

# Doing the splits -- around the world [CA]<sup>[1]</sup>

**Author:** Chevreau, Jonathan

**Source:** National Post

**Format:** Article

**Publication Date:** 22 Nov 2006

## AVAILABILITY

See text below.

## EXCERPTS

If the Conservatives introduce income splitting for working families, they will go down a path well trodden in the United States and Europe.

...

In the United States, married couples file a joint tax return but have two options, says Jim Yager, international tax partner for KPMG. They can file one return on which all income is reported. Because the income is joint, the couple hits the top tax brackets at higher levels than comparable singles.

Or they can opt for an option called "married-filing-separately." This is different from a single's return although it means the filer hits the highest tax rate at half the married joint rate.

Unmarried taxpayers can file as individuals or as head of a household -- that is, as a single parent with dependents living with them.

Indeed, Americans suffer from the so-called "marriage penalty." They cannot file as singles, so a married couple each earning US\$150,000 would pay US\$3,172 more than an unmarried couple, Mr. Yager says. "If both spouses work you don't really benefit from filing jointly."

...

Overseas, there are different wrinkles. In Portugal, income of a married couple is divided by two when applying the tax tables and the resulting liability is doubled. However, when one partner earns more than 95% of the total income, the splitting factor is reduced to 1.95.

In France, total taxable income of a family is divided into units. A single is one unit, a married couple is two, a married couple with one child is 2.5 units and a two-child family is 3 units. The units are multiplied by the tax rate to compute the family's total tax liability.

So while Mr. Golombek believes income splitting would free Canadians from the various shell games used to try to split income in other ways, tinkering with the tax system is never simple.

## COUPLE A

1ST INCOME: \$100,000

2ND INCOME: \$0

CURRENT FEDERAL INCOME TAXES: \$17,660

TAXES WITH INCOME SPLITTING: \$13,340

ANNUAL TAX SAVINGS: \$4,320

---

## COUPLE B

1ST INCOME: \$75,000

2ND INCOME: \$25,000

CURRENT FEDERAL INCOME TAXES: \$14,370

TAXES WITH INCOME SPLITTING: \$13,340

ANNUAL TAX SAVINGS: \$1,030

---

## COUPLE C

1ST INCOME: \$65,000

2ND INCOME: \$35,000

CURRENT FEDERAL INCOME TAXES: \$13,480

TAXES WITH INCOME SPLITTING: \$13,340

ANNUAL TAX SAVINGS: \$140

---

#### COUPLE D

1ST INCOME: \$50,000

2ND INCOME: \$50,000

CURRENT FEDERAL INCOME TAXES: \$13,340

TAXES WITH INCOME SPLITTING: \$13,340

ANNUAL TAX SAVINGS: Zero

---

#### INDIVIDUAL A

1ST INCOME: \$100,000

2ND INCOME: N/A

CURRENT FEDERAL INCOME TAXES: \$18,760

TAXES WITH INCOME SPLITTING: \$18,760

ANNUAL TAX SAVINGS: Zero

- reprinted from the National Post

**Related link:** CRRU ISSUE FILE: Family taxation and income-splitting: A backgrounder [2]

**Region:** Canada [3]

**Tags:** funding [4]

---

**Source URL (modified on 27 Jan 2022):** <https://childcarecanada.org/documents/child-care-news/06/11/doing-splits-around-world-ca>

#### Links

[1] <https://childcarecanada.org/documents/child-care-news/06/11/doing-splits-around-world-ca> [2]

<https://childcarecanada.org/res/issues/familytaxationintro.htm> [3] <https://childcarecanada.org/taxonomy/term/7864> [4]

<https://childcarecanada.org/category/tags/funding>