

**OFFICE OF
THE PARLIAMENTARY BUDGET OFFICER**



**BUREAU DU
DIRECTEUR PARLEMENTAIRE DU BUDGET**

Revenue and Distribution Analysis of Federal Tax Changes: 2005-2013

**Office of the Parliamentary Budget Officer
May 27, 2014**



Summary

- Federal revenue impacts in 2014

Personal Income Tax	\$17.1 billion
<u>GST/HST</u>	<u>\$13.3 billion</u>
Total	\$30.4 billion

- Overall progressive effect on after-tax incomes

Bottom 10%	2.2%
Low-middle	4.0%
Median	3.0%
Middle-high	2.5%
Top 10%	1.1%



PBO Methodology

- Accounts for taxpayer behaviour
 - Finance Canada tax estimates do not account for behaviour
 - Static estimates overstate revenue loss (gains) associated with tax decreases (increases)
- Interaction between tax measures
 - Finance Canada estimates do not permit summation of discrete measures
 - PBO estimates interactions between each measure

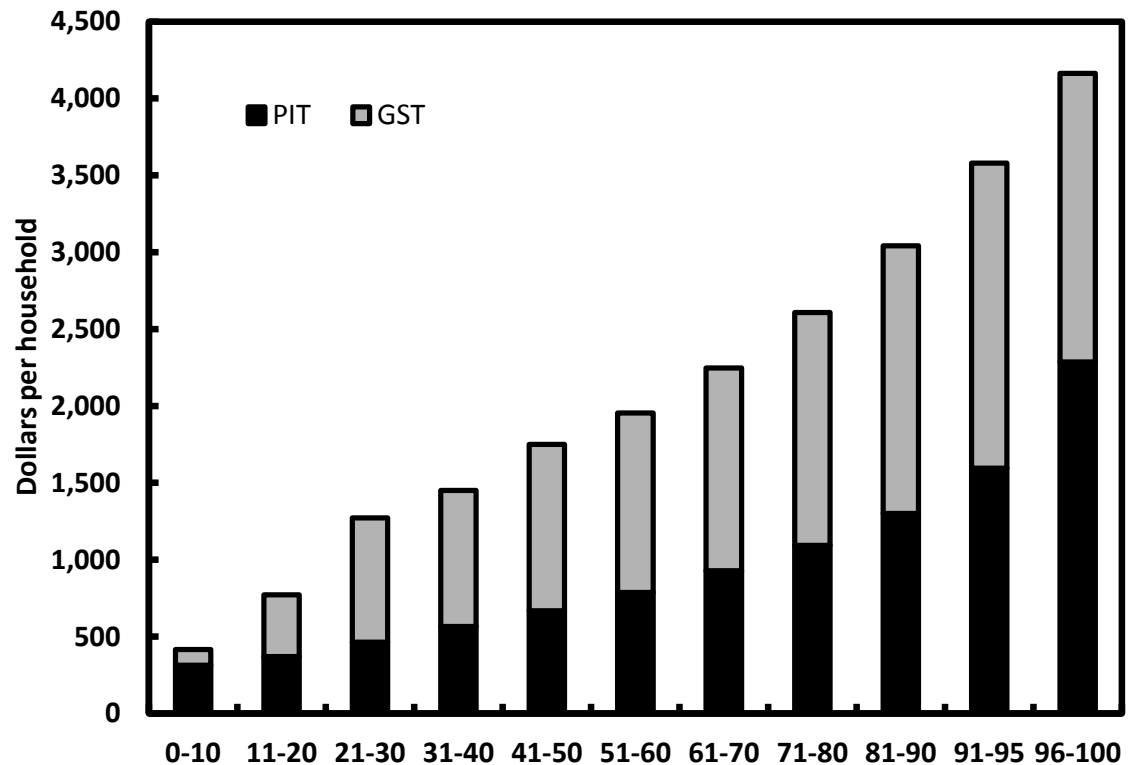
Revenue Impacts

Measure	Revenue Impact
Age Amount	(950)
Basic Amount	(3,840)
Canada Child Tax Benefit & National Child Benefit Supplement	(1,060)
Child Tax Credit	(1,680)
Dividend Tax Credit - Large Corp.	(320)
Dividend Tax Credit - Small Corp.	520
Employment Tax Credit	(2,110)
Pension Income Credit	(620)
Pension Income Splitting	(1,020)
Personal Income Tax Amounts	(1,790)
Personal Income Tax Rate	(3,040)
Working Income Tax Benefit	(1,320)
Subtotal	(17,230)
Adjustment for PIT interactions	110
PIT Total	(17,120)
GST	(13,270)
Provinces	1,510

millions of dollars

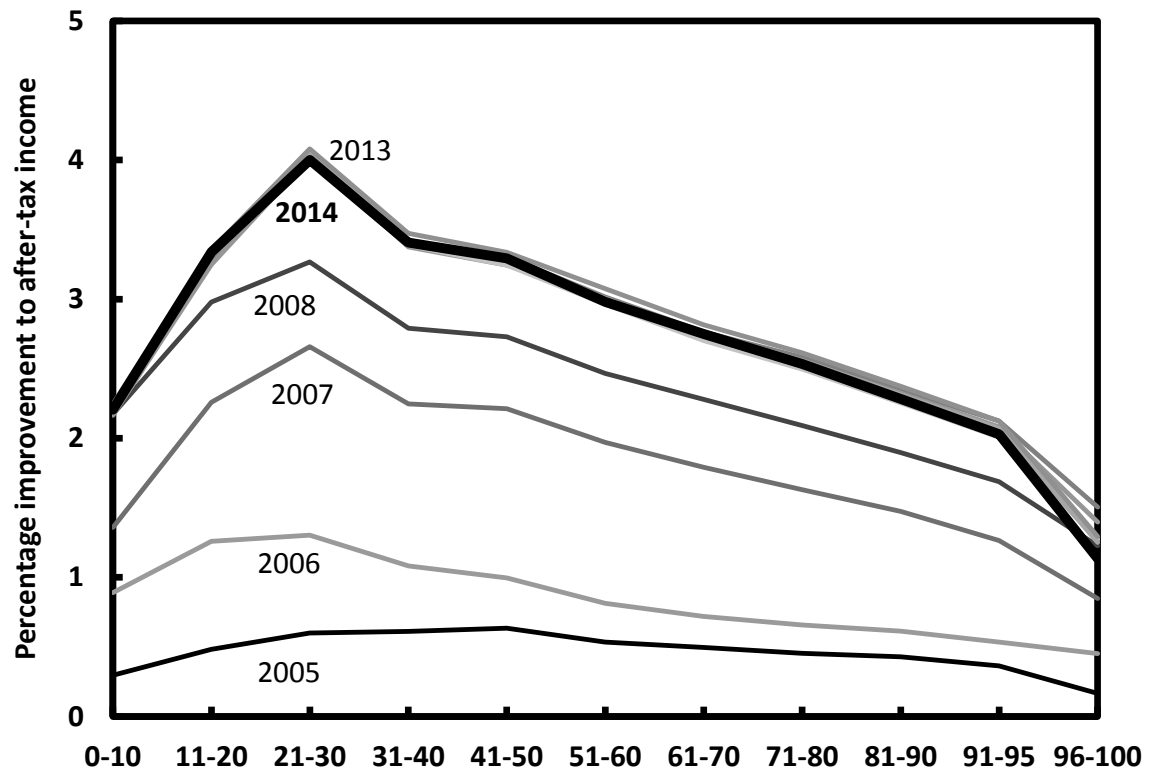
Distribution Impacts

- **Absolute gains** generally skew to higher income cohorts



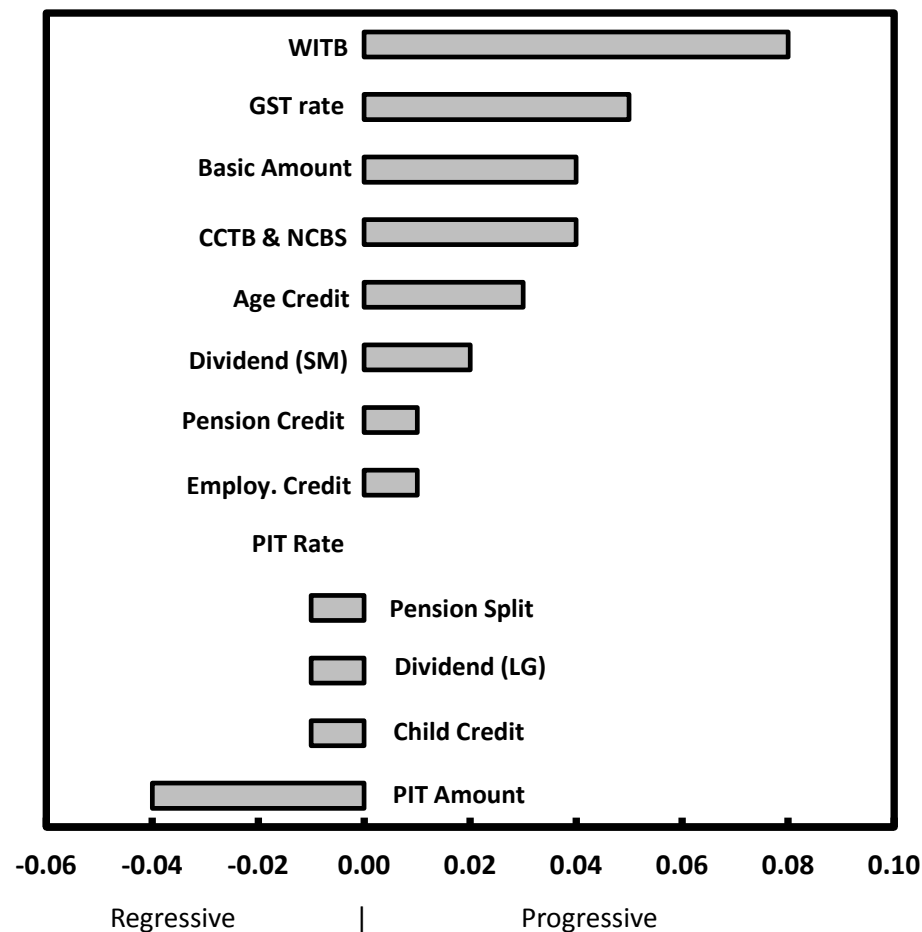
Distribution Impacts

- **Relative gains** have become increasingly progressive since 2005
- Measured as the % increase in after-tax income



Distribution Impacts

- Progressivity is driven by the WITB and GST/HST changes
- Measured by percentage improvement to the Gini index



Other Impacts

- **Tax efficiency** measures the amount of economic distortion created by a tax or tax change
- **Horizontal equity** depicts the degree to which like individuals or families are treated alike by the tax system

