

Taxes versus the Necessities of Life: The Canadian Consumer Tax Index 2024 edition

Jake Fuss and Callum MacLeod



Summary

- The Canadian Consumer Tax Index tracks the total tax bill of the average Canadian family from 1961 to 2023. Including all types of taxes, that bill has increased by 2,705% since 1961.
- Taxes have grown much more rapidly than any other single expenditure for the average Canadian family: expenditures on shelter increased by 2,006%, food by 901%, and clothing by 478% from 1961 to 2023.
- The 2,705% increase in the tax bill has also greatly outpaced the increase in the Consumer Price Index (901%), which measures the average price that consumers pay for food, shelter, clothing, transportation, health and personal care, education, and other items.
- The average Canadian family now spends more of its income on taxes (43.0%) than it does on basic necessities such as food, shelter, and clothing combined (35.6%). By comparison, 33.5% of the average family's income went to pay taxes in 1961 while 56.5% went to basic necessities.
- In 2023, the average Canadian family earned an income of \$109,235 and paid total taxes equaling \$46,988 (43.0%). In 1961, the average family had an income of \$5,000 and paid a total tax bill of \$1,675 (33.5%).

Introduction

The Canadian tax system is complex and there is no single number that can give us a complete idea of who pays how much. That said, the Fraser Institute annually calculates the most comprehensive and easily understood indicator of the overall tax bill of the average Canadian family: Tax Freedom Day (see Palacios et al., 2024). This publication draws from those calculations and examines what has happened to the tax bill of the average Canadian family over the past 62 years.¹ To do this, we have constructed an index of the tax bill of the average Canadian family, the Canadian Consumer Tax Index, for the period from 1961 to 2023.

The total tax bill

In order to calculate the total tax bill of the average Canadian family, we add up all the various taxes that the family pays to federal, provincial, and local governments. This includes income taxes, payroll taxes, health taxes, sales taxes, property taxes, fuel taxes, carbon taxes, vehicle taxes, import taxes, alcohol and tobacco taxes, and the list goes on. Average Canadians also pay the taxes levied on businesses. Although businesses pay these taxes directly, the cost of business taxation is ultimately passed onto ordinary Canadians.²

Table 1: Tax bill of the average Canadian family (families and unattached individuals), 2023

Taxes	In dollars (\$)	As % of total taxes
Income taxes	14,918	31.7%
Payroll & health taxes	10,079	21.5%
Sales taxes	6,971	14.8%
Property taxes	3,862	8.2%
Profit tax	5,911	12.6%
Liquor, tobacco, amusement, & other excise taxes	1,724	3.7%
Fuel, motor vehicle licence & carbon taxes	1,334	2.8%
Other taxes	1,248	2.7%
Natural resource taxes	656	1.4%
Import duties	284	0.6%
Total taxes	\$46,988	
Total cash income	\$109,235	
Taxes as a percentage of cash income	43.0%	

Source: The Fraser Institute’s Canadian Tax Simulator, 2024.

In 2023, the average Canadian family, including both families and unattached individuals, earned cash income of \$109,235 and paid total taxes equaling \$46,988 (table 1).³ In other words, the total tax bill of the average Canadian family in 2023 amounted to 43.0% of cash income.

1 The Tax Freedom Day calculations are for the average Canadian family with two or more people. The average family in this publication includes families and unattached individuals. That is why the data for the same year are different. For instance, in 2023 the tax rate for the average Canadian family with two or more people was 44.6% and for the average family including unattached individuals it was 43.0% (see Palacios et al., 2024).

2 See Clemens and Veldhuis (2003) for a discussion of who actually pays business taxes and Ebrahimi and Vaillancourt (2016) and McKenzie and Ferede (2017) for empirical evidence in Canada on the incidence of business taxes.

3 The tax and income calculations are based on the methodology used in Palacios et al. (2024). Cash income is used to convey the size of the total tax bill imposed on Canadian families and includes wages and salaries, income from farm operations, unincorporated non-farm income, interest, dividends, private and government pension payments, old age pension payments, and other transfers from government.

The Canadian Consumer Tax Index

The Canadian Consumer Tax Index tracks the total tax bill paid by a Canadian family with average income. While each of these families had average income in the year selected, the family is not the same one from year to year. The objective is not to trace the tax experience of a particular family, but rather to plot the experience of a family that was average in each year.⁴

The “consumer” in question is the taxpaying family, which can be thought of as consuming government services. Much like the Consumer Price Index calculated by Statistics Canada, which measures the average price that consumers pay for the goods and services that they buy of their own choice, the Canadian Consumer Tax Index measures the price of goods and services that government buys on behalf of Canadians.

The Canadian Consumer Tax Index thus answers the following question: How has the tax burden of the average family changed since 1961, bearing in mind that the average family has itself changed in that period?

Table 2 presents the average cash income and total tax bill paid by the average Canadian family from 1961 to 2023. In 1961, the average Canadian family earned an income of \$5,000 and paid \$1,675 in taxes (33.5%). In 2023, the average Canadian family earned an income of \$109,235 and paid a total of \$46,988 in taxes (43.0%).

The basis of the Canadian Consumer Tax Index is the total tax calculation presented in table 2.

Specifically, the Canadian Consumer Tax Index is constructed by dividing the tax bill of an average Canadian family by the average tax bill of an average

Table 2: Taxes paid by the average Canadian family (families and unattached individuals), 1961–2023

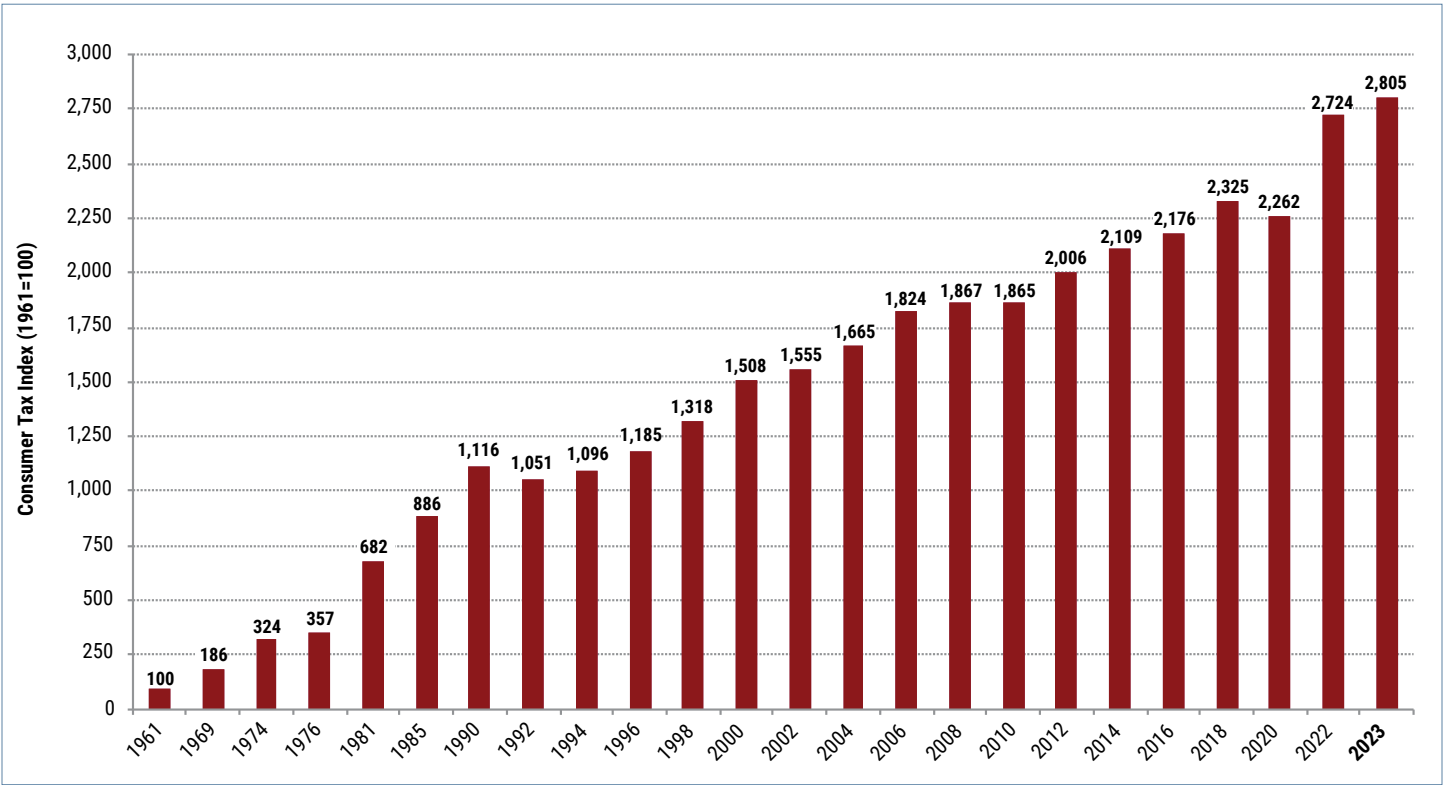
Year	Average cash income (\$)	Tax bill (\$)	Increase in tax bill over base year (%)
1961	5,000	1,675	-
1969	8,000	3,117	86
1974	12,500	5,429	224
1976	16,500	5,979	257
1981	27,980	11,429	582
1985	32,309	14,834	786
1990	43,170	18,693	1,016
1992	43,516	17,612	951
1994	44,095	18,366	996
1996	45,370	19,844	1,085
1998	48,362	22,071	1,218
2000	54,468	25,259	1,408
2002	56,488	26,043	1,455
2004	60,547	27,892	1,565
2006	67,021	30,546	1,724
2008	72,852	31,274	1,767
2010	74,139	31,245	1,765
2012	78,577	33,607	1,906
2014	82,552	35,330	2,009
2016	84,085	36,456	2,076
2018	89,778	38,948	2,225
2019	92,600	39,382	2,251
2020	96,683	37,889	2,162
2021	99,876	42,237	2,422
2022	104,274	45,633	2,624
2023	109,235	46,988	2,705

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

family in 1961, and then multiplying by 100, for each of the years included in the index. The Canadian Consumer Tax Index has a value of 100 in 1961; in subsequent years, values reflect the percentage increase

⁴ According to the latest Statistics Canada Survey of Household Spending, we can note, for example, that in 2021 the average family is headed by an older person who is more likely to own a car and a house, and has fewer members than the average family in 1961 (Dominion Bureau of Statistics, 1962; and Statistics Canada, 2023).

Figure 1: The Canadian Consumer Tax Index, 1961–2023



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

over the 1961 value. The value of the Canadian Consumer Tax Index for 2023 is 2,805 (Figure 1), which indicates that the tax bill of the average Canadian family has increased by 2,705% since 1961.

Part of that increase reflects the effects of inflation. In order to eliminate the portion of the increase that is due to the erosion of purchasing power, we also calculate the tax index in real dollars, that is, in dollars with 2023 purchasing power. While this adjustment has the effect of reducing the steepness of the index's path over time, the inflation-adjusted Consumer Tax Index nevertheless increased by 180.3% over the period (see table 3).⁵

What the Canadian Consumer Tax Index shows

The interaction of a number of factors has produced the dramatic increase in the average family's tax bill from 1961 to 2023. Among those factors is, first, a sizeable increase in incomes over the period: 2,085% since 1961. Even with no changes in tax rates, the family's tax bill would have increased substantially; growth in family income alone would have produced an increase in the tax bill from \$1,675 in 1961 to \$36,599 in 2023. Second, the average family faced a tax rate increase from 33.5% in 1961 to 43.0% in 2023.

5 The percentage change in the inflation-adjusted tax bill in 2020 was down from 2019. This is primarily due to the economic and tax effects of the COVID-19 pandemic. Tax revenues fell and income rose in 2020, which caused the tax bill to decline for average Canadian families.

Table 3: Inflation-adjusted tax bill and percent change since 1961

Year	Tax bill (2023\$)	Percent change since 1961
1961	16,761	-
1969	24,857	48.3
1974	32,553	94.2
1976	30,203	80.2
1981	36,274	116.4
1985	36,991	120.7
1990	37,457	123.5
1992	32,939	96.5
1994	33,668	100.9
1996	35,068	109.2
1998	37,978	126.6
2000	41,595	148.2
2002	40,913	144.1
2004	41,851	149.7
2005	43,028	156.7
2006	43,986	162.4
2007	47,815	185.3
2008	43,061	156.9
2009	41,620	148.3
2010	42,134	151.4
2012	43,383	158.8
2014	44,332	164.5
2016	44,605	166.1
2018	45,867	173.7
2019	45,492	171.4
2020	43,448	159.2
2022	47,414	182.9
2023	46,988	180.3

Sources: The Fraser Institute's Canadian Tax Simulator, 2024; Statistics Canada, 2024; calculations by authors.

Balanced Budget Consumer Tax Index

The federal and provincial governments have reverted to deficits to finance their expenditures in recent years, especially during and coming out of the COVID-19 pandemic.⁶ Of course these deficits must one day be paid for by taxes. Deficits should therefore be considered as deferred taxation. Figure 2 shows what the Canadian Consumer Tax Index looks like when the annual deficits of governments are added to the tax bill.

The total tax bill of the average family would be much higher than it actually is if, instead of financing its expenditures with deficits, all Canadian governments had simply increased tax rates to balance their budgets. Indeed, the Canadian Consumer Tax Index would have increased to 2,952 if deferred taxation was added to the average family's total tax bill. Once deferred taxes are included, the tax bill of the average Canadian family has increased by 2,852% since 1961.

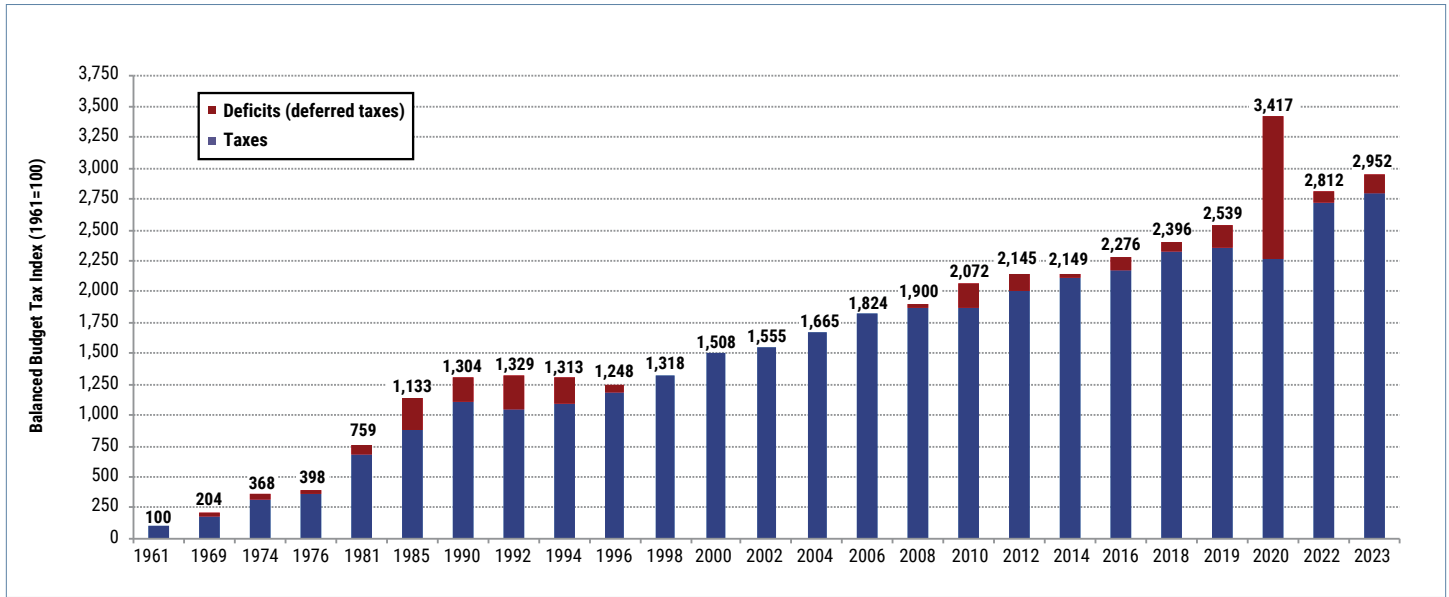
Taxes versus the necessities of life

One way to gauge the significance of the increased tax bill on Canadian families is by comparing the evolution of the tax take with the average family's other major expenditures. Table 4 and figure 3 compare family cash income and total taxes paid with the family's expenditures on shelter, food, and clothing. It is clear that taxes have become the most significant item in family budgets, and that taxes have grown more rapidly than any other single item.

In 1961, the average family spent 56.5% of its cash income to pay for shelter, food, and clothing. In the same year, 33.5% of the family's income went to governments as tax. By 1981, the spending demands

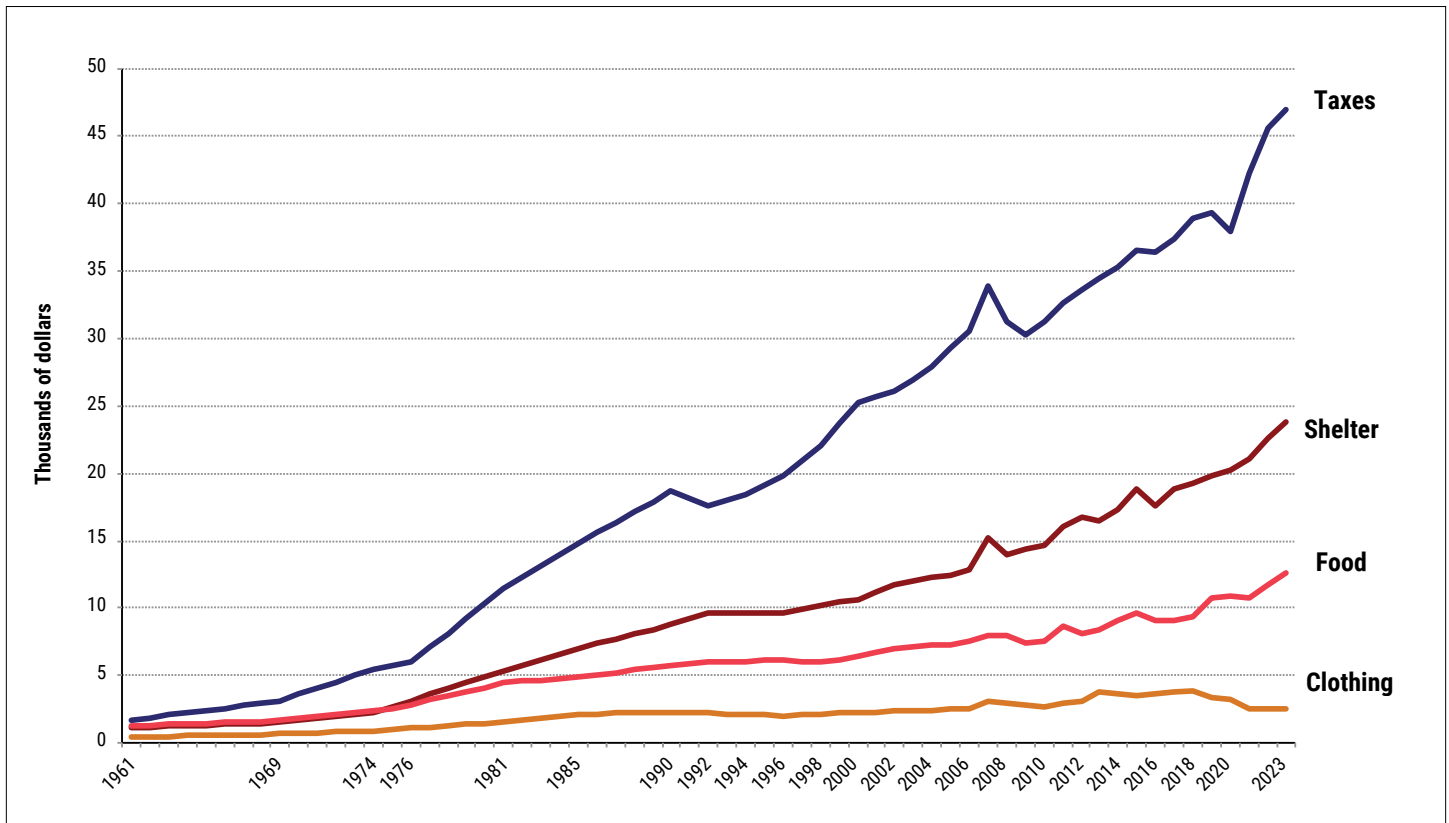
⁶ In fiscal year 2023/24, the federal and seven provincial governments ran operating deficits. Cumulatively, 2023/24 deficits totaled \$52.7 billion for these governments (Canada, Department of Finance, 2024; RBC, 2024).

Figure 2: The Balanced Budget Tax Index, 1961–2023



Sources: The Fraser Institute's Canadian Tax Simulator, 2024; Canada, Department of Finance, 2023, 2024; RBC, 2024; calculations by authors.

Figure 3: Taxes and basic expenditures of the average Canadian family, 1961–2023



Source: Table 4.

Table 4: Income, taxes, and selected expenditures of the average Canadian family (nominal dollars)

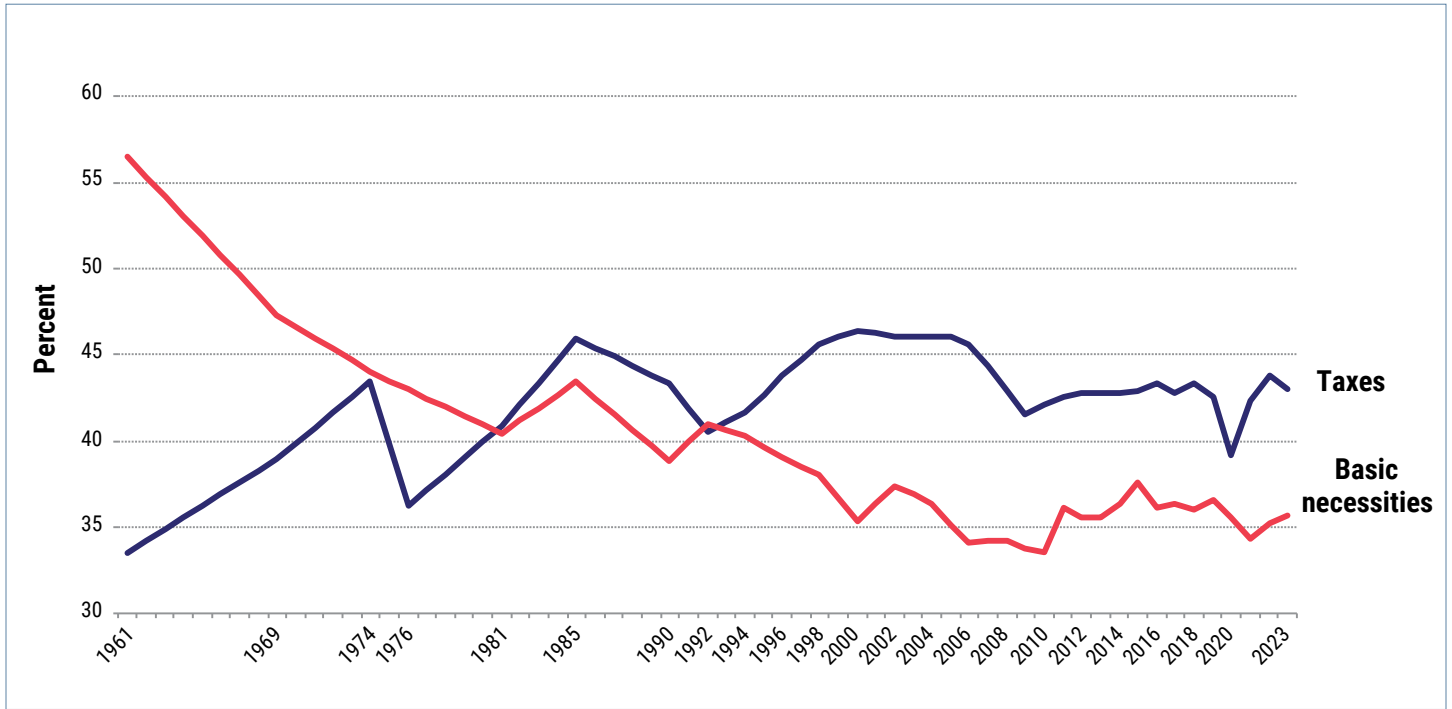
Year	Average cash income (\$)	Average tax bill (\$)	Average expenditures (\$)		
			Shelter	Food	Clothing
1961	5,000	1,675	1,130	1,259	435
1969	8,000	3,117	1,497	1,634	654
1974	12,500	5,429	2,294	2,320	886
1976	16,500	5,979	3,134	2,838	1,119
1981	27,980	11,429	5,381	4,440	1,499
1985	32,309	14,834	6,984	4,899	2,141
1990	43,170	18,693	8,776	5,745	2,234
1992	43,516	17,612	9,607	6,024	2,215
1994	44,095	18,366	9,592	6,066	2,116
1996	45,370	19,844	9,577	6,108	2,017
1998	48,362	22,071	10,209	6,033	2,132
2000	54,468	25,259	10,658	6,380	2,233
2002	56,488	26,043	11,727	6,999	2,377
2004	60,547	27,892	12,348	7,270	2,421
2006	67,021	30,546	12,876	7,490	2,498
2008	72,852	31,274	13,973	8,030	2,895
2010	74,139	31,245	14,598	7,560	2,711
2012	78,577	33,607	16,779	8,118	3,049
2014	82,552	35,330	17,341	9,008	3,656
2016	84,085	36,456	17,584	9,127	3,690
2018	89,778	38,948	19,240	9,290	3,851
2019	92,600	39,382	19,821	10,696	3,314
2020	96,683	37,889	20,164	10,945	3,255
2021	99,876	42,237	21,076	10,773	2,454
2022	104,274	45,633	22,539	11,731	2,488
2023	109,235	46,988	23,809	12,607	2,514

Sources: Statistics Canada (various issues), Urban Family Expenditure; Statistics Canada (various issues), Family Expenditures in Canada; Statistics Canada (various issues), Spending Patterns in Canada; Statistics Canada, 2011–2021, 2024; The Fraser Institute's Canadian Tax Simulator, 2024; calculations by authors.

Notes:

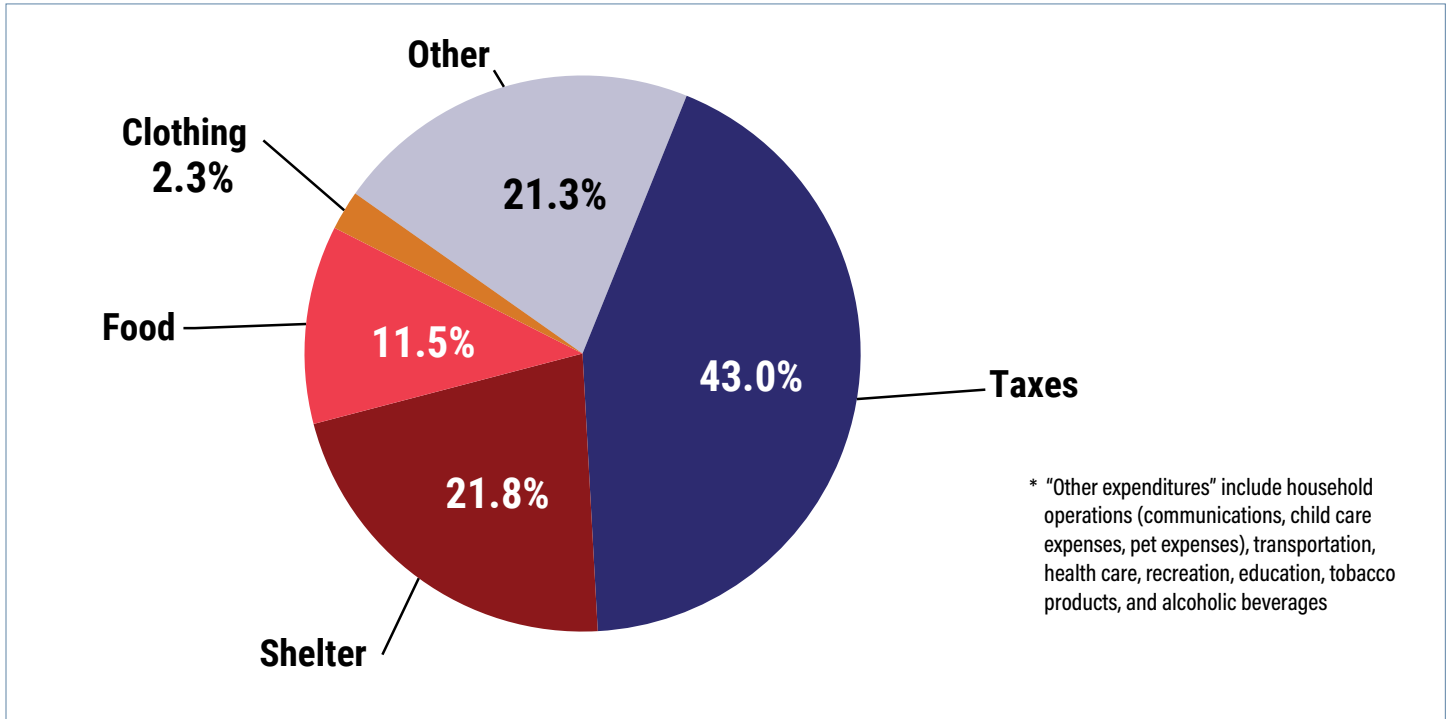
- 1) All expenditure items include indirect taxes.
- 2) Average shelter expenditures for years prior to 1998 are estimates. The estimate is to take account of a change in the definition of shelter between the Family Expenditure Survey and the Survey of Household Expenditures.
- 3) Expenditures for 2010 were estimated using the results of the 2009 Survey of Household Spending and adjusting final results for inflation.
- 4) Expenditures for 2019 to 2023 were estimated using the results of the 2021 Survey of Household Spending and adjusting final results for inflation.

Figure 4: Taxes and basic necessities as percentage of cash income, 1961–2023



Source: Table 4.

Figure 5: The average Canadian family's expenditures as percentage of cash income, 2023



Source: Table 4.

Table 5: Income, tax, and expenditure indices (1961=100)

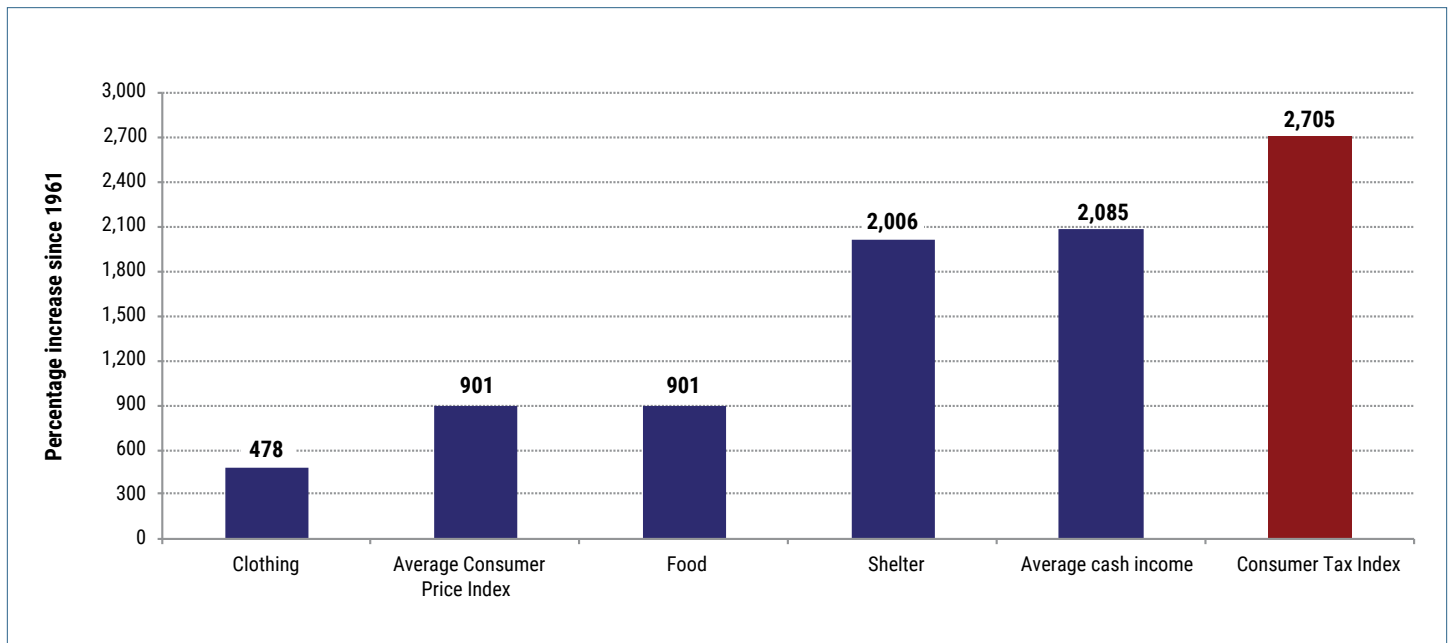
Year	Average cash income	Consumer Tax Index	Average Consumer Price Index	Average expenditures		
				Shelter	Food	Clothing
1961	100	100	100	100	100	100
1969	160	186	125	132	130	150
1974	250	324	167	203	184	204
1976	330	357	198	277	225	257
1981	560	682	315	476	353	345
1985	646	886	401	618	389	492
1990	863	1,116	499	776	456	514
1992	870	1,051	535	850	478	509
1994	882	1,096	546	849	482	486
1996	907	1,185	566	847	485	464
1998	967	1,318	582	903	479	490
2000	1,089	1,508	608	943	507	513
2002	1,130	1,555	637	1,037	556	547
2004	1,211	1,665	667	1,092	577	557
2006	1,340	1,824	695	1,139	595	574
2008	1,457	1,867	727	1,236	638	665
2010	1,483	1,865	742	1,291	600	623
2012	1,572	2,006	775	1,484	645	701
2014	1,651	2,109	797	1,534	715	840
2016	1,682	2,176	818	1,556	725	848
2018	1,796	2,325	850	1,702	738	885
2019	1,852	2,351	866	1,753	850	762
2020	1,934	2,262	873	1,784	869	748
2022	2,085	2,724	963	1,994	932	572
2023	2,185	2,805	1,001	2,106	1,001	578
Percentage increase 1961–2023	2,085	2,705	901	2,006	901	478

Source: Table 4.

Notes:

- 1) All figures in this table are converted to indices by dividing each series in Table 4 by its value in 1961, and then multiplying that figure by 100
- 2) All expenditure items include indirect taxes.

Figure 6: Increase in the Canadian Consumer Tax Index relative to other indices, 1961–2023



Source: Table 5.

had roughly evened up: 40.8% of an average family’s income went to governments in the form of taxes, while 40.5% was spent to provide it with shelter, food, and clothing. After crossing paths again in 1992, the situation in 2023 is quite different from 1961: the average family spent 35.6% of its income on the necessities of life while 43.0% of its income went to taxes (see figures 4 and 5).

Figures 3 and 4 show a sharp drop-off in the tax bill in 2020 due to the COVID-19 pandemic. Declining tax revenues and an increase in family incomes produced an anomaly in 2020 that caused the tax bill to drop temporarily. The years following have seen the tax bill increase and exceed pre-COVID levels as government revenues rebounded and the economy has since recovered.

Table 5 and figure 6 show the Canadian Consumer Tax Index relative to income and other expenditure

indices. Average cash income rose by 2,085% from 1961 to 2023, overall consumer prices rose by 901%, expenditures on shelter by 2,006%, food by 901%, and clothing by 478%. Meanwhile, the tax bill of the average family grew by 2,705%.

Conclusion

The Canadian Consumer Tax Index tracks the total tax bill paid by a Canadian family with average income from 1961 to 2023. The results show that the tax burden faced by the average Canadian family has risen compared with 62 years earlier. The total tax bill, which includes all types of taxes, has increased by 2,705% since 1961, and the tax bill has grown more rapidly than any other single expenditure item.

References

- Canada, Public Services and Procurement Canada (2023). *Public Accounts of Canada, 2022–2023*. Government of Canada. <<https://www.tpsgc-pwgsc.gc.ca/recgen/cpc-pac/2023/pdf/2023-vol2-eng.pdf>> as of June 18, 2024.
- Canada, Department of Finance (2023). *Fiscal Reference Tables October 2023*. Government of Canada. <<https://www.canada.ca/en/departement-finance/services/publications/fiscal-reference-tables/2023.html>>, as of June 26, 2024.
- Canada, Department of Finance [DOF] (2024). *Budget 2024: Fairness For Every Generation*. <<https://budget.canada.ca/2024/report-rapport/budget-2024.pdf>>, as of June 18, 2024.
- Clemens, Jason, and Niels Veldhuis (2003). Who Pays Business Taxes? A Different View. *Fraser Forum* (October): 30–31.
- Dominion Bureau of Statistics (1967). *Urban Family Expenditure, 1962*. Catalogue 62-525. Dominion Bureau of Statistics, Prices Division.
- Ebrahimi, Pouya, and François Vaillancourt (2016). *The Effect of Corporate Income and Payroll Taxes on the Wages of Canadian Workers*. Fraser Institute. <<https://www.fraserinstitute.org/studies/the-effect-of-corporate-income-and-payroll-taxes-on-the-wages-of-canadian-workers>>, as of June 18, 2024.
- McKenzie, Kenneth, and Ergete Ferede (2017). *Who Pays the Corporate Tax?: Insights from the Literature and Evidence for Canadian Provinces*. The School of Public Policy, University of Calgary. <<https://www.policyschool.ca/wp-content/uploads/2017/04/Corporate-Tax-McKenzie-Ferede1.pdf>>, as of June 18, 2024.
- Palacios, Milagros, Jake Fuss, Nathaniel Li, and Grady Munro (2024). *Canadians Celebrate Tax Freedom Day on June 13, 2024*. Fraser Institute. <<https://www.fraserinstitute.org/sites/default/files/tax-freedom-day-2024.pdf>>, as of June 19, 2023.
- Royal Bank of Canada [RBC] (2024). Canadian Federal and Provincial Fiscal Tables April 2023. <https://thoughtleadership.rbc.com/wp-content/uploads/Template-provincial-fiscal-tables_April2024.pdf>, as of June 18, 2024.
- Statistics Canada (2011-2021). Survey of Household Spending (SHS) (2009–2019). Custom tabulation. Statistics Canada.
- Statistics Canada (2021). *User Guide for the Survey of Household Spending, 2021*. Catalogue No. 62F0026M. Statistics Canada.
- Statistics Canada (2023). Table 18-10-0004-01: Consumer Price Index, monthly, not seasonally adjusted. <<https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1810000401>>, as of June 18, 2024.
- Statistics Canada (various issues). *Family Expenditures in Canada*. Catalogue 62-555-XPB. Statistics Canada.
- Statistics Canada (various issues). *Spending Patterns in Canada*. Catalogue No. 62-202-XIE. Statistics Canada.
- Statistics Canada (various issues). *Urban Family Expenditure*. Catalogues No. 62-535, 62-537, 62-544, 62-547, and 62-555. Statistics Canada.



Jake Fuss is director of Fiscal Studies for the Fraser Institute. He holds a Bachelor of Commerce and a Master's Degree in Public Policy from the University of Calgary. Mr. Fuss has written commentaries appearing in major Canadian newspapers including the

Globe and Mail, *Toronto Sun*, and *National Post*.

His research covers a wide range of policy issues including government spending, debt, taxation, labour policy, and charitable giving.



Callum McLeod is a research intern in the Fiscal Studies Department. He is finishing a Combined Honours BA in Economics and Political Science at McMaster University.

Acknowledgments

As the researchers have worked independently, the views and conclusions expressed in this paper do not necessarily reflect those of the Board of Directors of the Fraser Institute, the staff, or its supporters.

Copyright © 2024 by the Fraser Institute. All rights reserved. Without written permission, only brief passages may be quoted in critical articles and reviews.

ISSN 2291-8620

Media queries: For media enquiries, please contact our communications department via e-mail:

communications@fraserinstitute.org;

telephone: 604.714.4582.

Support the Institute: call 1.800.665.3558, ext. 574 or e-mail: development@fraserinstitute.org

Visit our **website:** www.fraserinstitute.org