

# Canadians Celebrate Tax Freedom Day on June 19, 2023

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## SUMMARY

- In 2023, the average Canadian family will earn \$140,106 in income and pay an estimated \$64,610 in total taxes (46.1%).
- If the average Canadian family had to pay its taxes up front, it would have worked until June 18 to pay the total tax bill imposed on it by all three levels of government (federal, provincial, and local).
- This means that Tax Freedom Day, the day in the year when the average Canadian family has earned enough money to pay the taxes imposed on it, falls on June 19.
- Tax Freedom Day in 2023 comes one day earlier than in 2022, when it fell on June 20. This change is due to the expectation that the incomes of Canadians will increase faster than the total tax revenues forecasted by Canadian governments.
- Tax Freedom Day for each province varies according to the extent of the provincially levied tax burden. The earliest provincial Tax Freedom Day falls on June 6 in Manitoba, while the latest falls on June 30 in Quebec.
- Canadians are right to be thinking about the tax implications of the \$47.0 billion in projected federal and provincial government deficits in 2023. For this reason, we calculated a Balanced Budget Tax Freedom Day, the day on which average Canadians would start working for themselves if governments were obliged to cover current expenditures with current taxation. In 2023, the Balanced Budget Tax Freedom Day arrives on June 27.

## INTRODUCTION

It is difficult for ordinary Canadians to have a clear idea of how much total tax they really pay. Most Canadians would have little difficulty determining how much income tax they pay; a quick look at their income tax return or pay stub would suffice. The same is true for mandatory Employment Insurance (EI) and Canada Pension Plan (CPP) premiums. However, there are a host of other taxes that are not so obvious. For instance, while Canadians are painfully aware of sales taxes, calculating the total amount paid would require people to track all of their purchases over the course of a year. Further, there is a class of taxes of which Canadians are largely unaware and which are built into the price of goods and services. The most notable of these “hidden” taxes are import duties, fuel taxes, carbon taxes, and excise taxes on tobacco and alcohol. Finally, most Canadians are unaware that they pay their employer’s portion of payroll taxes, such as EI and CPP premiums, and other taxes levied on businesses. Although businesses pay these taxes directly, the cost of business taxation is ultimately passed onto ordinary Canadians.<sup>1</sup>

Each year, the Fraser Institute calculates Tax Freedom Day to provide a comprehensive and easily understood indicator of the overall tax burden faced by the average Canadian family. This publication presents preliminary calculations for Tax Freedom Day in 2023.<sup>2</sup>

## TAX FREEDOM DAY

Tax Freedom Day is the day in the year when the average Canadian family has earned enough money to pay the taxes imposed on it by the three levels of Canadian government: federal, provincial, and local. In other words, if Canadians were required to pay all of their taxes up front, they would have to pay each and every dollar they earned to government prior to Tax Freedom Day.

Taxes used to compute Tax Freedom Day include income taxes, payroll taxes, health taxes, sales taxes, property taxes, profit taxes, taxes on the consumption of alcohol and tobacco, fuel taxes, motor vehicle licence fees, carbon taxes, import duties, natural resource fees, and a host of other levies.

In 2023, Canadians will start working for themselves on June 19 (table 1). That is, Canadians must work until June 18 to pay the total tax bill imposed on them by all levels of government.

It is important to note that Tax Freedom Day is not intended to measure the benefits Canadians receive from governments in return for their taxes. Rather, it looks at the price that is paid for a product—government. Tax Freedom Day is not a reflection of the quality of the product, how much of it each of us receives, or whether we get our money’s worth. These are questions only each of us can answer for ourselves.

Canadians can calculate their personal Tax Freedom Day using the Fraser Institute’s Personal Tax Freedom Day Calculator at [www.fraserinstitute.org](http://www.fraserinstitute.org).

1 See Clemens and Veldhuis (2003) for a discussion of who actually pays business taxes, and Ebrahimi and Vaillancourt (2016) and McKenzie and Ferede (2017) for empirical evidence in Canada on the incidence of business taxes.

2 As is the case every year, Tax Freedom Day calculations are based on forecasts of personal income and federal and provincial budget tax revenue. When final revenue numbers become available at the end of each fiscal year and personal income data are updated by Statistics Canada, we revise our Tax Freedom Day calculations for previous years.

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**Table 1: Tax Freedom Day, Canada and Provinces, 1981–2023**

	1981	1985	1995	2000 <sup>re</sup>	2005 <sup>re</sup>	2010 <sup>re</sup>	2015 <sup>re</sup>	2018 <sup>re</sup>	2019 <sup>re</sup>	2020 <sup>re</sup>	2021 <sup>re</sup>	2022 <sup>re</sup>	2023 <sup>pe</sup>
NL	May 18	May 9	May 24	June 10	June 27	July 5	June 11	June 22	June 14	June 6	June 20	July 6	June 26
PEI	May 6	June 7	May 22	June 8	June 14	May 29	June 5	June 4	May 28	May 24	June 4	June 6	June 9
NS	May 11	May 17	May 31	June 11	June 19	June 9	June 16	June 10	June 8	May 28	June 8	June 16	June 18
NB	May 6	June 2	June 1	June 9	June 14	June 2	June 9	June 6	June 4	May 26	June 10	June 18	June 12
QC	June 7	June 17	June 9	July 11	July 6	June 24	June 28	June 27	June 24	June 14	June 30	June 30	June 30
ON	May 29	May 26	June 8	June 19	June 20	June 7	June 10	June 12	June 9	May 29	June 14	June 18	June 18
MB	May 17	May 5	June 14	June 20	June 18	June 7	June 9	June 6	June 2	May 16	May 31	June 7	June 6
SK	May 24	May 17	June 20	June 28	July 2	June 11	June 1	June 1	May 31	May 13	June 9	June 26	June 22
AB	May 30	May 22	June 2	June 27	June 18	May 27	May 23	June 2	May 26	May 14	June 7	June 17	June 14
BC	June 9	June 16	June 12	June 30	June 26	June 7	June 10	June 13	June 6	May 22	June 10	June 12	June 9
CDA	May 30	June 6	June 11	June 27	June 26	June 11	June 14	June 14	June 11	May 29	June 15	June 20	June 19
<b>Without Natural Resources</b>													
NL	May 17	May 8	May 23	June 9	June 18	June 7	June 6	June 11	June 5	June 1	June 10	June 25	June 17
SK	May 15	May 9	June 13	June 17	June 19	June 1	May 27	May 27	May 27	May 11	June 2	June 14	June 14
AB	May 6	May 3	May 24	June 2	May 28	May 19	May 21	May 28	May 21	May 11	May 26	May 29	June 1
BC	June 6	June 12	June 8	June 22	June 18	June 4	June 7	June 10	June 4	May 20	June 7	June 8	June 6
CDA	May 27	June 4	June 9	June 22	June 22	June 9	June 13	June 13	June 9	May 28	June 13	June 16	June 16

re = revised estimate; pe = preliminary estimate

Note: Data based on total taxes as a percentage of cash income for families with two or more individuals.

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

## TRENDS IN TAX FREEDOM DAY

The latest Tax Freedom Day in Canadian history was in 2000, when it fell on June 27, almost two months later than in 1961 (May 3), the earliest year for which the calculation has been made. Tax Freedom Day for

the average Canadian family decreased from 2000 (June 27) to 2010 (June 11).<sup>3</sup>

In 2023, Tax Freedom Day arrives on June 19, one day earlier than last year.<sup>4</sup> This change is due to the expectation that the incomes of Canadians will increase faster than the total tax revenue forecasted

3 There are many reasons for the relatively large change in Tax Freedom Day over this period. Prior to the 2008–09 recession, many Canadian governments reduced taxes. For example, the federal government reduced the Goods and Services Tax (GST) rate from 7% to 6% in 2006 and again to 5% in 2008. In addition, the federal and many provincial governments reformed their business tax regimes by cutting corporate income and corporate capital taxes. As well, some provinces, such as British Columbia and Manitoba, enacted personal income tax relief, while Saskatchewan reduced its provincial sales tax.

4 In last year's Tax Freedom Day publication (Palacios, Fuss, and Li, 2022), our preliminary calculations estimated June 15 as the Tax Freedom Day for 2022. This year, we recalculated Tax Freedom Day for 2022 using updated provincial and federal budget numbers and updated data from Statistics Canada. Our revised calculations show that Tax Freedom Day in 2022 fell on June 20, five days later than in 2021 because total taxes grew by 9.9% while income increased by 6.7% for the average Canadian family (of two individuals or more).

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by Canadian governments. For example, forecasts of personal income growth are higher than forecasts of personal income tax revenue, thereby reducing the estimated burden. Although revenues from personal income taxes, sales taxes, and fuel taxes are expected to increase from last year, governments are forecasting a decline in revenues from natural resources and corporate income taxes, in part due to an expected economic slowdown. Tax rates are not declining in most provinces apart from recent personal income tax reductions in New Brunswick and Quebec (Poitras, 2022; Revenu Québec, 2023).

To estimate Tax Freedom Day for this year, we used private sector forecasts of personal income growth and federal and provincial budget forecasts of how much revenue they will collect. When final revenue numbers become available at the end of the fiscal year and income data are updated by Statistics Canada, we will revise our Tax Freedom Day calculations for previous years. If federal and provincial revenue ends up higher than currently projected, Tax Freedom Day for 2023 will change when the preliminary estimates are revised.<sup>5</sup>

**Table 2: Taxes of the Average Family (with Two or More Individuals), Canada and Provinces, 2023, Preliminary Estimates (\$Cdn)**

	NL	PE	NS	NB	QC	ON	MB	SK	AB	BC	CDA
Cash income	117,564	116,332	118,142	112,418	129,671	147,103	132,913	125,873	146,986	147,449	140,106
Income taxes	18,254	17,685	19,913	16,097	21,107	21,779	20,323	18,400	24,739	20,047	21,505
Payroll & health taxes	10,076	9,401	8,987	9,184	15,134	14,255	10,790	9,893	12,119	13,566	13,607
Sales taxes	9,661	9,727	9,553	8,975	10,669	10,355	8,712	9,658	4,170	9,114	9,506
Property taxes	2,238	2,927	3,901	4,405	3,677	6,052	3,905	2,471	4,844	4,723	4,805
Profits taxes	6,214	4,741	6,694	5,958	7,277	8,684	5,762	9,303	6,102	7,659	7,585
Liquor, tobacco, amusement, & other excise taxes	2,818	2,230	1,844	2,273	2,255	2,170	2,463	2,014	2,840	2,567	2,350
Auto, fuel, motor vehicle licence, & carbon taxes	1,728	1,916	2,023	1,143	1,582	1,929	2,090	2,629	2,134	2,333	1,947
Other taxes	2,371	1,466	899	1,127	1,328	1,710	2,264	1,642	3,254	2,220	1,864
Import duties	343	351	378	346	420	487	421	416	527	485	464
Natural resource levies	2,886	0	19	116	288	29	69	2,790	5,134	1,160	977
<b>Total tax bill</b>	<b>56,588</b>	<b>50,444</b>	<b>54,212</b>	<b>49,623</b>	<b>63,736</b>	<b>67,449</b>	<b>56,798</b>	<b>59,215</b>	<b>65,863</b>	<b>63,873</b>	<b>64,610</b>

Note: Payroll taxes include social security and pension deductions; data are based on total taxes as a percentage of cash income for families with two or more individuals. Source: The Fraser Institute's Canadian Tax Simulator, 2023.

<sup>5</sup> Statistics Canada's Social Policy Simulation Database and Model (SPSD/M) is an important part of the Fraser Institute's Canadian Tax Simulator for calculating Tax Freedom Day from 1997 to 2023. The latest version of the SPSPD/M (version 29.0) is based on the 2017 Canadian Income Survey.

## INCOME AND THE AVERAGE FAMILY'S TOTAL TAX BILL

Table 2 displays the taxes and income of the average family in Canada and in each of the provinces.<sup>6</sup> In 2023, the average Canadian family (with two or more individuals) will earn \$140,106 in cash income and pay a total of \$64,610 in taxes.<sup>7</sup> Put differently, the total tax bill of the average Canadian family in 2023 will amount to 46.1% of its income (table 8).

Between 2022 and 2023, the total tax bill of the average Canadian family increased by 0.9% (\$546). Meanwhile, cash income increased at a faster rate, by 1.6% (\$2,210) (table 4). The largest increase among the myriad of taxes comes from payroll and health taxes—up \$568 for the average Canadian family. Other notable increases are in sales taxes (\$342),

auto, fuel, motor vehicle licence, and carbon taxes (\$226), and property taxes (\$141). Natural resource levies, profit taxes, and liquor, tobacco, and excise taxes are the only categories that have declined from 2022 for the average Canadian family.

## TAX FREEDOM DAY BY PROVINCE

Tax Freedom Day for each province varies according to the extent of the provincially levied tax burden (table 1). This year, the earliest provincial Tax Freedom Day will fall on June 6 in Manitoba, the latest in Quebec on June 30.

Two provinces (Prince Edward Island and Nova Scotia) will experience a later Tax Freedom Day in 2023 than in 2022, and in two provinces (Ontario and Quebec) the date will be unchanged. The remaining

Table 3: Taxes of the Average Family (with Two or More Individuals), Canada and Provinces, 2022, Revised Estimates (\$Cdn)

	NL	PE	NS	NB	QC	ON	MB	SK	AB	BC	CDA
Cash income	113,719	114,338	115,328	109,590	126,521	144,752	130,204	124,474	147,235	145,589	137,896
Income taxes	18,403	17,346	19,415	16,227	20,911	21,327	20,005	18,204	24,779	20,658	21,369
Payroll & health taxes	9,580	8,890	8,460	8,756	14,438	13,609	10,249	9,384	11,617	13,053	13,039
Sales taxes	9,679	9,124	9,029	8,707	10,184	10,170	8,342	9,177	3,754	8,519	9,164
Property taxes	1,875	2,930	3,880	4,353	3,609	6,003	3,894	2,457	4,832	4,360	4,664
Profits taxes	8,069	5,354	6,991	6,716	7,430	9,350	6,225	9,808	6,435	9,090	8,130
Liquor, tobacco, amusement, & other excise taxes	2,772	2,193	2,172	2,289	2,192	2,142	2,582	2,180	2,878	2,640	2,359
Auto, fuel, motor vehicle licence, & carbon taxes	1,357	1,078	1,093	1,696	1,593	1,700	1,859	2,447	1,530	2,040	1,722
Other taxes	2,277	1,414	862	1,084	1,276	1,632	2,196	1,572	3,162	2,159	1,791
Import duties	329	340	367	333	407	472	408	400	513	468	449
Natural resource levies	3,447	0	19	158	350	33	67	4,121	7,655	1,510	1,377
<b>Total tax bill</b>	<b>57,790</b>	<b>48,667</b>	<b>52,288</b>	<b>50,320</b>	<b>62,390</b>	<b>66,438</b>	<b>55,827</b>	<b>59,749</b>	<b>67,154</b>	<b>64,499</b>	<b>64,064</b>

Note: Payroll taxes include social security and pension deductions.

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

<sup>6</sup> Average family income displayed throughout the report is not the true average of all families in a particular jurisdiction. Rather, average income is determined by a sample of families that excludes those with incomes that are either significantly above or below the average. This is done to adjust for outliers.

<sup>7</sup> For a definition and explanation of cash income, see the methodology section at the end of this report.

Table 4: Difference in the Average Family's Tax Bill between 2023 and 2022, Canada and Provinces (\$ Cdn)

	NL	PE	NS	NB	QC	ON	MB	SK	AB	BC	CDA
Cash income	3,845	1,994	2,814	2,828	3,150	2,351	2,710	1,399	(250)	1,860	2,210
Income taxes	(150)	339	498	(130)	196	452	318	196	(41)	(611)	137
Payroll & health taxes	496	512	527	428	696	646	541	510	502	514	568
Sales taxes	(18)	603	523	268	485	185	370	481	416	595	342
Property taxes	363	(3)	22	52	68	49	11	14	13	363	141
Profits taxes	(1,856)	(613)	(297)	(758)	(154)	(666)	(463)	(505)	(333)	(1,431)	(545)
Liquor, tobacco, amusement, & other excise taxes	46	37	(328)	(15)	62	28	(119)	(166)	(38)	(73)	(9)
Auto, fuel, motor vehicle licence, & carbon taxes	370	838	931	(553)	(11)	228	231	182	604	293	226
Other taxes	93	53	36	42	52	78	67	70	92	61	72
Import duties	14	11	12	13	13	15	13	15	15	16	14
Natural resource levies	(561)	0	0	(42)	(62)	(4)	2	(1,331)	(2,520)	(351)	(400)
<b>Total tax bill</b>	<b>(1,202)</b>	<b>1,777</b>	<b>1,924</b>	<b>(697)</b>	<b>1,346</b>	<b>1,010</b>	<b>971</b>	<b>(534)</b>	<b>(1,291)</b>	<b>(625)</b>	<b>546</b>

Note: Numbers may not add due to rounding.

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

six provinces will experience an earlier Tax Freedom Day in 2023 than in 2022 due to incomes growing faster than tax revenues.

There is an unresolved debate as to whether natural resource royalties are actually a tax or simply the conversion of a balance sheet asset (“public asset”) into an income stream. This debate is not one we attempt to resolve in our annual calculations. For this reason, we provide two sets of Tax Freedom Days for provinces with significant natural resources, one including and one excluding resource royalties. If natural resource revenues are excluded, Tax Freedom Day comes nine days earlier in Newfoundland and Labrador, eight days earlier in Saskatchewan, thirteen days earlier in Alberta, and three days earlier in British Columbia (table 1).

## BALANCED BUDGET TAX FREEDOM DAY

Canadians might be thinking about the economic and tax implications of budget deficits, since the federal government and seven provinces have forecasted budget deficits this year.<sup>8</sup> Specifically, the federal government alone is projecting a \$40.1 billion deficit this year, while the provinces are cumulatively forecasting deficits amounting to \$6.9 billion (Royal Bank of Canada, 2023).

Of course, today's deficits must one day be paid for by taxes. Deficits should therefore be considered as deferred taxation. For this reason, we calculate a Balanced Budget Tax Freedom Day, the day on which average Canadians would start working for

<sup>8</sup> With the absence of a budget prior to provincial elections in Prince Edward Island in April, estimates were calculated for that province based on its latest quarterly fiscal updates and historical average growth rates.



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**Table 5: Tax Freedom Day and Balanced Budget Tax Freedom Day, Canada and Provinces, 2023, Preliminary Estimates**

	Tax Freedom Day	Balanced Budget Tax Freedom Day	Total increase (days)
NL	June 26	July 5	9
PE	June 9	June 18	9
NS	June 18	June 28	10
NB	June 12	June 18	6
QC	June 30	July 8	8
ON	June 18	June 26	8
MB	June 6	June 15	9
SK	June 22	June 24	2
AB	June 14	June 18	4
BC	June 9	June 21	12
CDA	June 19	June 27	8

Sources: The Fraser Institute's Canadian Tax Simulator, 2023; 2023 federal and provincial budgets; Royal Bank of Canada, 2023; authors' calculations.

themselves if governments were obliged to cover current expenditures with current taxation.

Table 5 presents Balanced Budget Tax Freedom Days for Canada and the provinces. For Canada, that day arrives on June 27. Put differently, if governments had to increase taxes to balance their budgets instead of financing expenditures with deficits, Tax Freedom Day would arrive eight days later.

Among the provinces, the latest Balanced Budget Tax Freedom Day will occur in Quebec, on July 8, which is eight days later than the province's Tax Freedom Day.<sup>9</sup> Notably, Balanced Budget Tax Freedom Day will be considerably later in several other provinces—British Columbia (12 days), Nova Scotia (10 days), Newfoundland and Labrador (9 days), Prince Edward Island (9 days), and Manitoba (9 days)—than their Tax Freedom Day.

**Table 6: Average Income and Tax for Three Types of Family, Canada and Provinces, 2023, Preliminary Estimates, (\$Cdn)**

1. Families and unattached individuals											
	NL	PE	NS	NB	QC	ON	MB	SK	AB	BC	CDA
Average cash income	95,228	91,536	88,765	91,094	95,232	116,434	104,932	96,459	114,339	111,968	108,006
Total tax	44,432	38,336	39,672	39,017	46,286	51,692	42,924	43,500	49,686	48,574	48,427
Tax rate	46.7%	41.9%	44.7%	42.8%	48.6%	44.4%	40.9%	45.1%	43.5%	43.4%	44.8%
Tax rate (excluding natural resources)	44.3%	41.9%	44.7%	42.7%	48.4%	44.4%	40.9%	43.0%	40.0%	42.6%	44.2%
2. Families with two or more individuals											
	NL	PE	NS	NB	QC	ON	MB	SK	AB	BC	CDA
Average cash income	117,564	116,332	118,142	112,418	129,671	147,103	132,913	125,873	146,986	147,449	140,106
Total tax	56,588	50,444	54,212	49,623	63,736	67,449	56,798	59,215	65,863	63,873	64,610
Tax rate	48.1%	43.4%	45.9%	44.1%	49.2%	45.9%	42.7%	47.0%	44.8%	43.3%	46.1%
Tax rate (excluding natural resources)	45.7%	43.4%	45.9%	44.0%	48.9%	45.8%	42.7%	44.8%	41.3%	42.5%	45.4%
3. Families of four (parents and two children under age 18)											
	NL	PE	NS	NB	QC	ON	MB	SK	AB	BC	CDA
Average cash income	167,666	144,784	162,412	157,404	163,369	183,591	152,380	143,960	146,660	179,489	169,296
Total tax	88,378	65,381	72,691	71,067	76,415	77,760	64,034	66,650	59,086	75,318	73,376
Tax rate	52.7%	45.2%	44.8%	45.1%	46.8%	42.4%	42.0%	46.3%	40.3%	42.0%	43.3%
Tax rate (excluding natural resources)	49.9%	45.2%	44.7%	45.0%	46.5%	42.3%	42.0%	43.5%	35.9%	41.0%	42.6%

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

<sup>9</sup> Quebec is projected to record the second-highest nominal deficit among the provinces in fiscal year 2023/24, at \$4.0 billion; the highest is British Columbia, with a \$4.2 billion deficit (Fuss et al., 2023).

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**Table 7: The Average Family's Tax Bill by Level of Government, Canada and Provinces, 2023, Preliminary Estimates (\$Cdn)**

	Federal		Provincial		Local		Tax
	\$	% of total	\$	% of total	\$	% of total	\$
NL	29,531	55.0	21,846	40.7	2,325	4.3	53,702
PE	27,151	53.8	22,470	44.5	823	1.6	50,444
NS	30,083	55.5	20,190	37.3	3,919	7.2	54,192
NB	26,819	54.2	19,856	40.1	2,833	5.7	49,508
QC	30,306	47.8	29,374	46.3	3,768	5.9	63,448
ON	38,154	56.6	23,845	35.4	5,421	8.0	67,420
MB	32,670	57.6	20,212	35.6	3,847	6.8	56,729
SK	33,031	58.5	20,833	36.9	2,561	4.5	56,425
AB	40,952	67.4	15,619	25.7	4,157	6.8	60,729
BC	37,500	59.8	22,049	35.2	3,164	5.0	62,714
<b>CDA</b>	<b>35,639</b>	<b>56.0</b>	<b>23,750</b>	<b>37.3</b>	<b>4,244</b>	<b>6.7</b>	<b>63,633</b>

**Notes:**

- 1) Average family with two or more individuals.
- 2) Total tax bill excludes natural resource levies, which differs from the tax bill in table 2.

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

**Table 8: Tax Rate, Canada and Provinces, 1981–2023 (%)**

	1981	1985	1995	2000 <sup>re</sup>	2005 <sup>re</sup>	2010 <sup>re</sup>	2015 <sup>re</sup>	2018 <sup>re</sup>	2019 <sup>re</sup>	2020 <sup>re</sup>	2021 <sup>re</sup>	2022 <sup>re</sup>	2023 <sup>pe</sup>
NL	37.4	34.9	38.9	43.8	48.4	50.5	44.1	47.1	44.8	42.7	46.5	50.8	48.1
PE	34.2	42.8	38.5	43.3	44.7	40.3	42.4	41.9	40.2	39.3	42.0	42.6	43.4
NS	35.5	37.0	40.9	44.0	46.2	43.5	45.2	43.8	43.2	40.4	43.2	45.3	45.9
NB	34.2	41.6	41.1	43.6	44.7	41.5	43.5	42.7	42.0	39.7	43.6	45.9	44.1
QC	42.9	45.6	43.5	52.3	50.9	47.6	48.7	48.4	47.5	44.9	49.2	49.3	49.2
ON	40.3	39.5	43.1	46.2	46.6	42.9	43.8	44.2	43.5	40.7	44.7	45.9	45.9
MB	37.2	33.8	44.7	46.7	45.8	42.9	43.4	42.7	41.5	37.0	41.1	42.9	42.7
SK	39.0	37.1	46.5	48.8	49.7	43.9	41.1	41.2	40.9	36.3	43.5	48.0	47.0
AB	40.6	38.5	41.4	48.4	45.9	39.9	38.8	41.4	39.5	36.4	42.9	45.6	44.8
BC	43.4	45.2	44.3	49.4	47.9	42.8	43.7	44.4	42.7	38.7	43.7	44.3	43.3
<b>CDA</b>	<b>40.8</b>	<b>42.7</b>	<b>43.9</b>	<b>48.4</b>	<b>48.2</b>	<b>44.1</b>	<b>44.7</b>	<b>44.9</b>	<b>43.9</b>	<b>40.4</b>	<b>45.1</b>	<b>46.5</b>	<b>46.1</b>
<b>Without natural resources</b>													
NL	37.2	34.6	38.8	43.6	46.0	42.8	42.6	44.1	42.5	41.3	43.6	47.8	45.7
SK	36.5	34.8	44.6	45.7	46.3	41.3	39.9	40.0	39.7	35.7	41.5	44.7	44.8
AB	34.2	33.3	39.1	41.8	40.1	37.7	38.2	40.2	38.3	35.8	39.6	40.4	41.3
BC	42.6	44.3	43.1	47.1	46.0	42.0	43.0	43.7	42.2	38.2	42.8	43.3	42.5
<b>CDA</b>	<b>39.9</b>	<b>42.1</b>	<b>43.4</b>	<b>47.2</b>	<b>47.1</b>	<b>43.5</b>	<b>44.4</b>	<b>44.5</b>	<b>43.5</b>	<b>40.2</b>	<b>44.4</b>	<b>45.5</b>	<b>45.4</b>

re = revised estimate; pe = preliminary estimate

**Note:** Data based on total taxes as a percentage of cash income for families with two or more individuals.

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



## FAIRNESS IN THE TAX SYSTEM

In addition to the size of the average family’s tax bill, there are concerns about the fairness of the Canadian tax system. Only the top 20% of income earners pay a higher share of all taxes than their share of all income earned. Specifically, the top 20% pay 53.1% of all taxes while earning 45.7% of all income. At the other end of the income spectrum, the bottom 20% pay 2.0% of all taxes despite earning 5.1% of all income (table 9). The overall distribution shows that Canada’s tax system is effectively progressive and extracts proportionately more money from those at the higher end of the income scale, in effect penalizing hard work and economic success.

## MARGINAL VERSUS AVERAGE TAX RATES

The tax rate that an individual faces on the next dollar of income earned is referred to as the “marginal tax rate.” This rate can differ dramatically from

the average tax rate, which is the rate Canadians are most accustomed to thinking about. Table 9 shows both marginal and average tax rates for different income levels in 2023. It is this marginal tax rate that enters into decisions about how much to work. A taxpayer who is deciding whether or not to work an extra hour will think about how much extra she will earn and how much extra tax she will pay. She does not consider how much tax she is paying on average, because this does not reflect the true return to any extra effort she might wish to make.

As table 9 shows, these rates jump considerably from the second to the third income group, reflecting that, initially, it is very costly to work because many social assistance payments are reduced (the gains are “clawed back”) once the recipient starts earning more income. In effect, these clawbacks can cause the tax rate on the first few dollars of earned income to be very high. This effect fades in the middle-income brackets, but rises again at higher levels of income due to the effect of increasing progressivity.

**Table 9: Distribution of Cash Income and Tax across Deciles, and Average and Marginal Tax Rates by Decile, 2023, Preliminary Estimate**

Decile	1	2	3	4	5	6	7	8	9	10
<i>Distribution across deciles</i>										
Tax	0.5%	1.5%	3.0%	4.6%	6.2%	8.0%	10.2%	12.9%	17.3%	35.8%
Income	1.8%	3.3%	4.4%	5.6%	7.0%	8.7%	10.5%	12.9%	16.5%	29.1%
Average tax rate	13.8%	21.0%	31.6%	37.8%	41.3%	43.2%	45.1%	46.6%	48.8%	57.3%
Marginal tax rate		29.1%	62.8%	60.8%	55.2%	51.4%	54.1%	52.9%	56.8%	68.4%

**Notes:**

- 1) Deciles group families from lowest to highest income, with each group containing 10 percent of all families; the first decile, for example, represents the 10 percent of families with the lowest income.
- 2) Deciles may not sum to 100% due to rounding.
- 3) Marginal tax rate is the change in the average tax paid by decile relative to the change in average income when moving from a lower to a higher decile.

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

## CONCLUSION

The Canadian tax system is complex, and no single number can give us a complete idea of who pays how much. That said, Tax Freedom Day is the most comprehensive and easily understood indicator of the overall tax bill of the average Canadian family. In 2023, Canadians will celebrate Tax Freedom Day on June 19, one day earlier than last year.

## METHODOLOGY: HOW THE FRASER INSTITUTE'S CANADIAN TAX SIMULATOR WORKS

Tax Freedom Day is determined using the Fraser Institute's Canadian Tax Simulator, a model that calculates all the taxes average Canadian families pay to the three levels of government. The calculation has two parts: total cash income and total taxes paid.

Cash income includes wages and salaries, self-employment income (farm and non-farm), interest, dividends, private and government pension payments, old age pension payments, and other transfers from governments (such as the Canada Child Benefit). The sources for these data are Statistics Canada (Provincial Economic Accounts, National Accounts, Investment Income division, farm income series) and the Canada Revenue Agency.

A broader definition of income is total income before taxes, which includes cash income plus fringe benefits from employment, the value of food from farms, investment income from pension plans and insurance companies, and corporate retained earnings. Cash income, however, is the appropriate income measure to convey the size of the total tax

bill imposed on Canadian families. The reason is that total income before taxes includes deferred income, such as investment income accumulated by pension plans, interest accumulated on insurance policies, and corporate retained earnings. Although these types of income are accumulated, they are not paid in the current year, and thus should not be considered as part of Canadian families' income for the Tax Freedom Day calculation.

The tax calculation consists of adding up the various taxes that Canadian families pay to the three levels of government. These include income taxes, payroll taxes, health taxes, sales taxes, property taxes, profit taxes, fuel taxes, vehicle taxes, carbon taxes, import duties, liquor taxes, tobacco taxes, amusement taxes, natural resource fees, and a host of other levies. The tax data come from Statistics Canada (System of National Accounts, Government Finance) and from federal and provincial public accounts and government budgets (for the latest year of analysis).

Statistics Canada's Social Policy Simulation Database and Model, version 29.0 (SPSD/M), is an important part of the Canadian Tax Simulator; it is used to calculate Tax Freedom Days from 1997 to 2023. SPSPD/M helps allocate federal taxes to the provinces as well as cash income and tax shares to an average family.

After the current income and tax totals for each family type are determined, we calculate Tax Freedom Day by dividing total taxes paid in the current year by total cash income. We then convert the result to days of the year, starting from January 1. That date on the calendar is then Tax Freedom Day.

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