

The big split: Income splitting's unequal distribution of benefits across Canada ^[1]

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AVAILABILITY

The big split: Infographic ^[2]

A study by Tristat Resources commissioned by the Broadbent Institute finds that the majority of Canadian families with children under 18 would get no benefit at all from the Conservatives' income splitting scheme, despite this group being the express target of the tax policy. Fewer than 4% of families with children under 18 are eligible for a benefit in excess of \$5,000, while two out of three of the targeted families would receive less than \$500. Conducted by statistician Richard Shillington, the study uses Statistics Canada's Social Policy Simulation Database/Model (SPSD/M).

It adds to existing literature by taking a detailed look at which types of families stand to benefit in terms of the combination of earnings and tax brackets. It also shows the significant variation in distribution in benefits that would be felt across the provinces if the policy were adopted. The proportion of families with children under 18 getting no benefit is highest in Quebec (61.1%), Prince Edward Island (57.6%), Manitoba (55.7%) and New Brunswick (55.0%). It is lowest in Alberta (44.1%). In addition, the average benefit² - which disguises the fact that the majority of families with children under 18 get nothing - varies significantly by province too. It is highest in Alberta at \$1,359, and lowest on Prince Edward Island (\$488) and Quebec (\$510).

The benefits skew heavily toward traditional families with one high-income breadwinner.

Across Canada, only 13.8% of families with children under 18 would gain a benefit from family income splitting of \$2,000 or more. This is true of just 7.4% of such families in Quebec, 8.1% in P.E.I, and 12.1% in New Brunswick. By contrast, 22.8% of Alberta families with children under 18 would gain \$2,000 or more. Thus even for the small minority of families that will see such a benefit, there are meaningful provincial differences.

In line with other studies that show the Conservatives' income-splitting policy overwhelmingly favours certain high-income traditional families, this report finds that nine out of 10 Canadian households (families with and without children and those living alone) would receive no benefit at all from the proposed tax policy. Under 1% of all households would be eligible for a benefit in excess of \$5,000.

Region: Canada ^[3]

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