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Canadians Celebrate Tax Freedom Day on June 13, 2024

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Summary

- In 2024, the average Canadian family will earn $147,570 in income and pay an estimated $65,766 in total taxes (44.6%).
- If the average Canadian family had to pay its taxes up front, it would have worked until June 12 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 13.
- Tax Freedom Day in 2024 comes one day later than in 2023, when it fell on June 12. This change is due to the expectation that the total tax revenues forecasted by Canadian governments will increase faster than the incomes of Canadians.
- 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 May 26 in Manitoba, while the latest falls on June 30 in Newfoundland & Labrador.
- Canadians are right to be thinking about the tax implications of the $69.9 billion in projected federal and provincial government deficits in 2024. 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 2024, the Balanced Budget Tax Freedom Day arrives on June 23.

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 Canadian 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.[1]

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 2024.[2]

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 license fees, carbon taxes, import duties, natural resource fees, and a host of other levies.

In 2024, Canadians will start working for themselves on June 13 (table 1). That is, Canadians must work until June 12 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.

1 See Clemens and Veldhuis (2003) for a discussion of who actually pays business taxes and Ebrahimi and Vaillancourt (2016) 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.

Table 1: Tax Freedom Day, Canada and Provinces, 1981–2024

	1981	1985	1995	2000re	2005re	2010re	2015re	2020re	2021re	2022re	2023re	2024pe
NL	May 18	May 9	May 24	June 8	June 27	July 6	June 15	June 2	June 18	July 7	June 22	June 30
PE	May 6	June 7	May 22	June 8	June 18	June 3	June 10	May 25	June 3	June 10	June 13	June 15
NS	May 11	May 17	May 31	June 12	June 18	June 9	June 14	May 27	June 5	June 17	June 20	June 22
NB	May 6	June 2	June 1	June 11	June 13	June 3	June 8	May 23	June 5	June 16	June 12	June 15
QC	June 7	June 17	June 9	July 12	July 6	June 24	June 29	June 13	June 25	June 28	June 24	June 27
ON	May 29	May 26	June 8	June 18	June 19	June 5	June 9	May 29	June 6	June 10	June 10	June 10
MB	May 17	May 5	June 14	June 17	June 15	June 3	June 6	May 15	May 27	June 1	May 26	May 26
SK	May 24	May 17	June 20	June 29	July 4	June 12	June 2	May 10	June 3	June 5	June 2	June 2
AB	May 30	May 22	June 2	June 24	June 17	May 25	May 22	May 11	May 31	June 5	June 7	June 8
BC	June 9	June 16	June 12	June 30	June 26	June 9	June 10	May 24	May 31	June 8	June 3	June 4
CAN	**May 30**	**June 6**	**June 11**	**June 27**	**June 25**	**June 10**	**June 12**	**May 28**	**June 9**	**June 13**	**June 12**	**June 13**
Without Natural Resources												
NL	May 17	May 8	May 23	June 7	June 18	June 8	June 9	May 28	June 8	June 25	June 14	June 19
SK	May 15	May 9	June 13	June 17	June 22	June 3	May 28	May 8	May 27	May 27	May 28	May 28
AB	May 6	May 3	May 24	May 31	May 27	May 17	May 20	May 9	May 20	May 20	May 25	May 28
BC	June 6	June 12	June 8	June 22	June 19	June 6	June 8	May 23	May 29	June 4	June 1	June 2
CAN	**May 27**	**June 4**	**June 9**	**June 23**	**June 21**	**June 8**	**June 11**	**May 28**	**June 7**	**June 10**	**June 10**	**June 11**

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, 2024.

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 10).[3]

In 2024, Tax Freedom Day arrives on June 13, one day later than last year.[4] However, it should be noted that because 2024 is a leap year, Tax Freedom Day arrives one day earlier than it would during

3 There are many reasons for the relatively large reduction 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 2023), our preliminary calculations estimated a June 19 Tax Freedom Day for 2023. This year we recalculated Tax Freedom Day for 2023 using updated provincial and federal budget numbers and updated data from Statistics Canada. Our revised calculations show that Tax Freedom Day in 2023 fell on June 12 (table 1). Tax Freedom Day in 2023 occurred 1 day earlier than 2022 because total taxes grew by 1.9% while income increased by 2.8% for the average Canadian family (of two individuals or more).

a standard (non-leap) year, meaning it is actually two days later than last year. This change is due to the expectation that the incomes of Canadians will increase slower than the total tax revenue forecasted by Canadian governments. For example, forecasts for personal income growth are lower than forecasts for payroll and health tax revenue, thereby increasing the estimated burden. Revenues for personal and corporate income taxes, payroll taxes, sales taxes, and fuel and carbon taxes are expected to increase from last year, offset partly by a forecasted decline in revenues from natural resources. Income tax rates are not rising at the federal or provincial levels, rather the change is driven by other tax increases such as higher CPP and EI contributions and the increase in the federal price on carbon (CRA, 2024a, 2024b; Zimonjic, 2024).

Private sector forecasts of personal income growth and federal and provincial budget forecasts of how much revenue they will collect are used to estimate Tax Freedom Day for the current year. When final revenue numbers become available at the end of each fiscal year and income data are updated by Statistics Canada, we revise our Tax Freedom Day calculations for previous years. If federal and provincial revenue ends up higher than currently projected, the 2024 Tax Freedom Day will change when the preliminary estimates are revised.[5]

Table 2: Taxes of the average family (with two or more individuals), Canada and Provinces, 2024, Preliminary Estimates, ($Cdn)

	NL	PE	NS	NB	QC	ON	MB	SK	AB	BC	CDA
Cash Income	122,710	117,009	115,594	116,191	136,134	153,726	140,339	152,286	156,463	158,598	147,570
Income taxes	19,429	17,838	19,917	17,020	22,438	22,027	19,778	20,881	25,170	21,081	22,083
Payroll & health taxes	11,523	11,897	10,552	10,936	17,566	16,356	12,251	11,940	13,484	15,205	15,590
Sales taxes	11,296	10,650	9,632	10,403	10,779	10,957	8,718	11,419	4,159	9,681	9,921
Property taxes	2,241	2,363	3,173	4,013	3,342	4,627	3,423	2,447	4,394	4,833	4,056
Profits taxes	4,779	4,366	5,627	5,272	6,023	6,867	4,724	7,040	6,389	7,823	6,451
Liquor, tobacco, amusement, & other excise taxes	2,932	2,256	2,190	2,150	2,298	2,278	2,426	2,270	2,841	2,585	2,407
Auto, fuel, motor vehicle licence, & carbon taxes	1,814	1,872	2,122	1,117	1,622	2,161	1,871	3,080	2,770	2,147	2,091
Other taxes	2,529	1,511	869	1,171	1,381	1,772	2,255	1,819	3,230	2,366	1,913
Import duties	310	316	314	298	369	433	348	392	454	458	411
Natural resource levies	3,652	0	24	135	265	25	71	2,213	4,686	753	844
Total tax bill	**60,506**	**53,069**	**54,421**	**52,515**	**66,084**	**67,503**	**55,864**	**63,500**	**67,577**	**66,932**	**65,766**

Note: Payroll taxes include social security and pension deductions.
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, 2024.

5 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 2024. The latest version of the SPSD/M (version 30.1) is based on the 2018 Canadian Income Survey (CIS). Last year's calculations were based on SPSD/M version 29.0, which used the 2017 CIS. Changes in the SPSD/M resulting from a newer version of the CIS led to changes in historical Tax Freedom Days in Canada.

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.[6] In 2024, the average Canadian family (with two or more individuals) will earn $147,570 in cash income and pay a total of $65,766 in taxes.[7]

Put differently, the total tax bill of the average Canadian family in 2024 will amount to 44.6% of its income (table 8).

Between 2023 and 2024, the total tax bill of the average Canadian family increased by 3.9% ($2,455). Meanwhile, cash income increased at a slower rate, by 3.1% ($4,368) (table 4). The largest increase among the myriad of taxes comes in the form of payroll & health taxes—up $1,089 for the average Canadian family (table 4). Other notable increases come in the form of income taxes ($455), profits taxes ($258), and auto, fuel, motor vehicle license, and carbon taxes ($243). Natural resource levies and property taxes were the only categories that showed a decline between 2023 and 2024 for the average Canadian family (table 4).

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 falls on May 26 in Manitoba; the latest in Newfoundland & Labrador on June 30.

Three provinces experienced the same Tax Freedom Day as 2023 (Ontario, Manitoba, and

Table 3: Taxes of the Average Family (with Two or More Individuals), Canada and Provinces, 2023, Revised Estimates ($Cdn)

	NL	PE	NS	NB	QC	ON	MB	SK	AB	BC	CDA
Cash income	118,327	113,856	112,178	112,711	131,266	148,951	135,981	147,352	152,454	154,047	143,202
Income taxes	18,796	17,241	19,275	16,461	21,082	21,685	19,208	20,311	24,793	21,002	21,627
Payroll & health taxes	10,431	10,963	9,708	9,991	16,130	15,247	11,256	11,006	12,503	14,232	14,501
Sales taxes	10,220	10,445	9,266	9,827	10,329	10,974	8,419	10,466	3,974	9,323	9,719
Property taxes	2,220	2,408	3,188	3,924	3,341	4,660	3,485	2,344	4,386	4,771	4,058
Profits taxes	4,112	4,121	5,324	4,973	5,768	6,675	4,574	7,926	6,364	6,866	6,193
Liquor, tobacco, amusement, & other excise taxes	2,867	2,232	2,196	2,191	2,234	2,227	2,448	2,274	2,854	2,638	2,392
Auto, fuel, motor vehicle licence, & carbon taxes	1,816	1,776	1,952	1,118	1,595	1,827	1,825	2,818	1,786	2,208	1,848
Other taxes	2,312	1,335	721	1,019	1,183	1,560	2,059	1,606	3,011	2,140	1,709
Import duties	295	300	300	284	351	412	332	371	432	436	392
Natural resource levies	2,392	0	20	122	259	25	65	1,938	5,236	725	873
Total tax bill	**55,461**	**50,822**	**51,948**	**49,910**	**62,272**	**65,291**	**53,672**	**61,060**	**65,340**	**64,342**	**63,312**

Note: Payroll taxes include social security and pension deductions.
Source: The Fraser Institute's Canadian Tax Simulator, 2024.

6 The average family income displayed throughout the report is not the true average of all families in a particular jurisdiction. Rather, the 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.

7 For a definition and explanation of cash income, see the methodology section at the end of this publication.

Table 4: Difference in the Average Family's Tax Bill between 2024 and 2023 , Canada and Provinces ($ Cdn)

	NL	PE	NS	NB	QC	ON	MB	SK	AB	BC	CDA
Cash income	4,383	3,153	3,416	3,480	4,868	4,775	4,358	4,934	4,009	4,551	4,368
Income taxes	634	597	642	560	1,356	341	570	570	377	80	455
Payroll & health taxes	1,092	934	844	945	1,436	1,109	995	934	981	973	1,089
Sales taxes	1,076	204	366	576	450	(17)	298	953	185	358	202
Property taxes	21	(45)	(14)	89	2	(33)	(63)	103	8	62	(2)
Profits taxes	667	246	304	299	255	192	150	(886)	24	957	258
Liquor, tobacco, amusement, & other excise taxes	65	24	(6)	(41)	65	52	(22)	(4)	(13)	(53)	15
Auto, fuel, motor vehicle licence, & carbon taxes	(2)	96	170	(1)	27	334	46	262	984	(62)	243
Other taxes	217	176	148	152	197	213	195	214	219	225	204
Import duties	15	15	15	14	18	21	17	22	21	23	19
Natural resource levies	1,260	0	4	14	7	0	6	274	(550)	28	(29)
Total tax bill	**5,045**	**2,247**	**2,473**	**2,606**	**3,813**	**2,213**	**2,192**	**2,441**	**2,237**	**2,590**	**2,455**

Note: Numbers may not add due to rounding.
Source: The Fraser Institute's Canadian Tax Simulator, 2024.

Saskatchewan), though again, because 2024 is a leap year these provinces actually had Tax Freedom Day come one day earlier than it would in a standard year. The remaining seven provinces experienced a later Tax Freedom Day than 2023 due to tax revenues growing faster than incomes.

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 is eleven days earlier in Newfoundland & Labrador and Alberta, five days earlier in Saskatchewan, and two days earlier in British Columbia (table 1).

Balanced Budget Tax Freedom Day

Canadians may be thinking about the economic and tax implications of budget deficits since the federal government and eight provinces are forecasting budget deficits this year. Specifically, the federal government alone is projecting a $39.8 billion deficit this year while the provinces are cumulatively forecasting deficits amounting to $30.1 billion (Canada, Department of Finance, 2024; RBC, 2024).

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 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. Balanced Budget Tax Freedom Day for Canada arrives on June 23. Put differently, if governments had to increase taxes to balance their budgets instead of financing expenditures with deficits, Tax Freedom Day would arrive 10 days later.

Among the provinces, the latest Balanced Budget Tax Freedom Day occurs in Quebec on July 10, which is 13 days later than the province's Tax Freedom Day. Notably, the Balanced Budget Tax Freedom Day is considerably later for several other provinces including British Columbia (14 days), Ontario and Prince Edward Island (11 days), along with Nova Scotia and Manitoba (10 days) than their Tax Freedom Days.[8]

Table 5: Tax Freedom Day and Balanced Budget Tax Freedom Day, Canada and Provinces, 2024, Preliminary Estimates

	Tax Freedom Day	Balanced Budget Tax Freedom Day	Total increase (days)
NL	June 30	July 9	9
PE	June 15	June 26	11
NS	June 22	July 2	10
NB	June 15	June 21	6
QC	June 27	July 10	13
ON	June 10	June 21	11
MB	May 26	June 5	10
SK	June 2	June 10	8
AB	June 8	June 14	6
BC	June 4	June 18	14
CDA	**June 13**	**June 23**	**10**

Sources: The Fraser Institute's Canadian Tax Simulator, 2024; 2024 federal and provincial budgets; calculations by authors.

Table 6: Average Income and Tax for Three Types of Family, Canada and Provinces, 2024, Preliminary Estimates, ($Cdn)

1. FAMILIES AND UNATTACHED INDIVIDUALS

	NL	PE	NS	NB	QC	ON	MB	SK	AB	BC	CDA
Average cash income	96,851	91,751	87,501	91,531	99,619	119,104	110,962	117,308	120,459	119,117	112,235
Total tax	44,989	39,020	39,440	39,310	46,625	51,855	42,153	46,609	50,611	49,689	48,830
Tax rate	46.5%	42.5%	45.1%	42.9%	46.8%	43.5%	38.0%	39.7%	42.0%	41.7%	43.5%
Tax rate (excluding natural resources)	43.7%	42.5%	45.1%	42.8%	46.6%	43.5%	37.9%	38.4%	39.0%	41.2%	42.9%

2. FAMILIES WITH TWO OR MORE INDIVIDUALS

	NL	PE	NS	NB	QC	ON	MB	SK	AB	BC	CDA
Average cash income	122,710	117,009	115,594	116,191	136,134	153,726	140,339	152,286	156,463	158,598	147,570
Total tax	60,506	53,069	54,421	52,515	66,084	67,503	55,864	63,500	67,577	66,932	65,766
Tax rate	49.3%	45.4%	47.1%	45.2%	48.5%	43.9%	39.8%	41.7%	43.2%	42.2%	44.6%
Tax rate (excluding natural resources)	46.3%	45.4%	47.1%	45.1%	48.3%	43.9%	39.8%	40.2%	40.2%	41.7%	44.0%

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	164,254	152,624	146,371	151,323	170,821	182,174	162,171	182,764	179,974	185,140	176,266
Total tax	85,710	71,474	66,283	65,553	81,272	75,425	62,536	76,549	77,521	74,389	75,904
Tax rate	52.2%	46.8%	45.3%	43.3%	47.6%	41.4%	38.6%	41.9%	43.1%	40.2%	43.1%
Tax rate (excluding natural resources)	48.6%	46.8%	45.3%	43.2%	47.4%	41.4%	38.5%	40.2%	39.5%	39.6%	42.4%

Source: The Fraser Institute's Canadian Tax Simulator, 2024

8 British Columbia is projected to record the third highest nominal deficit among the provinces in 2024/25 at $7.9 billion, close behind the much larger provinces of Ontario ($9.8 billion) and Quebec ($11.0 billion) (Fuss et al., 2024).

Table 7: The Average Family's Tax Bill by Level of Government, Canada and Provinces, 2024, Preliminary Estimates ($Cdn)

	Federal		Provincial		Local		Tax
	$	% of total	$	% of total	$	% of total	$
NL	32,031	56.3%	22,483	39.5%	2,340	4.1%	56,854
PE	29,925	56.4%	22,354	42.1%	790	1.5%	53,069
NS	30,488	56.0%	20,715	38.1%	3,194	5.9%	54,397
NB	28,467	54.3%	21,355	40.8%	2,557	4.9%	52,380
QC	32,560	49.5%	29,828	45.3%	3,431	5.2%	65,819
ON	40,589	60.2%	22,482	33.3%	4,407	6.5%	67,478
MB	33,341	59.8%	18,961	34.0%	3,491	6.3%	55,793
SK	37,076	60.5%	21,650	35.3%	2,562	4.2%	61,288
AB	42,669	67.8%	16,602	26.4%	3,620	5.8%	62,891
BC	40,435	61.1%	22,668	34.3%	3,075	4.6%	66,178
CDA	37,816	58.2%	23,465	36.1%	3,641	5.6%	64,922

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, 2024.

Table 8: Tax Rate, Canada and Provinces, 1981–2024 (%)

	1981	1985	1995	2000re	2005re	2010re	2015re	2020re	2021re	2022re	2023re	2024pe
NL	37.4	34.9	38.9	43.2	48.3	50.8	45.0	41.6	46.0	51.1	46.9	49.3
PE	34.2	42.8	38.5	43.2	45.8	41.8	43.8	39.5	41.7	43.8	44.6	45.4
NS	35.5	37.0	40.9	44.4	45.9	43.4	44.8	40.1	42.3	45.6	46.3	47.1
NB	34.2	41.6	41.1	44.1	44.5	41.9	43.2	39.0	42.3	45.5	44.3	45.2
QC	42.9	45.6	43.5	52.5	50.8	47.5	48.8	44.7	47.9	48.5	47.4	48.5
ON	40.3	39.5	43.1	46.1	46.1	42.3	43.3	40.6	42.7	43.6	43.8	43.9
MB	37.2	33.8	44.7	45.7	45.0	41.9	42.6	36.9	39.8	41.1	39.5	39.8
SK	39.0	37.1	46.5	49.0	50.4	44.4	41.5	35.4	41.8	42.4	41.4	41.7
AB	40.6	38.5	41.4	47.6	45.6	39.3	38.5	35.6	40.9	42.3	42.9	43.2
BC	43.4	45.2	44.3	49.4	48.0	43.4	43.7	39.2	41.1	43.1	41.8	42.2
CDA	40.8	42.7	43.9	48.5	47.7	43.7	44.2	40.4	43.5	44.6	44.2	44.6
Without natural resources												
NL	37.2	34.6	38.8	43.0	46.0	43.1	43.5	40.3	43.3	47.9	44.8	46.3
SK	36.5	34.8	44.6	45.9	46.9	41.7	40.2	34.8	39.8	39.7	40.1	40.2
AB	34.2	33.3	39.1	41.1	39.8	37.1	37.9	35.0	37.8	37.9	39.4	40.2
BC	42.6	44.3	43.1	47.1	46.1	42.5	43.1	38.8	40.3	42.1	41.3	41.7
CDA	39.9	42.1	43.4	47.3	46.6	43.1	44.0	40.2	42.8	43.7	43.6	44.0

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, 2024.

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 in Canada pay a higher share of all taxes than their share of all income earned. Specifically, the top 20% pays 54.2% of all taxes while earning 46.4% of all income. At the other end of the income spectrum, the bottom 20% pays 2.0% of all taxes despite earning 5.0% of all income (table 9). The overall distribution shows that Canada's tax system is effectively progressive and extracts proportionately more money from those on the higher end of the income scale, in effect penalizing hard work and economic success.

Marginal versus average tax rates

The tax rate that someone faces on the next dollar of income that he or she earns is referred to as the "marginal tax rate." It can differ dramatically from the average tax rate, which is the rate that we are most accustomed to thinking about. Table 9 shows both marginal and average rates for different income levels in 2024. It is this marginal tax rate that enters into people's decisions about how much to work. When someone decides whether or not to work an extra hour, she asks herself 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 may wish to provide.

As table 9 shows, these rates jump considerably as one moves from the second to the third income group, reflecting that initially it is very costly to work because one rapidly loses social assistance. The reason for this result is that many social assistance payments are reduced (the gains are "clawed back") once the recipient starts earning income. In effect, these claw-backs 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, 2024, Preliminary Estimate

Decile	1	2	3	4	5	6	7	8	9	10
Distribution across deciles										
Tax	0.5%	1.5%	2.9%	4.4%	6.2%	7.8%	9.9%	12.5%	16.8%	37.4%
Income	1.7%	3.3%	4.5%	5.6%	6.9%	8.5%	10.4%	12.8%	16.4%	30.0%
Average tax rate	**14.0%**	**21.5%**	**30.0%**	**36.4%**	**41.1%**	**42.7%**	**44.0%**	**45.0%**	**47.2%**	**57.5%**
Marginal tax rate		**29.1%**	**54.3%**	**60.4%**	**62.1%**	**49.6%**	**50.1%**	**49.4%**	**54.9%**	**69.9%**

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, 2024.

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 2024, Canadians will celebrate Tax Freedom Day on June 13, one day later than last year.

Methodology—How the Fraser Institute's Canadian Tax Simulator works

Tax Freedom Days are calculated using the Fraser Institute's Canadian Tax Simulator. The Canadian Tax Simulator is a model we use to calculate all the taxes paid to the three levels of government by average families. The calculation has two parts. First, we calculate total cash income, then we estimate 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 this 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. However, cash income is the appropriate income measure to convey the size of the total tax bill imposed on Canadian families because total income before taxes includes deferred incomes such as investment income accumulated by pension plans, interest accumulated on insurance policies, and corporate retained earnings. While these types of incomes are accumulated, they are not paid to Canadian families in the current year, and thus should not be considered as part of their income for Tax Freedom Day calculations.

The tax calculation consists of adding up the various taxes that Canadian families pay to the three levels of government: federal, provincial, and local. 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 comes from Statistics Canada (System of National Accounts, Government Finance) as well as federal and provincial public accounts and government budgets (for the latest year of analysis).

Statistics Canada's Social Policy Simulation Database and Model, version 30.1 (SPSD/M), is an important part of the Canadian Tax Simulator; it is used to calculate Tax Freedom Days from 1997 to 2024. SPSD/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, Tax Freedom Day is calculated by dividing total taxes paid in the current year by total cash income. The result is then converted to days of the year, starting from January 1. That date on the calendar is then Tax Freedom Day.

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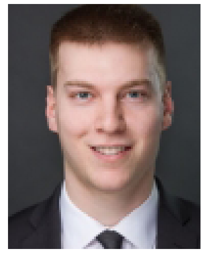

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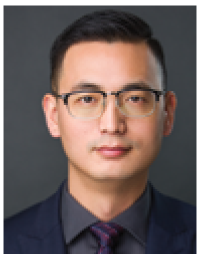

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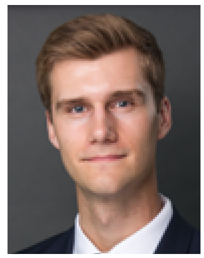

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DISCLAIMER

The assumptions and calculations underlying the SPSD/M simulation results were prepared by the Fraser Institute and the responsibility for the use and interpretation of these data is entirely that of the authors.

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