

Few Canadian families benefit from income-splitting: PBO ^[1]

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AVAILABILITY

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The family tax cut report (pdf) ^[3]

EXCERPTS

The vast majority of Canadian families will see little or no benefit from the income-splitting plan brought in by Prime Minister Stephen Harper's government, the Parliamentary Budget Officer confirmed Tuesday.

PBO Jean-Denis Frechette released a study concluding that the plan to allow spouses to split income for tax purposes would cost Ottawa \$2.2 billion a year in forgone revenue and benefit only 15 per cent of Canadian families.

The findings backed up earlier calculations by the finance department and various think tanks and are likely to reignite complaints about the limited benefits of the measure.

Income-splitting was promised by Harper during the 2011 election campaign, but as its implementation was contingent on balancing the federal budget, it was not introduced until last year.

The measure, which the Conservatives labeled The Family Tax Cut (FTC), was announced by Harper in October and, in an unusual move, was made retroactive for the 2014 tax year. To address concerns that the plan would help too few families - a worry expressed by former finance minister Jim Flaherty, among others - the government capped the maximum benefit to any household at \$2,000.

The PBO notes the tax break only applies to married or common-law couples with children younger than 18 and mainly benefits families where one income earner brings in a much larger income than the other spouse.

"The FTC benefits medium-income through high-income households primarily because they are more likely to have a family income structure conducive to FTC gains."

"FTC eligibility rates for households in the bottom 20 per cent of income are near zero," the report says.

Income-splitting has been a source of intense criticism from opposition MPs, who say it is a waste of taxpayers' money on a plan that is of use to only a handful of households where one spouse is a high-income earner and the other makes little or no income. NDP Leader Thomas Mulcair has said if his party takes power he would do away with the measure.

In announcing the FTC, Harper also said the government would increase the baby bonus, known as the Universal Child Care Benefit, enhance the Child Care Expense Deduction and double the Children's Fitness Tax Credit. But he also said the Conservatives would this year do away with the Child Tax Credit, the traditional tax deduction that is worth \$338 in tax savings per child.

Employment and Social Development Minister Pierre Poilievre responded to the PBO report by saying the government "is focused on our low-tax plan for hard-working Canadian families."

Every family with children will benefit from the increased spending measures or tax cuts, or both, under the package of family measures announced in October, Poilievre said.

Region: Canada ^[4]

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