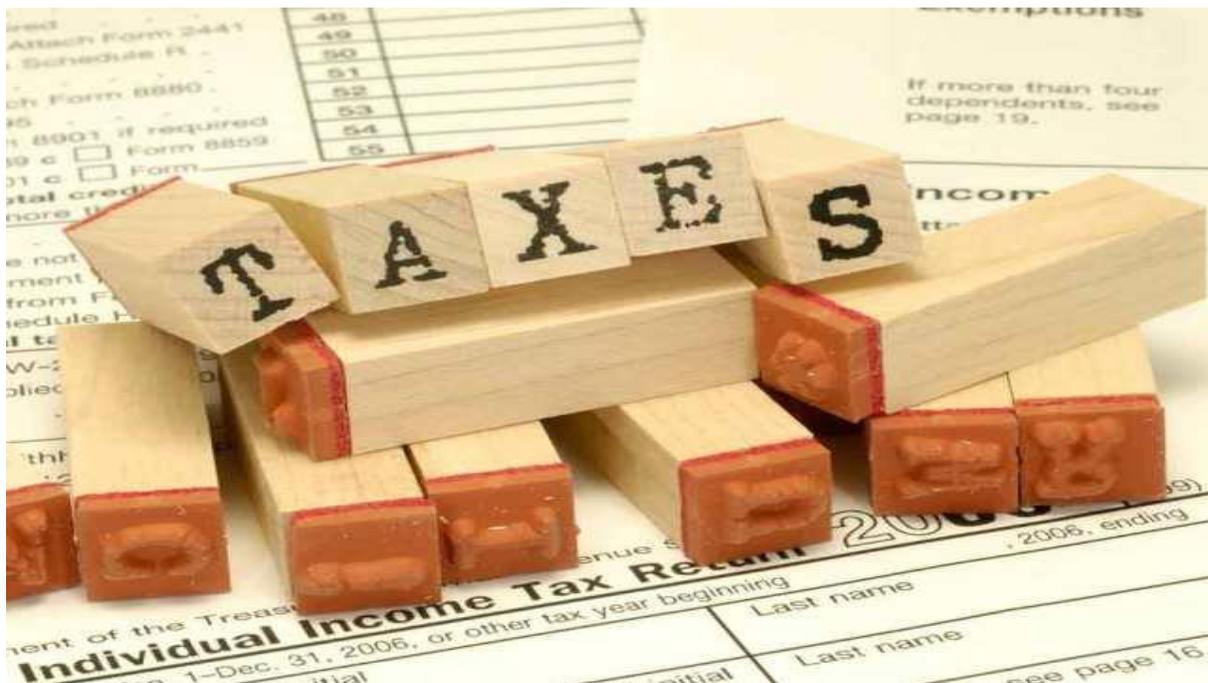


Taxes — the average Canadian family's largest expense

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By Charles Lammam and Milagros Palacios

With home prices rising across the country, many would assume that housing costs (including rent and mortgage payments) are the most expensive budget item for the average Canadian family.

In reality, the average Canadian household spends more on taxes than any other expense. Specifically, in 2016 the average Canadian family (including single Canadians) earned \$83,105 in income and paid \$35,283 in total taxes. That's 42.5 per cent of income going to taxes.

For most of us, the income and payroll tax deductions on our paycheques do not total anything close to this percentage. But to understand the full cost of taxation, you must consider all the taxes — both visible and hidden — that we pay throughout the year to federal, provincial and municipal governments including sales taxes, property taxes, fuel taxes, carbon taxes, import taxes, alcohol taxes and much more. All these taxes add up and make our overall tax bill expensive.

So how does the overall tax bill compare to housing costs?

The average Canadian family spends 22.1 per cent of its income on housing — only about half as much as it spends on taxes. In fact, taxes consume more of the average family's income than all the basic necessities of life combined. If you add up the average family's spending on housing, food and clothing in a year, it comes to 37.4 per cent of its income.

With 42.5 per cent of income going to taxes, Canadian families may rightfully wonder whether they get good value for their tax dollars. Of course, taxes fund important government services. But we shouldn't simply assume that higher taxes always provide better government services.

While it's ultimately up to individual Canadians and their families to decide if they're getting the best bang for their money, you must know how much you pay in total taxes to make an informed assessment. That's where our annual calculations help. They estimate the cost of government for the average family. Armed with this knowledge, Canadians can then determine if they think they're getting good value in return.

In most provinces, more than 50 per cent of our tax dollars finance generous pay for government employees. In fact, government employees, on average, receive 10.6 per cent higher wages than comparable private-sector workers doing similar work. And that's on top of the much more generous non-wage benefits (pension coverage, job security, early retirement) the government sector also enjoys. Of course, we need qualified and well-paid government workers, but is this pay and benefit premium the best use of our tax dollars?

In the case of health care, which consumes around 40 per cent of most provincial budgets and is a fast-growing expense, international comparisons show that, despite high levels of spending, Canadians have comparatively poor access to technology and doctors, and endure longer wait times for surgery. It's hard to see how we get good value for our money in public health care when measured against other countries that also offer universal access.

Most troubling is when our tax dollars are outright wasted on boondoggles and failed government programs. A recent study documented more than 600 cases where the federal government failed to meet its own objectives over a 25-year period, resulting in up to \$197 billion of wasted tax money.

Bottom line — we need a robust public debate about the overall tax burden and whether we're getting our money's worth.

Charles Lammam and Milagros Palacios are co-authors of the Fraser Institute report, Taxes versus the Necessities of Life: The Canadian Consumer Tax Index 2017 edition, available at www.fraserinstitute.org