

# Stephen Harper's income-splitting plan would favour rich, tax study finds <sup>[1]</sup>

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EXCERPTS

The Harper government's plan to introduce income splitting for families with children would be a gift to the country's richest households and make income inequality worse, says a new study being released Tuesday.

About 86 per cent of all Canadian families would gain no benefit from the proposed tax loophole, while it would cost taxpayers as a whole almost \$5 billion, according to the [report by the Canadian Centre for Policy Alternatives](#) <sup>[2]</sup> being released Tuesday.

"Income splitting creates a tax loophole big enough to drive a Rolls Royce through," says the report's author David Macdonald, senior economist for the non-profit, left-leaning policy think-tank.

"It's pitched as a program for the middle class, but in reality it's an expensive tax gift for the rich," he says in the report titled, "[Income Splitting in Canada: Inequality by Design](#)" <sup>[2]</sup>.

The study looked at income splitting for families with children under 18 and the impact of shifting up to \$50,000 between spouses, as championed by the Harper government during the 2011 election.

Macdonald predicts the Tories will begin setting the stage for the tax change as early as Feb. 11, when Finance Minister Jim Flaherty delivers the 2014 budget.

If implemented, Macdonald's analysis shows, the benefits would go overwhelmingly to the richest 40 per cent of families, with the top one-third receiving \$3 of every \$4 spent on the initiative.

The bottom 60 per cent of families - earning \$56,000 or less - would receive an average of \$50 each, with most families getting nothing, says the study says, which uses the latest Statistics Canada data.

The richest 5 per cent of families - those earning more than \$147,000 - would benefit by about \$1,100, with one in 10 gaining more than \$5,000.

Macdonald's report and several previous studies have analyzed the impact of income splitting on all families, including seniors and non-seniors, with or without children or spouses. But when asked to look at just the impact on families with children under age 18, the data showed 44 per cent of the families targeted by the tax goodie would see no benefit, Macdonald said.

"The more you spend time with this data, the more you realize this is inequality by design," he said in an interview.

"We often bemoan inequality . . . and that we have to push to make Canada a more equal place. But this is government instituting a less-equal Canada on purpose. This isn't an accident."

Instead of padding the wallets of the rich, Macdonald says, the \$4.9 billion in forgone federal and provincial tax revenue could fund a national child-care scheme similar to Quebec's \$10-a-day model.

"Child care would have a much more meaningful impact on middle-income families and could help single-parent families work their way out of poverty," the study says.

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However, income-splitting helps families only where there is a large difference between income earners, the report notes. And it doesn't help single-parent families, which tend to have lower incomes.

- reprinted from the Toronto Star

**Region:** [Canada](#) <sup>[3]</sup>

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[economics](#) <sup>[5]</sup>

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[1] <https://childcarecanada.org/documents/child-care-news/14/01/stephen-harper%E2%80%99s-income-splitting-plan-would-favour-rich-tax-study> [2]  
<https://childcarecanada.org/documents/research-policy-practice/14/01/income-splitting-canada-inequality-design> [3]  
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