five provincial governments ran operating deficits. Cumulatively, 2022/23 deficits totaled \$30.8 billion for these governments (Canada, Department of Finance, 2023; RBC, 2023).

**Figure 2: The Balanced Budget Tax Index, 1961–2022**



Sources: The Fraser Institute's Canadian Tax Simulator, 2023; Canada, Department of Finance, 2022 & 2023; RBC, 2023; calculations by authors.

**Figure 3: Taxes and basic expenditures of the average Canadian family, 1961–2022**



Source: Table 4.



**Table 4: Income, taxes, and selected expenditures of the average Canadian family (nominal dollars)**

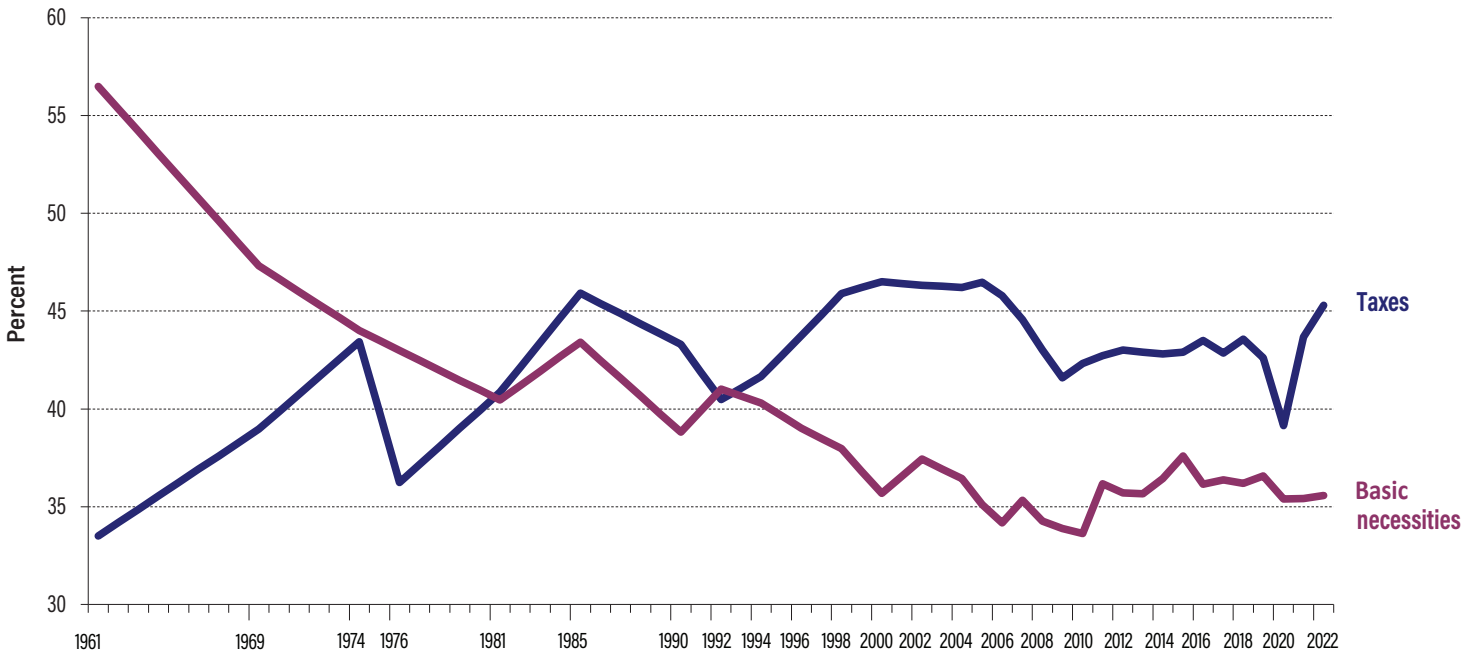
Year	Average cash income (\$)	Average tax bill (\$)	Average expenditures (\$)		
			Shelter	Food	Clothing
1961	5,000	1,675	1,130	1,259	435
1969	8,000	3,117	1,497	1,634	654
1974	12,500	5,429	2,294	2,320	886
1976	16,500	5,979	3,134	2,838	1,119
1981	27,980	11,429	5,381	4,440	1,499
1985	32,309	14,834	6,984	4,899	2,141
1990	43,170	18,693	8,776	5,745	2,234
1992	43,516	17,612	9,607	6,024	2,215
1994	44,095	18,366	9,592	6,066	2,116
1996	45,370	19,844	9,577	6,108	2,017
1998	48,464	22,241	10,224	6,038	2,135
2000	54,042	25,131	10,666	6,383	2,234
2002	56,280	26,072	11,708	6,987	2,372
2004	60,288	27,858	12,310	7,247	2,410
2006	66,865	30,620	12,869	7,487	2,495
2008	72,529	31,191	13,951	8,013	2,889
2010	73,749	31,205	14,552	7,551	2,696
2012	78,112	33,594	16,728	8,105	3,062
2014	82,301	35,226	17,319	9,010	3,654
2016	84,114	36,591	17,585	9,128	3,691
2018	89,512	38,996	19,244	9,289	3,854
2019	92,399	39,377	19,804	10,692	3,303
2020	97,009	37,970	20,146	10,941	3,245
2021	99,896	43,633	20,928	11,212	3,235
2022	106,430	48,199	22,380	12,208	3,279

Sources: Statistics Canada (various issues), Urban Family Expenditure; Statistics Canada (various issues), Family Expenditures in Canada; Statistics Canada (various issues), Spending Patterns in Canada; Statistics Canada, 2011-2021, 2023; The Fraser Institute's Canadian Tax Simulator, 2023; calculations by authors.

**Notes:**

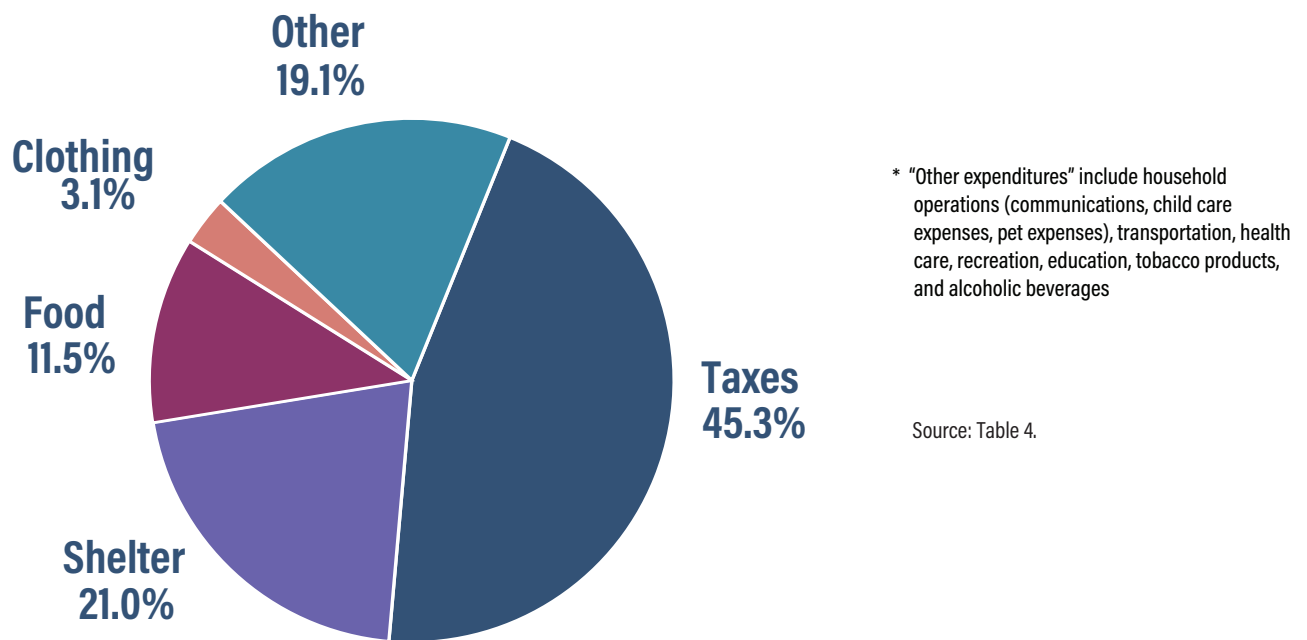
- 1) All expenditure items include indirect taxes.
- 2) Average shelter expenditures for years prior to 1998 are estimates. The estimate is to take account of a change in the definition of shelter between the Family Expenditure Survey and the Survey of Household Expenditures.
- 3) Expenditures for 2010 were estimated using the results of the 2009 Survey of Household Spending and adjusting final results for inflation.
- 4) Expenditures for 2019 to 2022 were estimated using the results of the 2019 Survey of Household Spending and adjusting final results for inflation.

Figure 4: Taxes and basic necessities as percentage of cash income, 1961-2022



Source: Table 4.

Figure 5: The average Canadian family's expenditures as percentage of cash income, 1961-2022



Source: Table 4.



**Table 5: Income, tax, and expenditure indices (1961=100)**

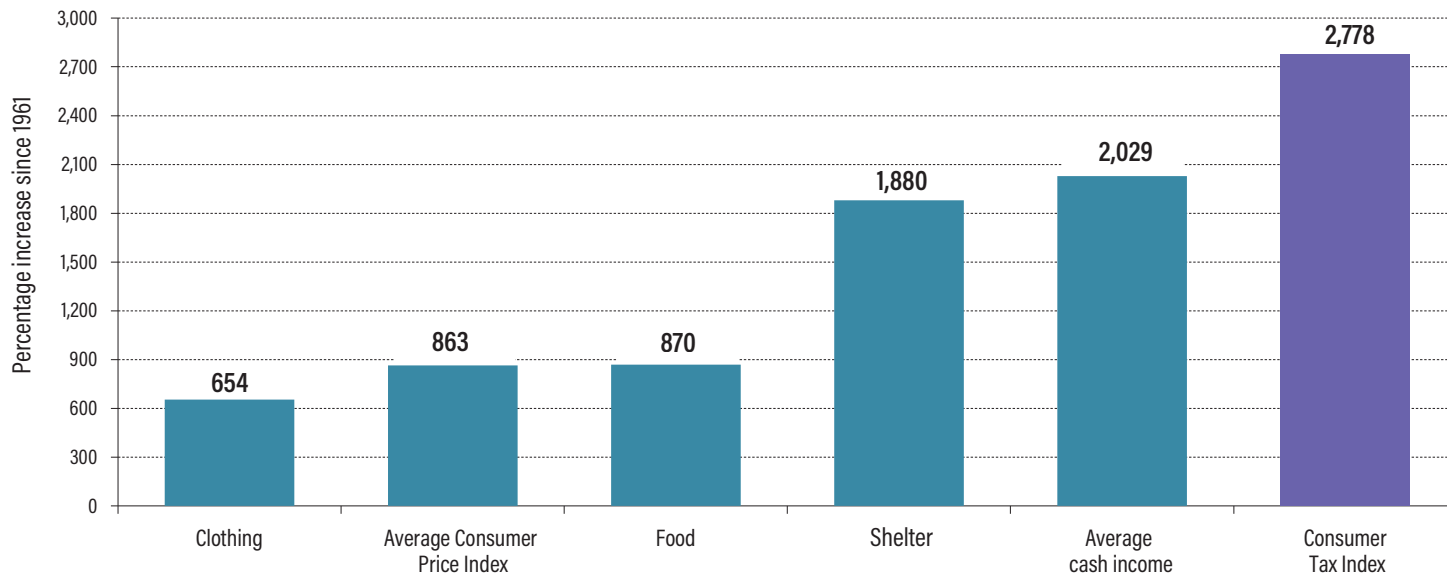
Year	Average cash income	Consumer Tax Index	Average Consumer Price Index	Average expenditures		
				Shelter	Food	Clothing
1961	100	100	100	100	100	100
1969	160	186	125	132	130	150
1974	250	324	167	203	184	204
1976	330	357	198	277	225	257
1981	560	682	315	476	353	345
1985	646	886	401	618	389	492
1990	863	1,116	499	776	456	514
1992	870	1,051	535	850	478	509
1994	882	1,096	546	849	482	486
1996	907	1,185	566	847	485	464
1998	969	1,328	582	904	480	491
2000	1,081	1,500	608	944	507	514
2002	1,126	1,557	637	1,036	555	545
2004	1,206	1,663	667	1,089	576	554
2006	1,337	1,828	695	1,138	595	573
2008	1,451	1,862	727	1,234	636	664
2010	1,475	1,863	742	1,287	600	620
2012	1,562	2,006	775	1,480	644	704
2014	1,646	2,103	797	1,532	716	840
2016	1,682	2,185	818	1,556	725	849
2018	1,790	2,328	850	1,702	738	886
2019	1,848	2,351	866	1,752	849	759
2020	1,940	2,267	873	1,782	869	746
2021	1,998	2,605	902	1,851	891	744
2022	2,129	2,878	963	1,980	970	754
Percentage increase 1961-2022	2,029	2,778	863	1,880	870	654

Source: Table 4.

Notes:

- 1) All figures in this table are converted to indices by dividing each series in Table 4 by its value in 1961, and then multiplying that figure by 100
- 2) All expenditure items include indirect taxes.

**Figure 6: How the Canadian Consumer Tax Index has increased relative to other indices, 1961-2022**



Source: Table 5.

went to governments in the form of taxes, while 40.5% was spent to provide it with shelter, food, and clothing. After crossing paths again in 1992, the situation in 2022 is quite different from 1961: the average family spent 35.6% of its income on the necessities of life while 45.3% of its income went to taxes (see figures 4 and 5).

Figures 3 and 4 show a sharp drop-off in the tax bill in 2020 due to the COVID-19 pandemic. Declining tax revenues and an increase in family incomes produced an anomaly in 2020 that caused the tax bill to drop temporarily. The years following have seen the tax bill increase and exceed pre-COVID levels as government revenues rebounded and the economy has since recovered.

Table 5 and figure 6 show the Canadian Consumer Tax Index relative to income and other expenditure indices. Average cash income rose by 2,029% from 1961

to 2022, overall consumer prices rose by 863%, expenditures on shelter by 1,880%, food by 870%, and clothing by 654%. Meanwhile, the tax bill of the average family grew by 2,778%.

## Conclusion

The Canadian Consumer Tax Index tracks the total tax bill paid by a Canadian family with average income from 1961 to 2022. The results show that the tax burden faced by the average Canadian family has risen compared with 61 years earlier. The total tax bill, which includes all types of taxes, has increased by 2,778% since 1961, and the tax bill has grown more rapidly than any other single expenditure item.

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