



NEWS RELEASE

Ontario’s personal income tax rate hike may have prevented 2,158 new businesses from starting

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For immediate release

TORONTO—The Ontario government’s increase to the province’s top personal income tax rate in 2013 may have prevented more than 2,000 new businesses from starting in the province, finds a new study released today by the Fraser Institute, an independent, non-partisan Canadian public policy think-tank.

“Tax hikes by the previous government at Queen’s Park discouraged entrepreneurs from starting thousands of new businesses, which are vital for economic growth and prosperity and drive innovation,” said Charles Lammam, director of fiscal studies at the Fraser Institute.

Using 30 years of Canadian data from 1984 to 2015, the study, titled *The Effects on Entrepreneurship of Increasing Provincial Top Personal Income Tax Rates in Canada*, finds that increases to the top personal income tax rate reduce the number of new businesses started.

That’s because entrepreneurship is inherently risky and higher personal income taxes decrease the potential income (and reward) for entrepreneurs who are successful, reducing their incentive to start a new business.

For Ontario, the study estimates that, holding all else constant, a one percentage point increase to the top personal income tax rate prevents 696 new businesses from starting over a four-year period.

Considering that the previous Ontario government in 2013 raised its top provincial rate 3.1 points to 20.5 per cent, over the same time span of four years, the province may have lost out on 2,158 new businesses.

Crucially, this estimate does not include the impact of the federal government’s four percentage point increase to the federal top personal income tax rate, which will reduce entrepreneurship even further in Ontario and across Canada.

“If the new government in Ontario wants to spur entrepreneurship and increase economic prosperity, reducing the province’s top personal income tax rate would be a good place to start,” Lammam said.

The number of businesses not created over a four-year period due to a one percentage point increase to the provincial top personal income tax rate (by province):

Ontario	696
Quebec	465
British Columbia	315
Alberta	275
Saskatchewan	85
Manitoba	74
Nova Scotia	62
New Brunswick	54
Newfoundland and Labrador	40
P.E.I.	14

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