

# Implement Wealth and Inheritance Taxes for a Just Recovery

## Executive Summary

- ***Wealth distribution in Canada is highly unequal, and this inequality has been growing in recent decades***
- ***The COVID-19 crisis has disproportionately hurt communities who were already vulnerable before the pandemic; a minority of the country's wealthiest citizens continue to do well, and some are even seeing their wealth grow***
- ***Implementing wealth and inheritance taxes on the ultra-wealthy could help curb this inequality while at the same time fund needed programs as we aim for a just recovery***
- ***Wealth and inheritance taxes have wide support among Canadians from all ends of the political spectrum***

## Wealth Distribution in Canada is Highly Unequal

Over the past two decades, Canada has seen inequality skyrocket. 20 years ago, the richest 20% of citizens held about 44% of the country's total wealth, while today they hold over 73%. The top 1% collectively own about a quarter of Canada's total wealth, about \$2.6 trillion, according to a report just released in June 2020 by the Parliamentary Budget Office (Figure 1). In fact, 87 families alone had a combined net worth of \$259 billion in 2018, equal to roughly 15% of the country's entire GDP for that year<sup>1</sup>.

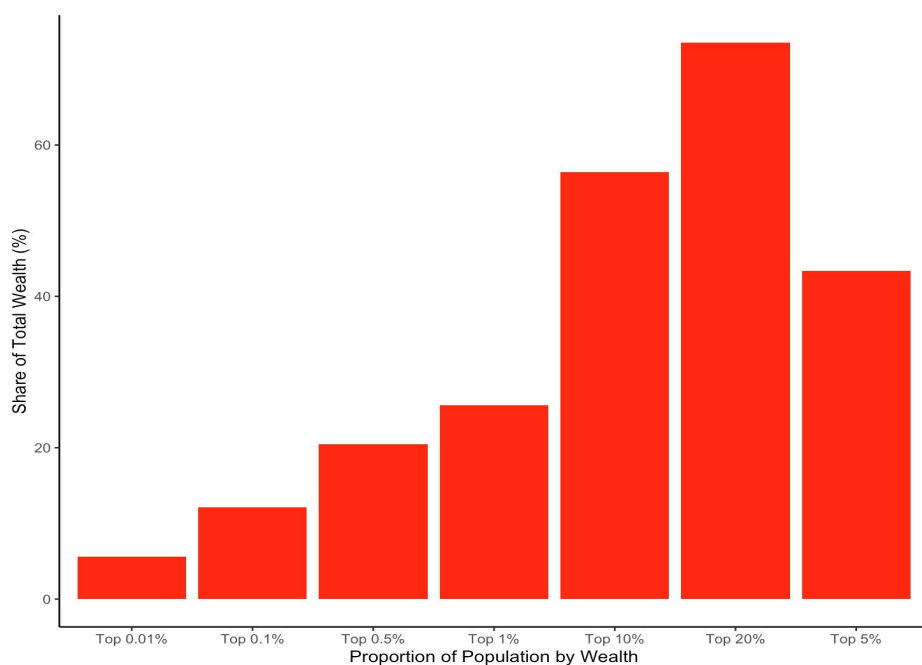
Meanwhile, over five million people in Canada live below the poverty line<sup>2</sup>. Almost half of Canadians worry about their ability to cover basic living expenses without taking on more debt. Greater inequality in developed countries is also associated<sup>3</sup> with higher rates of stress and mental illness, addiction, school bullying, and crime rates.

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<sup>1</sup> Sources for calculations: Uppal, Sharanjit and Sébastien LaRoche-Côté. 2015. [Changes in wealth across the income distribution, 1999 to 2012](#). Statistics Canada Report; Wodrich, Nigel and Aidan Worswick. 2020. [Estimating the Top Tail of the Family Wealth Distribution in Canada](#). Parliamentary Budget Office; Macdonald, David. 2018. [Born to Win: Wealth concentration in Canada since 1999](#). Canadian Centre for Policy Alternatives.

<sup>2</sup> [Canada Without Poverty report](#).

<sup>3</sup> Wilkinson, Richard, and Kate Pickett. 2019. *The Inner Level: How More Equal Societies Reduce Stress, Restore Sanity and Improve Everyone's Well-Being*. Penguin.



**Figure 1.** Share of wealth held by the richest Canadians, as of June 2020. Source: Wodrich, Nigel and Aidan Worswick. 2020. Estimating the Top Tail of the Family Wealth Distribution in Canada. Parliamentary Budget Office

## The Impacts of the COVID-19 Crisis have been Just as Unequal

Research<sup>4</sup> shows that communities who were already vulnerable before the crisis are bearing the brunt of the devastation: low-wage workers are far more likely to lose their jobs, Black and Indigenous communities have higher rates of infection and death, LGBTQI2S+ people are being hit harder by the financial impacts, and some of the largest outbreaks are occurring among populations of migrant workers.

As millions struggle to meet basic needs, many people with comfortable lifestyles who have kept their jobs are in fact saving money by not commuting and not spending on entertainment, and dining outside the home. Further, some corporations and their owners – mainly the suppliers of those basic needs, like Loblaws and Rogers – are seeing record profits<sup>5</sup>. In addition, we have not seen firm policy commitments that would prevent large companies that use tax havens and other tax evasion practices from receiving emergency response money. This allows public money to go towards companies with a long history of not paying their fair share to those same public coffers<sup>6</sup>.

<sup>4</sup> Macdonald, David. 2020. "[Canada's job losses reach Great Depression levels. Here's how we move forward.](#)" *BehindTheNumbers*; Corak, Miles. 2020. "[COVID-19 is not the great leveller, it's the great revealer.](#)" Broadbent Report; Nasser, Shanifa. 2020. "[Early signs suggest race matters when it comes to COVID-19. So why isn't Canada collecting race-based data?](#)" CBC News; Roberston, Angela et al. 2020. "[Statement from Black Health Leaders on COVID-19's impact on Black Communities in Ontario.](#)" Alliance for Healthier Communities; Coates, Ken. 2020. "[Helping Canada's Indigenous peoples during COVID-19.](#)" *Toronto Sun*; Egale Research Report. 2020. "[Impact of COVID-19: Canada's LGBTQI2S Community in Focus.](#)" Egale; Meyer, Carl. 2020. "[Migrant and undocumented workers plead for help during COVID-19.](#)" *National Observer*.

<sup>5</sup> Hoyer, Daniel. 2020. "[As millions suffer from the pandemic, who's getting rich?](#)" *Briarpatch*.

<sup>6</sup> Beauchesne, Erika. 2020. "[Will COVID-19 finally force Canada to crack down on tax havens?](#)" Canadians for Tax Fairness; Miller, Katrina. 2020. "[Five tests to make sure bailouts benefit people, not corporations.](#)" Broadbent Institute Brief.

## Wealth and Inheritance Taxes are a Big Part of the Solution

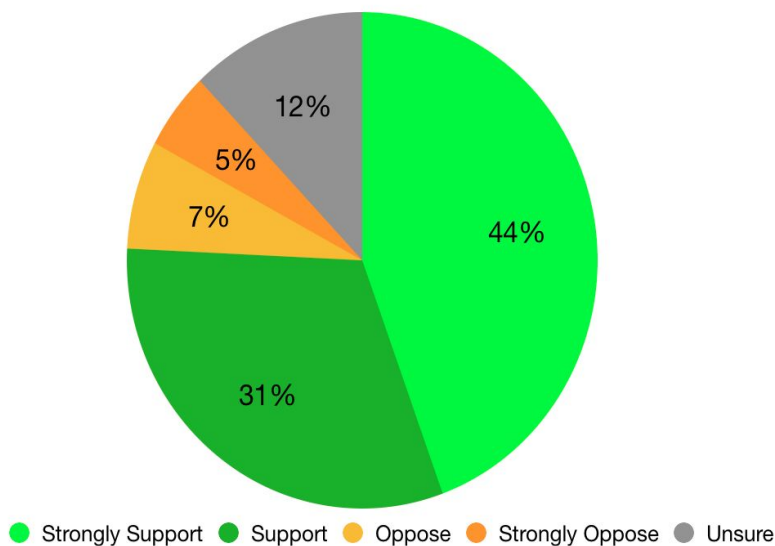
Wealth and Inheritance taxes can be a critical tool to reverse growing inequality. [Resource Movement](#) has called for the establishment of a progressive inheritance tax that hits the top 10% of estates, increasing to a marginal rate of 55 per cent on estates over \$7.5 million, as well as a wealth tax that hits the top 10% of Canadians, increasing to a marginal rate of 10% on each dollar of wealth over \$20 million, exempting principal residences.

These two policies affect only individuals in the top 10 per cent — those who have gained most from wealth concentration in the last 20 years. Canada is in fact the only G7 nation without an inheritance tax. The U.S., Japan, Spain and many other countries all have one, and many leading experts say inheritance taxes are a “key mechanism” for promoting wealth distribution<sup>7</sup>. For context, while 48 per cent of Canadians expect to receive an inheritance, the average size is just under \$100,000 — a level which would not come close to being affected by this levy.

Wealth taxes have also been gaining support around the world. Several renowned economists, including Emmanuel Saez and Thomas Piketty, are calling on governments to establish wealth taxes. Even the OECD has recommended implementing wealth taxes as a means to reduce inequality<sup>8</sup>. This work has generated well thought-out formulae for constructing wealth and inheritance taxes that could be readily adapted in Canada.

## There is Broad Support for Wealth and Inheritance Taxes

Wealth taxes enjoy incredibly high support in Canada, across the political spectrum, and even more so in the face of the COVID-19 crisis<sup>9</sup>. In fact, a recent national survey conducted by Abacus found that 75% of Canadians support a wealth tax, including support from 69% of Conservative voters (Figure 2).



**Figure 2.** Results of National survey showing support for a wealth tax in Canada. Source: [Broadbent Institute poll on COVID-19 Recovery, 2020](#). Conducted by Abacus Data

<sup>7</sup> Naidu-Ghelani, Rajeshni. 2018. “[Canada's ultra-wealthy getting richer faster than the rest of us, report shows](#).” CBC NEWS.

<sup>8</sup> OECD. 2018. [The Role and Design of Net Wealth Taxes in the OECD](#). OECD Tax Policy Studies

<sup>9</sup> [North99 Wealth Tax Poll](#). 2019. Conducted by Abacus Data; [Resource Movement Petition for Implementing Wealth and Inheritance Taxes](#), hosted by Change.org; [Broadbent Institute poll on COVID-19 Recovery, 2020](#), Conducted by Abacus Data.

## Wealth and Inheritance Taxes can help Fund a Just Recovery

Combined with other measures like closing [corporate tax loopholes](#) and introducing [digital services](#) and [excess profits](#) taxes, wealth and inheritance taxes can help to ensure that Canada re-emerges from this crisis with strong public services and a fairer distribution of wealth.

The *Parliamentary Budget Office* estimated that a modest wealth tax of 2% on fortunes over \$20 million could raise at least 9 billion dollars a year<sup>10</sup>, and the more progressive rates we are calling for could raise substantially more. This funding could be marshalled to help fund a just recovery: investing in publicly owned renewable energy systems, free public transit, energy-efficient and affordable housing, investments in head-to-toe health care, protections for low-wage and insecure workers, and reparations for Black Canadians and Indigenous nations for past wrongs.

Over 70% of Canadians<sup>11</sup> say it is essential to them that the economic recovery helps to make Canada more self-sufficient, is fair, and ensures those with the most contribute the most—introducing progressive wealth and inheritances taxes can help achieve this goal.

### About Resource Movement

[Resource Movement](#) is a community of young people with wealth and/or class privilege working toward the redistribution of wealth, land, and power. Through our activities, we educate ourselves about the roots of inequality, encourage each other to take bold action in solidarity with social justice movements, and open space for critical voices within philanthropy, business, and public policy sectors. With chapters in Montreal and Toronto, our network includes over 200 young people across Canada who participate in learning opportunities, show up for social justice movements, and engage in campaigns. Resource Movement is a project on MakeWay's shared platform.

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<sup>10</sup> Cost Estimate of Election Campaign Proposal. 2019. [Net Wealth Tax](#). Parliamentary Budget Office.

<sup>11</sup> [Broadbent Institute poll on COVID-19 Recovery. 2020](#), Conducted by Abacus Data.