Québec Income Taxation and

Incentives for Household Savings

Jonathan Rhys Kesselman*
kesselman@sfu.ca

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*Professor and Canada Research Chair in Public Finance, School of Public Policy, Simon Fraser University; this study was undertaken as an independent consultant. The author assumes full responsibility for all analysis, findings, and any errors in this study as well as for the application and interpretation of Statistics Canada's Canadian Financial Capability Survey (2009). The data extraction and assembly were assisted by David Boisclair, Coordonnateur-chercheur and Ismaël Choinière Crèvecoeur, Chercheur, Chaire de recherche Industrielle Alliance sur les enjeux économiques des changements démographiques, Université du Québec à Montréal.

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I Introduction

This study addresses the relationship between the Québec personal income tax and household savings as well as potential reforms. The study begins by reviewing the principles and rationales in the taxation of saving. It then describes key features in the tax treatment of saving in Canada and Québec. The study follows with a catalogue and brief comments on potential reforms for Québec's taxation of savings. The analysis recognizes the degrees of flexibility as well as the limitations on Québec's ability to modify its provincial income tax and related legal provisions within a federal taxation system and the federal-provincial assignment of jurisdiction. Additional considerations include information, compliance, and enforcement factors facing Québec acting independently from the rest of Canada as well as fiscal competition among Canadian jurisdictions. The study also compares tax incentives for voluntary saving with workplace pensions and mandatory public pensions. The Appendix provides comparative statistics on the saving patterns of Québec relative to the rest of Canada. Occasional references are made to portions of the 2013 report of the Expert Committee on the Future of the Québec Retirement System (henceforth cited as the D'Amours Report).

II Principles and Rationales in Taxation of Savings

This section provides an overview of the basic concepts of the polar bases for a direct personal tax—income and consumption—and methods by which elements of a consumption base are introduced into the personal tax. Since the difference between income and consumption is savings, this discussion provides insights into methods by which saving incentives have been, and can be, incorporated into the personal tax system. The section then enumerates potential policy objectives for the tax treatment of personal savings, which can be given varied emphasis and combined in different ways. The presentation continues with a review of key findings from the empirical literature on how various tax policies and related provisions affect household savings. The preceding material is used to assess the implications for Québec's tax policies at a broad level and offers a foundation for considering appropriate policy objectives.

II.1 Polar formats: income versus consumption tax bases

The two polar forms of taxable base for a direct personal tax system are income and consumption.[1] Income is defined as the sum of consumption plus savings; conversely, consumption is defined as income minus savings. The notion of income is thus what a tax unit *does consume* in the tax accounting period (the year) *plus what* it *could consume without changing its net wealth position*. In contrast, consumption is simply the amount that the tax unit *does consume* in the tax accounting period. Consumption typically is larger than income in taxpayers' earlier adult years and their retirement years, when they are either borrowing to purchase durable goods or running down their savings to maintain consumption levels. Income includes returns to wealth or capital—such as interest, dividends, capital gains, royalties, and net rents—whereas these items do not explicitly enter the consumption measure.

At the level of the individual taxpayer, the difference between the two bases is in part the timing of taxable base and tax payments over the lifetime. However, the income base entails so-called "double taxation" in the sense that labour incomes (wages, salaries, commissions, net self-employment income) are taxed when earned and the saved portion also bears tax on investment earnings. For this reason, the consumption base is viewed as more favourable to saving than the income base, but the size of any difference in behavioural response is an empirical matter. Aggregate savings for an economy are almost always positive, so that the total taxable base of income exceeds the total taxable base of consumption, allowing for a lower average tax rate on the income than the consumption base.

II.2 Methods to implement consumption tax base

While the direct tax for both Canada and Québec is popularly called a personal "income" tax (PIT), it in fact lies much closer to a consumption base for the great majority of taxpayers. This outcome results primarily from specific provisions aimed at supporting savings or reducing or eliminating the tax burden on capital-source incomes. Two generic methods are extensively employed—called the tax-deferral and the tax-prepayment methods—along with various hybrid and intermediate methods. These methods are next explained and compared for their attributes. In practical tax policy most methods limit the extent to which any taxpayer can utilize them, so

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[1] The comparative merits of income-based versus consumption-based personal taxation have been extensively examined in studies such as Pechman (1980), Aaron et al. (1988), Cnossen and Bird (1990), and Zodrow (1990).

as to prevent large tax relief or windfalls going to the highest earners and wealth holders.

The tax-deferral method draws directly on the cited relationship: *consumption = income – savings*. It permits savings of specified forms and up to specified maxima to be deducted from income in determining the individual taxpayer's taxable base. In effect, the portion of current labour earnings that are saved (not consumed in the current period) are insulated from current tax, and both that principal amount of savings plus investment income accruing to those savings enjoy tax deferral until the funds are withdrawn for consumption. This deferral of tax is equivalent to exempting the investment income from tax. Tax deferral is the method used in Canada and Québec for Registered Retirement Savings Plans (RRSPs), Registered Pension Plans (RPPs), and Pooled Registered Pension Plans (PRPPs).

The tax-prepayment method draws on an alternate way of defining an individual's income as the sum of income from labour plus income from capital. By fully taxing labour income but exempting capital income, the tax-prepaid method achieves the same measure of consumption in terms of the present value of taxes paid as the tax-deferred method. The tax-prepayment method can be implemented by allowing non-deductible contributions to accounts that are then free of all tax on the investment returns and any withdrawals. Tax prepayment is the method used in the Canadian and Québec tax systems via Tax-Free Savings Accounts (TFSAs) and exemption from capital-gains tax on the sale of owner-occupied residences.

The tax-deferral and tax-prepayment methods of implementing a consumption base share the property that, apart from any interactions with other tax or transfer programs, they do not distort individuals' between consuming currently or in the future. They are equivalent in the situation where the individual faces the same marginal tax rate in both the period of initial saving and the period of ultimate withdrawal of funds for consumption. The tax-deferral method poses a pro-saving bias for individuals who face a higher tax rate when saving than withdrawing; and it poses an anti-saving bias for those facing a higher tax rate when withdrawing than when saving. Thus, tax-deferred savings may be disadvantageous for persons who are low or moderate earners and expect to face the high tax-back rate on income (and proceeds from tax-deferred savings) during retirement on account of the Guaranteed Income Supplement (GIS). Such individuals are much more favourably treated on their TFSA savings, since withdrawals from those accounts are exempt from the GIS clawback. The joint provision of tax-deferral and tax-prepayment savings options allows the individual to smooth their taxable income over time and thus to engage in averaging of their tax liabilities.[2]

In terms of aggregate tax revenues, tax-prepayment provisions exert small revenue cost in earlier years (since they offer no immediate tax deductions) but cumulate to pose much larger revenue cost in the more distant years (as they forgo increasing amounts of tax on investment incomes in the accounts). In contrast, tax-deferral provisions impose their largest revenue costs up-front because of the tax deductions that they provide savers. Over the long run, comparably scaled tax-prepayment and tax-deferral provisions should pose approximately the same total revenue costs in present-value terms.

A variety of other methods for incentivizing household saving can be structured including some elements of the tax-deferred and tax-prepaid methods, partial exemptions, or other forms of favourable tax treatment for capital-source incomes. Examples include the half-inclusion rate for capital gains realized on sale of assets held outside registered accounts and the dividend tax credit for receipts from Canadian corporations. The Registered Education Savings Plans combined with Canada Learning Bonds and Québec Education Savings Incentive, the Lifelong Learning Plans, and the Home Buyers Plan incorporate various elements of tax deferral, tax prepayment, and tax exemption or favourable tax treatment. In some combinations these schemes can actually impose a pro-savings bias rather than simply the neutral tilt between consuming now and in the future that characterizes a true consumption base.

II.3 Defined-benefit versus defined-contribution savings formats

In addition to the distinction between tax-deferred and tax-prepaid structures for saving plans, a further distinction between defined benefit (DB) and defined contribution[3] (DC) formats is important. A DB plan entitles the covered worker to a retirement pension of a monthly value determined by a formula based on his or her years of employment and earnings level (usually average earnings in the years prior to retiring). DB plans place the responsibility for funding these benefits on the employer, although they may also entail scheduled employee contributions. The DB format shifts many types of risk from the employee to the employer.[4] In contrast, a DC

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[2] Kesselman and Poschmann (2001) assess the comparative properties of tax-deferred and tax-prepaid formats.

[3] DC schemes are sometimes called “money purchase” plans.

[4] Potentially future cohorts of employees in the same plan could bear some of the burdens if either the projected rate

plan is like an individual financial account. The individual's resources for retirement hinge on the amounts contributed to that account over the working life and the rate of investment return; whatever that terminal amount will finance constitutes the "pension" (which may be converted to an annuity or withdrawn in periodic sums). With a DC plan, the individual bears many types of risk that are either borne by the employer or pooled with other employees under a DB plan.

Table 1 enumerates how various risks, costs, and other burdens are distributed under DB and DC plans; these vary depending on whether the plan is workplace-based, individual, or a mandatory public scheme. Among the risks facing the individual are so-called "retirement-date risk," which reflects the fact that financial markets may be buoyant or depressed at the time a person retires. Under a DC scheme this risk is borne by the individual, whereas with a DB scheme the risk is pooled over all members of the plan, only a few of whom will retire in any given year. The table also refers to the issue of investor skills and temperament, which can have a big impact in a DC scheme that offers individual discretion over the investments; DB schemes typically employ experienced investment managers who diversify the asset holdings and do not try to "time the markets." One aspect that differentiates the types of schemes is the extent to which participation is voluntary or mandatory; typically tax and pension legislation is more restrictive in the individual's ability to access the funds prior to retirement for mandatory than for voluntary plans. The table also provides a scoring of the different types of plans for each of several attributes.[5] A mandatory public DB scheme—like the Canada and Québec Pension Plans—scores most highly on all attributes except for individual choice and flexibility.

II.4 Policy objectives for tax treatment of saving

The major policy objectives that can be associated with the tax treatment of household savings include the following:

- income adequacy during retirement
- saving for specific purposes, with the following often specified:
    - home ownership
    - education or training
    - start-up or expansion of family-owned business

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of investment return or the projected average longevity of retirees were substantially not realized.

[5] For discussion of the other attributes in Table 1's list of performance criteria, see Kesselman (2010).

• consumption smoothing over time with random income shocks

• horizontal equity between "spenders" and "savers" with identical lifetime resources

• aggregate savings and investment (for macro growth and productivity purposes)

Increasing tax incentives for saving may augment several of these objectives simultaneously, but the specific formulation of the incentive provision can affect the relative balance among the objectives. Moreover, many such provisions will have either direct or incidental impacts on the distribution of the tax burden, both in the immediate term, over lifetimes, and across cohorts; these equity impacts warrant evaluation along with all other impacts of any prospective policy reform. The objective of augmenting aggregate savings and investment will be shown to have little salience at the level of a single province such as Québec.

II.5 Empirical evidence on tax incentives for savings

The literature on household savings behaviour and how it is influenced by taxation policies—as well as by private and public pensions policies—is both extensive and diverse.[6] This subsection will review the research findings, although the presentation is necessarily selective and condensed; references are provided for readers interested in accessing the wider literature. Issues examined in this area of research include the effects of tax policies on personal savings, how pension structures affect savings, and assessments in the dimensions of efficiency, growth, and equity. The findings will also provide policy insights relevant to a small open economy such as Canada and a subnational jurisdiction such as Québec.

The economic analysis of saving behaviour has traditionally relied on the neoclassical framework of rational choice by individuals in their consumption choices over time. Elements of uncertainty, risk, lack of knowledge, lack of discipline, and "irrational" behaviour were entirely lacking from the analysis. First on the scene was a two-period model in which the typical individual chooses between consuming income "today" and consuming in a future period ("tomorrow"). The trade-off between consuming between the two periods is the "interest rate" (denoting the total return on savings, however invested, but with a certain rate of return). A higher interest rate makes consuming today more costly relative to consuming tomorrow, which might be presumed to induce higher saving out of current income. However, this relative-price

[6] Major summaries and critical assessments of the literature can be found in Bernheim (2002), Attanasio and Wakefield (2010), and Mirrlees (2012).

change entails both a substitution effect and an income or wealth effect. The latter effect means that an increased interest rate makes the individual better off, and this wealth effect can raise consumption in the current (“today”) period enough to offset the substitution effect and actually decrease saving. A polar case of this outcome is the so-called target saver, who has a desired level of asset accumulation for the future period (say, retirement) such that an increase in the interest rate means *less saving* is required to reach that target. Within this simple two-period model, taxation of capital income enters as reducing the interest rate received by the individual—the net-of-tax or simply “net” interest rate—and thus acts like a reduction in the market interest rate, with the associated saving response whatever it might be.

The next important economic model for explaining savings behaviour was the life-cycle hypothesis.[7] This model considers the phases of a typical individual over the lifetime—with consumption exceeding income early in adult life (thus borrowing or negative saving), income exceeding consumption in the mid-adult life years (saving both to pay off debt and accumulate assets for retirement), and consumption again exceeding income in the retired years in order to support the individual’s accustomed living standard (thus running down wealth or “dissaving”). The interest rate again enters the economic modeling, affecting the relative price of borrowing, saving, and dissaving and thereby affecting choices of how much to consume in the various life stages. Taxes on interest income affect the net interest rate and thereby consumption and saving patterns of individuals. Like the two-period model, the life-cycle model assumes rational, well-informed, disciplined, forward-looking behaviour by individuals.

The findings from four empirical studies on the effects of the Canadian RRSP provision and changes to its parameters are worth citing. All of these studies fall generally within the traditional economic theory of saving behaviour:

- *Role of RRSPs in aggregate saving*: One study compared Canadian and US aggregate saving rates over time to assess the role of the RRSP. It concluded that Canada’s higher aggregate saving rate could not be attributed to the higher limits and less restrictive access to tax-deferred individual saving in Canada but was more likely a response to differences in other tax and public pension provisions (Sabelhaus 1997).

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[7] The previously cited two-period model is associated with economist Irving Fisher. The life-cycle model was developed by economist Franco Modigliani and associates. A third important model, which incorporates the uncertainty of random income shocks to explain saving responses to short-term fluctuations but can also be framed as systematic life-cycle changes, is the permanent income hypothesis of economist Milton Friedman.

Another study confirmed that "changes in the RRSP program or in RRSP contribution rates do not appear to explain the savings gap between Canada and the United States during the 1970s, 1980s, and early 1990s …" (Burbidge et al. 1998, p. 262)

- *Tax flattening and RRSP contributions*: A study of the substantial rate flattening and cuts in Canada's 1988 tax reforms, which would be expected to decrease RRSP contributions based on the traditional theory, found "no convincing evidence that the tax rate changes affected contributions to Registered Retirement Savings Plans … [T]he level of saving by RRSP contributors is not sensitive to changes to the after-tax rate of return either absolutely or relative to other assets."[8] (Veall 2001, pp. 120, 129)
- *Marginal tax rates and RRSP participation*: In the traditional economic theory of saving behaviour, the individual's MTR would be expected to affect the relative attractions of saving in a tax-sheltered form relative to a fully taxable form. Using inter-provincial and secular variations in tax rates, one study found a positive, albeit weak, impact of MTRs on RRSP participation. A (quite large) 10 percentage point increase in the MTR raises the probability of participation by 8 percent;[9] but this explains only 5 percent of the secular trend in participation. (Milligan 2002a)
- *RRSP limits and contributions*: The percent-of-earnings and dollar limits on RRSP contributions are found in one study to affect the contributions not only by individuals who are constrained but also for some currently contributing less than the limit. Within a life-cycle model in which individuals enjoy the RRSP's carry-forward option, current contribution choices are linked to future contribution limits. The analysis finds that an increase in the individual's future contribution room actually *decreases* their current level of contributions. (Milligan 2005)

The revolution of the last generation called "behavioural economics" focuses more on actual observed behaviour of individuals than on theoretical constructs of rational behaviour; investment and saving choices have been two primary areas for its application. This area of research has uncovered many features and anomalies of saving behaviour not envisaged by the

[8] The author cites his results as similar to the earlier findings of Venti and Wise (1988).

[9] In technical economic terms, the elasticity of RRSP participation with respect to the MTR is estimated at a small 0.28 (Milligan 2002a, p. 438).

earlier models.[10] In part these departures from predictions of the previous theory reflect more complex and seemingly "irrational" behaviour by individuals, and in part they reflect institutional complexities not embodied in the previous theory. One such study cited:

> … two major categories of deviations from life cycle rationality. First, there are errors that arise from lack of attention, procrastination, faulty perceptions, and careless optimization. … Second, there are errors that arise from mistakes in anticipating the consumer's own tastes, particularly time-inconsistent impatience, asymmetric loss aversion, and genuine instabilities in tastes, including phenomena such as physical or emotional health-linked tastes that cannot be anticipated from the consumer's current state. (Beshears et al. 2010, pp. 334-35)

A variety of concepts have been elaborated to explain the observed saving behaviour: myopia, hyperbolic discounting, lack of knowledge, lack of self-control, bounded rationality, and the inertia of institutional defaults on pension or saving choices. Some of these explanations may be complementary or empirically indistinguishable, while others are supported by very distinct evidence. Bounded rationality is the notion that individuals, while rational, are limited by both the information they have on hand and the cognitive limitations of their minds. Hyperbolic discounting relates to individuals' tendency to discount near-term outcomes at much higher rates than far more distant outcomes, leading to a tendency to procrastinate in their actions unless bound by some kind of commitment device (such as automatic payroll deduction of their savings contributions).[11] Authors in one study characterized the phenomenon as follows:

> This form of discounting sets up a conflict between the preferences of different intertemporal selves. … [The] key result is that sophisticated actors with a quasi-hyperbolic discount structure undersave …Since each self consumes too much from earlier selves' point of view, each of them would agree to increase savings a little bit in exchange for later selves doing the same. (Diamond and Köszegi 2003, p. 1840)

Several findings from the behavioural economics research relevant to the issues at hand are worth citing, based on US workplace pension schemes called 401(k) plans.[12] These plans are

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[10] For example, Diamond (1977) computes the wealth-income ratios at normal retirement ages that one would expect individuals to achieve if they behaved as lifetime maximizers under the life-cycle hypothesis; he finds large proportions of the population falling far short of these ratios in the real world.

[11] This application of the theory to saving was pioneered in a paper by Laibson (1997).

[12] These plans are named after their subsection of the US Internal Revenue Code. In order to avoid a 10 percent penalty on withdrawals prior to age 59½, the holder of a 401(k) account is permitted to borrow up to 50 percent of its balance or $50,000, whichever is smaller, so long as the loan is repaid to the account within five years. Beginning in the 2006 tax year, such plans could be established with the tax-prepaid format.

of the defined-contribution variety and usually tax-deferred. The employee can voluntarily participate under varying terms with respect to self-enrolment versus auto-enrolment, the rate of matching by employer contributions, and defaults versus choice as to investments. The findings about procrastination, the role of defaults, and the inertia of choices also have relevance to individual choice in voluntary tax-favoured schemes outside the workplace.[13]

- Relative to the standard opt-in approach, auto-enrolment of employees dramatically increases plan participation even with the employee's option not to participate; auto-enrolment normally entails a default contribution rate and a default asset allocation.
- Employer matching of employee contributions in the plan only modestly affects the rate of employee participation in schemes that utilize auto-enrolment; the auto-enrolment feature rather than the employer matching appears to make the big difference.
- Employees who express a desire and intention to increase their contribution rate in such schemes rarely follow through on this; they exhibit a pattern of passive decision-making and change their plans only when given a low-effort means of doing so such as an automatic schedule of rate increases.
- The more liquid and easily accessible are savings, the greater is the likelihood that they will be drawn upon prior to retirement; this general problem of individuals' "self-control" is exacerbated by high liquidity of funds including easy access to credit.

A particularly relevant behavioural economics study addresses the effect of tax incentives on individuals' *total* saving. The most methodologically rigorous analysis of this issue comes from a recent Danish study with 45 million observations.[14] It finds that the policy impact hinges on whether it operates via active or passive choices of individuals. Tax incentives require active choice, yet it estimates that 85 percent of individuals are passive savers. The study estimates that each dollar of tax expenditure on such incentives increases total saving by just one cent. Passive savers are found to increase their total savings more substantially via policies that raise their retirement savings without the need for action—such as automatic *employer* contributions to retirement accounts. In contrast, the 15 percent of individuals who are active savers are

[13] Findings reported in the text draw on Laibson and Repetto (2005), Choi et al. (2006), and Beshears et al. (2010). Also see Marier (2010) for assessment of programs with auto-enrolment and mandatory workplace pensions outside of North America.

[14] Chetty et al. (2012).

motivated by tax incentives, but they do so primarily by shifting existing assets or ongoing savings from taxable accounts rather than reducing their consumption. Thus, even to the limited extent that tax incentives do increase saving in tax-favoured plans, they may have little impact on total saving because of the offset in saving outside those plans. In this case the individual's total savings may be little changed, and the tax provision then constitutes a windfall to the saver.[15]

Much economic research has been devoted to theoretical and quantitative comparisons of the economic efficiency, aggregate growth, and equity of income and consumption bases for taxation. Some theoretical analyses have shown the superior efficiency and growth attributes of a consumption-based personal tax.[16] However, quantitative implementations of the models have found that these prospective gains would arise through a long transition involving losses for the older generations; if those groups were compensated, most of the gains would disappear.[17] In addition, in these models much of the long-run efficiency and growth gains arise from the conversion of greater household savings into increased tangible business investment. For a small open economy highly integrated with international capital markets—such as Canada's—this conversion is sharply weakened by capital mobility across countries. Large Canadian businesses finance themselves overwhelmingly by internal cash flow, not by new equity issues, and additional household saving if invested in domestic equities merely displaces a comparable amount of foreign portfolio investment in Canada.[18] This process also explains why the Canadian provision of dividend tax credits, while providing an incentive for Canadian investors to hold more domestic equities, does not produce greater domestic investment.[19]

II.6 Implications for Québec tax policy

The preceding review of empirical evidence concerning the effect of tax incentives on saving and on individual behaviour in response to alternative pension plan structures should be

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[15] A much earlier study by Engen et al. (1996) also concluded that US tax incentives for saving (in both workplace pensions and other tax-deferred schemes) were not effective in raising *total* savings.

[16] Other analysts such a Banks and Diamond (2010) have identified factors missing from the simple theoretical models that undermine their findings in support of the pure consumption base.

[17] See, in particular, Auerbach (2007; 2008), McLure and Zodrow (2007), and Zodrow (2007); also the summary in Kesselman and Spiro (2014).

[18] This process and the associated evidence are detailed in Kesselman and Spiro (2014). For small businesses with poor access to capital markets and relying on closely-held and family funding, increased household savings may translate into some additional investment.

[19] Spiro (2013) elaborates an extended set of factors that undermine the rationale for a dividend tax credit.

informative for Québec tax policy. The comparative ineffectiveness of tax incentives in raising overall saving for most individuals—along with their revenue cost and concentration of benefits on the wealthy—argue against any general increase in these provisions. This conclusion accords with that of the D'Amours Committee Report:

> The Committee believes the current tax measures concerning retirement should not be enhanced. In general, the tax system already has sufficient measures to encourage individuals to save for retirement. The Committee does not believe that new tax incentives are necessary to boost retirement coverage. (D'Amours 2013, p. 114)

Nevertheless, and also consistent with the D'Amours Report, Québec policy makers should place greater emphasis on provisions to encourage workplace DB plans and to resist or even reverse their persistent decline outside of the public sector. Emphasis should be given to the greater effectiveness of policies (tax and regulatory) that could induce employers to offer better workplace pensions for the majority "passive" savers. Useful measures would include regulatory provisions or incentives to encourage the maintenance of DB plans (such as clearer rights over the use of fund surpluses),[20] and for voluntary DC plans stronger provisions on auto-enrolment, employer matching of contributions, and default contribution rates and investments.

Policy could embrace any of the cited policy objectives supporting household savings depending on the values and priorities of a government at a point in time. However, at the level of an individual province, and even for the national government of a relatively small open economy, the empirical evidence strongly suggests that increasing aggregate savings from households is unlikely to generate significant additional investment in the large business sector. Thus, Québec should not include aggregate investment in the provincial economy among the objectives of tax policies related to household saving.[21] Any or all of the other cited policy objectives could be legitimate bases for motivating tax incentives for household saving. However, the exact mix and emphasis among the policy objectives will influence the most effective structuring of tax incentives. Regardless of which objectives or tax incentives are

[20] Also important is greater legal clarity on the rights of pensioners in cases where the plan's sponsor faces bankruptcy (see Davis 2011).

[21] A possible exception might be tax and regulatory policies that affect savings invested in small, local, and family-operated businesses that do not readily access national and international capital markets and thus must rely on direct savings by owners and their families and associates. This topic lies outside the purview of the present study.

stressed, due regard must be given to the associated distributional impacts.[22] For example, if enhancing retirement income adequacy among middle-income earners is a high priority, the appropriate instrument should be focused on that range of earnings and not dissipate public revenues on a structure that primarily benefits savers among high earners and wealth holders.

III Tax Treatment of Savings in Canada and Québec

This section begins by describing the relationship between federal and Québec income tax systems. The following subsections provide basic descriptions of the major tax provisions affecting household savings; this material draws from official and professional online sources without detailed referencing. Other lesser-used tax-favoured vehicles providing incentives for personal savings—such as Deferred Profit Sharing Plans and Individual Pension Plans—are not covered but follow the essential tax-deductible format of other tax-deferred savings plans. Significant differences between federal and Québec tax and related provincial-level pension and property law provisions are noted, but this material does not purport to constitute an exhaustive listing of all such differences.[23] Table 2 presents 2013 projections of the revenue costs for most of these provisions under the Canadian federal tax and the Québec provincial tax.[24]

III.1 Relationship between federal and Québec income taxation

Unlike all the other Canadian provinces, Québec imposes and collects its own personal income tax (PIT) separately; it thus enjoys potentially greater flexibility and policy discretion in its PIT provisions. The other provinces are bound by their tax collection agreements with the federal government to apply the same measure of taxable income as that embedded in federal tax statutes and regulations.[25] Nevertheless, many of Québec's PIT provisions are identical or very similar to those in the federal statutes—whether by conscious policy choice or to simplify filing of provincial tax returns and facilitate tax administration. The extensive provision of both tax-deferred and tax-prepaid options for personal savings in the Canadian and Québec personal tax

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[22] The concentration of the benefits from tax provisions affecting non-sheltered financial assets on high-income households is discussed later along with Table 5.

[23] Standard Life (2014) contains a handy comparative summary of the key provisions of pension legislation for each of the provincial and federal governments.

[24] The differentials between the revenue cost figures of RRSPs and RPPs for Québec and Canada are notably larger than one might expect and not readily explained.

[25] The tax collection agreements still provide participating provinces discretion in their provision of various refundable and nonrefundable tax credits, such as dividend tax credits and tax relief credits.

systems means that for 98 percent of tax filers they operate closer to a consumption base.[26] This section summarizes key federal PIT provisions affecting household savings and notes areas where Québec departs from them or from other provinces in related pension or property laws. Some aspects of Québec's PIT are constrained to parallel the federal tax provisions by practical matters of information reporting, institutional arrangements, and/or enforcement. These constraints are addressed in a later section canvassing Québec's reform options.

Quebec's PIT also differs from that of the other provinces in offering an abatement from the filer's federal income tax; this was provided under a federal-provincial arrangement in lieu of direct cost sharing by Québec in certain programs of the federal government. The abatement takes the form of a refundable credit equal to 16.5 percent of the filer's basic federal tax (line 57 of federal tax return schedule 1).[27] The federal tax abatement for Québec taxpayers provides the province's PIT somewhat enlarged leverage over taxpayer incentives than in other provinces without the abatement feature. For example, consider top-bracket taxpayers in Québec, who face the top federal rate of 29 percent less the abatement plus the top Québec rate of 25.75 percent, for a total marginal rate of 49.97 percent.[28] Québec's provincial share of the total tax rate is greater than half at 51.5 percent (25.75 divided by 49.97). In any other province with a provincial top bracket rate yielding the same 49.97 percent total rate, the provincial share would be just 42 percent (20.97 provincial rate[29] divided by 49.97). Thus, when Québec varies the extent to which an item is included, excluded, or deferred in its provincial PIT base, that exerts a larger impact on resident taxpayers than would arise for variations in any other province.

III.2 Registered Pension Plans (RPPs)

Registered Pension Plans are workplace-based tax-recognized savings schemes created mainly for retirement savings purposes. RPPs are constrained by both federal legislation with respect to their tax treatment and basic structure and by the individual provinces' pension

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[26] For elaboration of this point, see Kesselman and Spiro (2014).

[27] This credit amount is computed after deducting the basic personal amount, so that Québec filers also have their federal personal amount reduced by 16.5 percent.

[28] That is, 29 x (1 – 0.165) + 25.75. For the 2014 tax year, the top federal rate applies on taxable incomes above $136,270, and the top Québec rate applies on taxable incomes above $100,970.

[29] For the same 49.97 percent total marginal tax rate, the province would be constrained to apply a top rate of 49.97 percent minus the top federal rate of 29 percent, which is 20.97 percent.

legislation with respect to various other characteristics.[30] The tax-deferred format applies to all RPPs, whether of the defined-benefit (DB) or defined-contribution (DC) variety. Employer contributions are tax-deductible to the company in its own income tax, and employees' contributions (if any) are tax-deductible in their personal income tax. Allowable contributions are limited to 18 percent of the employee's earnings in the previous year, and for DC plans they also have an annual limit ($24,930 in 2014, indexed annually for average wage increases). For DB plans with maximum benefits, the limit on contributions is based on a formula that for higher-paid employees is typically more generous than the DC limit.

Total contributions of the employer and employee are computed and reported as the individual's "pension adjustment" for the year, which displaces room that the individual has to contribute to a RRSP in the following year. Employees are not free to withdraw funds in their workplace pension at any time, as these are intended to fund their pension benefits at retirement. An employee leaving their job prior to retirement can have their DC funds or the value of their DB entitlement transferred to a locked-in RRSP (described later), though funds accrued prior to a particular date (based on the province) can be transferred to an unlocked RRSP and thereby become immediately accessible. All pension benefits from RPPs and any withdrawals via RPP funds shifted to RRSPs are fully taxable, consistent with the tax-deferred format.

III.3 Pooled registered pension plans (PRPPs)

In 2012 the federal government enacted legislation, and subsequently regulations, facilitating the establishment of Pooled Registered Pension Plans (PRPPs). These plans are intended for employed and self-employed workers who do not have access to a workplace retirement savings option such as an RPP or Group RRSP. The provisions were intended to assist groups for whom workplace pension plans are not feasible or cost-efficient on account of the relatively small scale of the business firm.[31] The federal legislation provided the taxation framework and broad requirements for PRPPs but restricted them to the tax-deferred format—identical to RRSPs and similar to DC-type RPPs.[32] Given their jurisdiction over most pensions,

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[30] As with other domains, federal pension legislation prevails in areas of federal jurisdiction, such as federal government employment, the financial sector, interprovincial transportation, and communications.

[31] Establishing and operating (that is, "sponsoring") a conventional RPP also places significant cost and overhead burdens on a sponsoring employer, which should be sharply reduced with a PRPP.

[32] Pierlot and Laurin (2012) critique the federal PRPP legislation for not allowing schemes to be structured with

the provinces must enact enabling legislation, which several have done to date.[33] Québec enacted Bill 39, the *Voluntary Retirement Savings Plans Act* (VRSP), in December 2013.[34]

The VRSP legislation specifies the requirements for plans. Any employer having a place of business in Québec may offer a VRSP to its employees but must do so if its workforce size exceeds specified thresholds that will decline each year. Employers that already provide any kind of RPP or offer options for employees to contribute to Group RRSPs or Group TFSAs are not required to offer a VRSP. Affected employers must auto-register all employees, but each individual has the option not to participate in the VRSP. The employer may make contributions to match those of the employee but is not required to do so.[35] The VRSP imposes default rates of contribution for employees, with the employer collecting these amounts via payroll deductions and remitting them to the VRSP administrator, but the individual can opt for a different rate. Similarly, each VRSP will offer a default investment plan for contributions, and individuals may opt for alternative plans. Self-employed workers can also participate in a VRSP but need to take the initiative. The offering and administration of VRSPs is limited to authorized life insurers, trust companies, and other entities, and they will be overseen by the Régie des rentes du Québec.

The pros and cons of VRSPs are similar to the comparison between DB-type RPPs (or Quebec/Canada Pension Plan benefits) and Group RRSPs. The pros of VRSPs include their provision to workers of a savings vehicle that is relatively low cost—in terms of administration and expert investment management—and that pools large amount of funds. The VRSP also provides the individual with discretion over whether to participate, the level of savings, and the way those funds are invested. The cons of VRSPs essentially centre on the schemes' restriction to defined contribution structures. Participating workers are left to shoulder many risks related to investment returns, the state of markets at their retirement date, and future inflation rates. Longevity risk can be hedged by converting the terminal VRSP balance into an annuity, but this is more costly on an individual basis than with a conventional DB-type pension plan. In short,

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defined benefits. However, the DB format would not operate readily with firms diverse in their histories and workforce composition and workers with diverse employment records and pay structures joining in the same plan.

[33] As with other aspects of pensions, the federal government has direct jurisdiction over PRPPs for employment in federal civil service, banking, inter-provincial transportation, a few other sectors, and the territories.

[34] See Québec National Assembly (2013).

[35] An employee can withdraw their own contributions to meet emerging needs, although these amounts are taxable, or use them for the Home Buyers Plan or Lifelong Learning Plan. Any employer contributions are locked-in until age 55, after which they can be converted to an annuity or transferred to another locked-in plan.

some critics have observed that the VRSP offers few advantages over Group RRSPs.[36] Nevertheless, the auto-enrollment feature has been found effective in increasing worker savings in other jurisdictions, and even with the opt-out feature the VRSPs should help to increase saving by Québec's two-million-plus workers previous lacking a workplace savings option.

III.4 Registered retirement savings plans (RRSPs)

An individual is entitled to make contributions to RRSPs to a maximum of 18 percent of labour earnings (includes wages, salaries, commissions, and net self-employment income) in the previous year with a dollar limit of $24,270 in 2014.[37] Thus, this dollar ceiling constrains only the minority of workers earning more than about $135,000 in 2013. The individual's total contribution limit in any year is increased by a carry-forward of their cumulative unclaimed RRSP contribution allowance for all years since 1991, and it is decreased by the amount of their "pension adjustment" reflecting the total value of pension credits earned for the year in a workplace pension plan (RPP). RRSPs take the tax-deferred format of tax-deductible contributions and taxable withdrawals. Contributions can be claimed for tax purposes in the year they are made or carried forward to claim in future years. This flexibility affords the individual worker some degree of income averaging for tax purposes. Individuals must cease all contributions to RRSPs in the year after they turn 71, and the RRSP must then be converted to a Retirement Income Fund (RIF) or a life annuity. Each RIF is required to make minimum annual payments based on the fund's value and a percentage that rises with the individual's age. All withdrawals from RRSPs prior to age 71, RIF disbursements, and annuity payments are fully taxable to the individual. The RRSP account holder can withdraw funds at any age, and no penalty is imposed on "early" withdrawals beyond their taxability.

Group RRSPs are much like ordinary RRSPs in that they are tax-deferred vehicles in which the individual chooses how much to contribute (within legislated limits related to their earnings). Most often Group RRSPs also entail an employer contribution matching the employee's contribution at a specified rate and with dollar limits. The Group RRSP allows for lower withholding tax on the employee to reflect the tax deductibility of the contribution, so that

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[36] Most often Group RRSPs involve an employer matching (at specified rates) of employee contributions; VRSPs do not even require any employer matching or contributions.

[37] The dollar limit on RRSP limits has been increased erratically over time, but since 2010 it has been indexed each year to the annual increase in average wages.

these tax savings are delivered continuously; with an ordinary RRSP the individual must wait until their tax filing to obtain the associated tax savings. One other advantage of Group RRSPs relative to individual RRSPs is that the former offer larger-scale professional investment management of the funds at lower cost than the worker can obtain independently in the private market. Group savings plans can also be structured in the tax-prepaid format of a TFSA.

When an individual leaves an employer prior to retirement, his or her pension balance or entitlement can be left with the employer until retiring; alternatively, the individual can opt to have their funds transferred to an RRSP. However, all of these pension funds accrued after a specified date[38] must be placed in a Locked-In Retirement Account (LIRA),[39] which imposes restrictions on withdrawals or transfer to an ordinary RRSP that depend upon the jurisdiction of the pension plan. Table 3 provides details on the varying provisions for exemption from the lock-in provision; note b to the table describes conditions under which all jurisdictions allow exemptions to the lock-in provision. Overall Québec along with BC are the most restrictive jurisdictions in their provisions for exemptions from lock-in. Similar to RRSPs, the LIRA holder must convert the funds into either an annuity or a Life Income Fund (LIF) after age 71; this is similar to the RIF except that it imposes a maximum as well as minimum on annual distributions. These maximums are also governed by provincial regulation or legislation. Apart from their jurisdiction over certain aspects of pensions via property laws or regulations, all provinces except Québec must follow the basic rules for RRSPs in their income taxes under their tax collection agreements with the federal government. Québec could exercise greater tax policy discretion over some aspects of RRSPs but at present follows essentially the federal provisions.

III.5 Lifelong Learning Plan (LLP) and Home Buyers Plan (HBP)[40]

While the original and primary intention for RRSPs was to help Canadians save for their retirement, two additional programs were later added to permit the "borrowing" of RRSP account funds for other purposes. In both cases the use of RRSP funds is not immediately taxable, but the funds must be "repaid" to the individual's RRSP account within a specified

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[38] This date hinges on when the relevant pension legislation became effective in the respective province.

[39] The term "LIRA" is used for such restricted accounts for capital from pension plans set up by companies under provincial jurisdiction except for BC; the term "Locked-In RRSP" is used for such accounts set up by companies under federal and BC jurisdiction.

[40] The predecessor program to the HBP was the federal Registered Home Ownership Savings Plan (RHOSP), which was offered from 1974 to 1985. See Engelhardt (1994; 1996) for an evaluation.

period.[41] If the "borrower" fails to repay his or her RRSP account within these terms, the shortfall is then added to their taxable income. The Home Buyer's Plan (HBP) allows an RRSP holder to borrow up to \$25,000 (and another \$25,000 from a spousal RRSP) for use toward the purchase of a home.[42] After a two-year grace period, the funds borrowed under the HBP must be repaid within 15 years. The Lifelong Learning Plan (LLP) allows an RRSP holder to borrow up to \$10,000 per year to a maximum of \$20,000 to attend or return to a post-secondary educational institution. Repayment of the LLP loan is due the earlier of 60 days after the fifth year following the first withdrawal or the second year after the last year enrolled in full-time studies. Thus, these programs constitute an opportunity for temporary diversion of the RRSP holder's funds for the specified purposes; while the funds are diverted they do not earn investment return, but once repaid to the RRSP they continue to enjoy tax-deferred status. Québec's income tax follows the federal provisions for repayments of RRSP funds withdrawn under these two programs.[43]

III.6 Tax-free savings accounts (TFSAs)

Since 2009 individuals have been able to establish and make non-tax-deductible contributions to Tax-Free Savings Accounts (TFSAs). These permit annual contributions up to \$5,000 unrelated to the individual's current earnings or income, and any unused part of the annual limit can be carried forward for contributions in future years. The \$5,000 limit has been indexed to inflation but increases only in \$500 increments, with the current limit set at \$5,500. Funds in a TFSA accumulate free of tax on their investment earnings, and withdrawals are also tax-free. Moreover, the federal government promised at the scheme's introduction that TFSA accounts and withdrawals would not be counted in any income-tested federal tax or transfer programs; it remains to be seen how long this exemption will last, and provinces are not constrained to ignoring TFSA balances in their own transfer and benefit programs. Withdrawals from a TFSA account can later be "re-contributed" to the account via a provision that allows the contribution limit to increase by the amount of any withdrawals. Unlike with RPPs and RRSPs, the TFSA has no age limit on contributions and no mandatory rate of withdrawals after age 71.

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[41] For both programs the repayments to the borrower's RRSP are not counted against their ordinary entitlement to make RRSP contributions based on their earnings.

[42] An individual can use the HBP more than once, as long as the borrower did not own a residence in the previous five years and has fully repaid any previous loans taken under the plan.

[43] Tax filers in Québec making repayments must complete Revenu Québec form TP-935.3-V.

The patterns of holding and activity in TFSAs can be compared for Québec residents and all Canadian residents. In 2011 the participation rates in TFSAs among all tax filers meeting the qualifying age of 18 years and above were 27 percent for Québec versus 31 percent for all of Canada. TFSA participation rates were lower than Québec's only in the four Atlantic provinces, suggesting that average income levels have an influence on participation.[44] More detailed TFSA statistics are available through 2012 by province and for Canada. Table 4 summarizes key comparative statistics for Canada and Québec in 2012. Overall patterns do not differ notably between the two jurisdictions except in a few areas. Québec holders of TFSAs had larger year-end average balances than all Canada by about 10 percent. Québec TFSA holders were slightly less like to make contributions as well as withdrawals in that year. Québec TFSA holders were about one percentage point higher in their rate of maximizing TFSA contributions (including any carry-over amounts) than all Canadian holders, and thus their unused TFSA contribution room was less than for all of Canada. The re-contribution feature of TFSAs—not mirrored in RRSPs—clearly makes TFSAs attractive for shorter-term saving purposes as well as long-term ones.

All provinces including Québec are essentially constrained to accept the tax-free status of funds held in TFSAs, since financial institutions do not report any of the incomes generated in these accounts. The Canada Revenue Agency tracks individuals' annual TFSA contributions, withdrawals, and year-end account balances. However, the treatment of the TFSAs of a deceased account holder falls under provincial legislation. In all provinces other than Québec, the TFSA can pass to a spouse or common-law partner by designating the person as a "successor holder"; the account thus remains tax-sheltered, does not affect the recipient's contribution limits, and avoids probate. Alternatively, the TFSA can be passed to another person designated as a "beneficiary," in which case the account becomes deregistered without tax and avoids probate. Residents of Québec do not have either of these options, so that the TFSA can be passed only through an estate and thus must go through probate.[45]

III.7 Registered education savings plans (RESPs, CESG, CLB, and QESI)

A medley of programs by the federal and several provincial governments provide

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[44] Source for these figures is an eyeball-reading of the bar graphs in Canada Finance (2014, p. 35). While this source provides breakdowns of various aspects of TFSA activity by income groups, these figures are not further disaggregated by province.

[45] Québec requires that non-insurance TFSA assets first pass into the control of the liquidator of the deceased holder's estate. For this reason a surviving spouse or partner cannot be made a successor holder of the TFSA.

incentives for saving to support children's later post-secondary education. The centrepiece program is the Registered Education Savings Plan (RESP), which allows parents and others to make non-tax-deductible contributions. RESP contributors can deposit any amount per year but have a lifetime total limit of $50,000 per beneficiary child. A second federal program, the Canada Education Savings Grant (CESG), offers matching grants on RESP contributions. It matches the first $2,500 contributed per year by 20 percent to a maximum of $500 per year and lifetime limit of $7,200; catch-up grants can be made for previous years under some conditions. Additional CESG amounts can be paid at up to 20 percent of contributions to a maximum of $100 per year for families at lower and moderate incomes. A third federal program, the Canada Learning Bond (CLB), makes an additional grant to RESPs for children born after January 1, 2004, in low- to moderate-income families eligible for the National Child Benefit Supplement; it pays $500 in the initial RESP year plus $100 per year until the child attains age 15. When funds are withdrawn from the RESP for the child's prescribed educational purposes, the subscriber contribution portion is not taxable, but the CESG and accumulated earnings on all contributions become taxable to the student.

The federal programs to support saving for children's post-secondary education are supplemented in the provinces of Alberta, Québec, and Saskatchewan. The Québec Education Savings Incentive (QESI) is a refundable tax credit paid directly into the child's RESP with a participating financial institution or other RESP provider. The basic QESI grant each year equals 10 percent of the net contributions paid into the RESP over the year to a maximum of $250; as of 2008 any rights accumulated during previous years can be added up to an additional $250 per year. To assist families at lower incomes, an increase in the QESI grant of up to $50 per year can be added to the basic grant. A beneficiary cannot receive cumulative QESI grants of more than $3,600 for all RESPs of which he or she is a beneficiary. If disbursements from a RESP for the beneficiary's educational costs (called "educational assistance payments") include QESI amounts exceeding the $3,600 limit, the excess QESI amount received is recovered in a special tax on the Québec tax return (line 443) and deductible (line 250).

III.8 Non-registered savings (interest, dividends, capital gains)

Assets held outside of registered accounts such as RPPs, RRSPs, TFSAs, RIFs, LIRAs, and the like are taxed but often with favourable treatment that departs from a pure income base.

The exception is interest income, which is fully taxable.[46] Dividends received from Canadian corporations is taxable but under a provision that seeks to relieve the individual taxpayer from the corporate tax that is presumed to have been borne by those dividends. This provision involves a grossing up of the actual dividends received to reflect the corporate tax that has presumably already been paid and then allowing a tax credit against the dividend.[47] The rates of gross-up and credit applied hinge on the type of corporation that paid the dividend to mirror the corporate tax rate paid by that type of business. In relative terms, the dividend tax credit provision is more favourable to lower- than higher-income recipients of dividends, but because of its nonrefundable nature it provides no benefits to non-taxable filers. Since the federal provision is implemented through a tax credit, applicable to only the federal tax, and does not enter the definition of taxable income, it does not constrain provinces that participate in a tax collection agreement with the federal government. Each province can set its own gross-up and dividend credit rates, typically designed to offset the presumed corporate tax burden. Like the other provinces, Québec can determine its own method for tax treatment of dividend income.

Capital gains realized on the sale of financial and most tangible assets held outside registered accounts is only half-includible[48] in the federal definition of taxable incomes; losses on these assets can be offset against current capital gains or carried backward to offset taxable gains in several previous years or carried forward indefinitely to offset future taxable gains. However, net capital losses in a current year cannot be used to offset income from other sources. Since Québec is not part of a federal tax collection agreement, it unlike the other provinces could apply a different inclusion factor on capital gains or treat them entirely differently. A notable area of exception is that gains on the sale of principal residences in most situations are tax-free and do not enter the federal definition of taxable income.[49] While Québec could depart from the

[46] The full nominal interest return is taxable with no allowance for the inflation component, which a proper income-based tax system would allow. Similarly, inflation is ignored in the tax treatment of dividends and capital gains, but this might be considered a partial counterbalance to the otherwise favourable tax treatment of those income sources.

[47] Two different sets of gross-up and credit rates are provided, depending on the type of dividend distribution, with “eligible” dividends receiving more generous treatment than “ineligible” dividends. The former stem from business income taxed at the basic corporate tax rate, while the latter stem from business income taxed at the preferential small-business rate or from the investment income of a business. Provinces similarly provide tax credits at rates that differentiate between the two types of dividends.

[48] This 50 percent tax inclusion factor for capital gains has at various times in the past been $66\frac{2}{3}$ or 75 percent.

[49] Even the reputedly low-tax United States imposes tax on capital gains realized on the sale of a family home to the extent that it exceeds a US$250,000 exemption per person; but the US does allow deductibility of mortgage interest.

federal treatment and impose some form of tax on the gains from sales of principal residences, issues of information, compliance, and public acceptance could be salient barriers.

One notable difference between Québec and all of the other Canadian taxing jurisdictions is that Québec limits the deduction of interest expense to finance investments to the amount of income generated in that year. Any "excess" interest expense can be carried back up to three years to offset previous investment income—which includes interest, dividends, and capital gains—or carried forward indefinitely for that purpose. Under federal and all other provincial income tax systems, no limitation is imposed on the deduction of such interest expense in the year it is incurred. In the 2010 tax year total federal deductions claimed for interest and related expenses by all filers across Canada totaled \$4.8 billion, with 27.5 percent of that claimed by the 0.8 of one percent of filers reporting incomes above \$250,000.[50] In a properly formulated income base—with capital gains fully taxed on an annual accrual basis rather than deferred to realization—allowing deductions for interest expense to finance investments might be justified. However, in the existing tax system with capital gains and dividends treated preferentially, unlimited deductibility of associated interest expense is an unwarranted provision that conforms with neither an income nor consumption base. Québec taxation at least curbs this practice.

III.9 Inter-spousal transfer of savings and income splitting

While the Canadian personal tax system is based on the individual as the taxable unit, it does offer features that permit splitting or transfer of savings or investment returns between spouses.[51] The simplest of these provisions are spousal RRSPs and TFSAs. One spouse may use their own RRSP contribution allowance to make the deposit to an account of their spouse. Any subsequent withdrawals from the spousal account are then taxable to the recipient spouse; only withdrawals within three years of the contribution are attributed for tax purposes back to the original contributing spouse. The TFSA offers similar opportunity for shifting of savings between spouses, but it has no income attribution on the account or withdrawals. Only the TFSA holder or his or her spouse can contribute to the account, and the contribution limit pertains to

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[50] Canada Revenue Agency (2012, Table A2, All Returns); this figure is mainly interest expense paid on money borrowed to earn investment income but also includes fees for management or safe custody of investments, safety deposit box charges, accounting fees for recording investment income, and investment counsel fees.

[51] For Canadian tax purposes, "spouses" include both married and common-law partners and both opposite- and same-sex partners. Other tax planning devices also exist for couples to shift investment incomes while avoiding the "attribution rules" such as inter-spousal loans that are used for investment purposes.

each account holder rather than the spouse contributing. Given the absence of reporting by financial institutions on the earnings within TFSAs, as noted earlier, an individual province such as Québec would face severe barriers if it sought to impose provincial tax on TFSA incomes or to restrict income-splitting via inter-spousal TFSA transfers.

Pension income splitting is another vehicle for splitting the returns to lifetime savings between spouses; this provision has been available in the Canadian tax since 2007. This splitting requires the joint election by both spouses on CRA Form T1032 and permits one spouse to allocate up to 50 percent of his or her eligible pensions income to his or her partner. The types of pension receipts that are eligible for splitting differs depending on whether the spouse making the split is aged 65-plus or less than 65 years.[52] Among types of pension receipts not eligible for splitting regardless of age are benefits from Old Age Security and Quebec/Canada Pension Plans. Provinces having tax collection agreements with the federal government have been constrained to mimic the federal provisions for pension income splitting. Québec also chose to permit pension splitting following the federal provisions until the 2014 provincial budget, which ended the ability of persons under age 65 to split their pension incomes. The Québec government justified this change by citing unfairness of the system, which permitted those under age 65 with only certain types of pensions to elect splitting. It further argued that a significant proportion of taxpayers electing to split pension incomes before age 65 still worked and earned employment income in addition to their pensions (Delean 2014). With its independent income tax system, Québec could easily alter its treatment of pension income splitting in other ways.

III.10 Interactions with federal old-age pensions (OAS/GIS)

Lifetime savings for retirement purposes can be affected by benefit clawback provisions as well as taxation provisions. Importantly, the nearly one-third of all seniors who receive benefits under the Guaranteed Income Supplement program face a benefit clawback rate of 50 percent on their taxable income even if they are below the threshold for income tax liability. That has major implications for their choice of saving and savings vehicles over their working lives. For a worker at low and moderate earnings levels who anticipates drawing partial or full GIS benefits during retirement, saving via an RRSP can yield a very poor return. First, the tax deduction on the original RRSP contributions may save little or no tax hinging on the low or nil

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[52] Lists of eligible and non-eligible pensions and payments for splitting by age are available at the CRA's website: http://www.cra-arc.gc.ca/tx/ndvdls/tpcs/pnsn-splt/qlfy-eng.html . The list is more restrictive for those under 65.

tax rate faced at the time of earning. Second, disbursements of RRSP funds during retirement are counted as taxable income; they thus reduce GIS net benefits by 50 cents per dollar.[53] Individuals in this position would be better advised to undertake their savings via a TFSA rather than an RRSP, since withdrawals from the former do not enter the GIS clawback and other federal benefit clawbacks. Unlike the income-tested GIS benefits, the universal Old Age Security benefits are counted as taxable income in both the federal and Québec tax systems. In addition, OAS benefits face a clawback for higher earners at a rate of 15 percent for individual incomes between $71, 592 and $116,002 (threshold values for 2014).

IV Potential Reforms for Québec Taxation of Savings

This section canvasses a range of potential reforms that Québec could pursue related to tax incentives affecting household savings (or related investment incomes). These options will include both expansive incentives of savings for specified purposes as well as possible curtailed treatment of savings in areas where existing incentives may be ineffective or excessive. The coverage will also include reforms to provisions under provincial jurisdiction over property and pension laws that interact with tax provisions for savings. Brief observations will be offered about the possible structure, constraints, pros, and cons of each reform option, but no overall final verdict will be offered for most of the options as this will require more in-depth study. Brief reference will be made to issues of Québec's tax policy discretion in administration, information, compliance, and coordination with the federal PIT—given that Québec does not have a tax collection agreement with the federal government.

IV.1 Convert RRSP contributions to provincial tax credit

Converting RRSP contributions from tax deductibility to flat-rate credits has been proposed;[54] the credit rate could be either the bottom-bracket tax rate (as is common for many other nonrefundable credits) or a higher figure. The motivation for this proposal could be to reduce the tax savings going to higher-income RRSP contributors, or to increase the tax incentive for lower-income taxpayers to save via RRSPs. Regardless, this proposal would depart

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[53] Additionally, this income may bear the clawback rates of various federal and provincial refundable tax credits as well as provincial cash and in-kind benefit programs. The GIS also has a small range of income, roughly $2,000 to $4,500, over which the clawback rate is 75 percent. In addition, for a single GIS-eligible Québec resident, a small range of income under the $17,000 GIS breakeven bears a total effective marginal tax rate of 80 percent on account of taxability (Laurin and Poschmann 2014).

[54] This proposal was mentioned but not advocated in Boadway and Kitchen (1999).

from the basic tax-deferred format, which entails tax deductibility for the initial savings and taxability for the later withdrawals. The existing structure also facilitates the use of RRSPs for income averaging in a progressive tax system.[55] Presumably the flat-rate credit would be implemented without altering the taxability of RRSP withdrawals at the individual's ordinary tax rate on the progressive schedule. Apart from the policy merits or demerits of this proposal, it could be quickly and simply implemented within the Québec tax system with respect to provincial PIT.

If the motivation for this proposal is to conserve tax revenues that are going to higher earners with larger RRSP contributions, the scope is quite limited. For example, take a taxpayer in Québec's top tax bracket of 25.75 percent (which applies at taxable incomes above about $101,000) who is making the maximum RRSP contribution of $24,270 in 2014. Applying a flat credit rate at Québec's bottom-bracket rate of 16 percent would reduce their tax savings by $2,367; using the next provincial bracket rate of 20 percent would reduce the annual savings by just $1,393. If policy is concerned with the loss of tax revenues on inefficient incentives for saving utilized disproportionately by the highest earners and wealth holders, this would better focus on provisions such as the provincial dividend tax credit and/or the tax inclusion rate for capital gains, which are discussed later.

If the motivation is to provide lower and moderate earners a stronger incentive to save via RRSPs, then again the advantages of this proposal are limited. First, the deductibility of RRSP contributions yields no benefits for the lowest income households, who are nontaxable. For individuals who are at moderate earnings and expect to remain so through most of their working lives, the fact that they are likely to draw GIS benefits in retirement means that they would be ill-advised to contribute to RRSPs on account of the GIS clawback on RRSP proceeds. Giving them an added incentive to contribute to RRSPs would provide them wrong signals. Individuals who are at middle-earning levels already enjoy tax deductibility of their RRSP contributions at their 20 percent Québec tax rate (for taxable incomes between $41,495 and $82,985 in 2014). Even boosting their tax savings by adopting a flat credit rate at the next bracket rate of 24 percent would raise their tax savings by just four cents per dollar of contribution, which would be $400 on $10,000 of contribution. Because of the distribution of incomes and RRSP contributions, going to a 24 percent credit rate for RRSP contributions in Québec would be a net revenue loser.

[55] As noted earlier, the availability of TFSAs complements RRSPs in facilitating the options for averaging.

Shifting to a flat credit rate for RRSP contributions would either create an inconsistency with continued Québec tax deductibility for RPP contributions or else require that they also shift to credits at the same rate. Going to a credit system for RRSP contributions could also bias the savings choices between RRSPs and TFSAs for some individuals.

IV.2 Modify Québec's provision for locked-in RRSP withdrawals

As noted earlier, Québec along with BC are the most restrictive jurisdictions in their provisions for exemptions to the lock-in of funds transferred from workplace pensions. Note b to Table 3 lists several circumstances in which all the jurisdictions including Québec provide lock-in exemptions. The ways in which most other jurisdictions offer additional grounds for unlocking include excess contributions and unconditional unlocking of at least a proportion (usually 50 percent) of funds. "Excess contributions" are defined as a member's contributions that account for more than 50 percent of the commuted pension value when terminating employment and membership in the pension plan. All provinces other than Québec allow unlocking of excess contributions, and there appears to be little reason for Québec not to follow. Whether to allow unconditional unlocking, and if so for what percentage of the funds, hinges on judgments about whether many individuals in that situation would dissipate their funds and jeopardize the financial security of their retirement.[56] The policy trade-off must balance the greater freedom of individual choice against the need to protect some individuals against poor choices; it should also consider the impact on public income support policies. Six jurisdictions allow unconditional unlocking of between 25 and 100 percent of funds. Québec could easily amend its provisions for lock-in provisions by legislation if it so chose.

IV.3 Impose penalties on early RRSP withdrawals

Québec could impose penalties on "early" withdrawals from RRSPs, meaning any distributions prior to a specified age, in an attempt to secure these funds for individuals' retirement needs. While the federal PIT applies no such penalties, Québec could proceed on its own based on the information reported by RRSP trustees that also must be entered on the filer's federal tax return. The US imposes a 10 percent tax penalty on withdrawals from Individual Retirement Accounts (counterpart to Canadian RRSPs) made before the individual turns age

[56] The D'Amours Report recommended reduced constraints on unlocking such funds, but contingent on introduction of its proposed "longevity pension" proposal (2013, p. 187).

$59\frac{1}{2}$ and similarly for 401(k) funds (counterpart to Canadian defined-contribution pension plans) withdrawn by employees separating from their employer before age 55.[57] However, the US allows several exceptions to imposing this tax penalty for "early" IRA distributions.[58] Even if Québec desired to add such a penalty in order to bolster funds for retirement needs and to discourage earlier RRSP withdrawals for other needs, several considerations weigh against this course. Instituting such a penalty could discourage RRSP contributions, which are a voluntary choice, and divert them to other forms such as TFSAs (which have no tax or penalty on withdrawals) and even non-registered savings (which benefit from favourable tax treatment on dividends and capital gains). It would bias and complicate Québec residents' choices among these saving vehicles. If the penalty rate were set very high, individuals with large RRSP balances needing to access their funds early might consider departing Québec at least for the year-end of withdrawal to become tax resident of another province and thus avoid the penalty.

IV.4 Establish new Québec scheme for home buyers

During the 2014 election campaign, the Liberal Party of Québec proposed to assist first-time home buyers with a scheme structured differently than the federal Home Buyers' Plan.[59] The proposal would depart from both the tax-deferral and the tax-prepayment structures. It would allow contributions to a new plan (up to $5,000 a year for 10 years) that would be deductible for Québec PIT, but use of the proceeds to purchase a home would not be taxable. It would be entirely a Québec plan independent of the federal tax system and would not affect the individual's RRSP contribution limits. The participant's plan would expire after withdrawing funds for home purchase, and unlike the HBP this plan would not have any repayment requirement.[60] Unless the Québec government reached a special arrangement with the federal

[57] Poterba et al. (2001) find that few employees withdraw funds in this circumstance, but the extent to which the penalty acts as a deterrent is unclear. Some of the withdrawn funds are diverted into other forms of savings. A complicating factor in assessing the effect of the early withdrawal penalty for 401(k) plans is that the plan holder can borrow against the balances up to the lesser of 50 percent or $50,000 without incurring the penalty so long as the "loan" is repaid within five years (it is not known whether this option existed for the period studied by Poterba et al.)

[58] The exceptions include items such as disability; payment of medical insurance premiums while unemployed; qualified first-time homebuyer; post-secondary education costs of self, spouse, child, or grandchild; and payment in the form of annuity.

[59] For details, see http://www.plq.org/fr/article/un-gouvernement-liberal-aidera-les-familles-du-Québec-a-amasser-la-mise-de-fonds-necessaire-a-lachat-de-leur-premiere-maison-

[60] If the funds in the plan were not used for home purchase within 10 years, it was proposed that the funds could be transferred to an RRSP to the extent that the individual had unused RRSP contribution room. Not stated but implicit

government, the investment earnings within each plan would still be taxable annually in the federal PIT, and thus they would need to be tracked even if they were not subject to Québec PIT. These plans would offer unusually generous Québec tax treatment—funds would be deductible when contributed but tax-free upon withdrawal for home purchase.

A policy assessment of the Liberal Party's proposal can be undertaken at several levels. Most fundamentally, one might ask whether home purchases warrant a substantial tax subsidy. The maximum subsidy would be the tax deductions plus non-taxation of investment income accruing in the plan over the 10 years; for a top-bracket Québec taxpayer, the deductions alone could be worth as much as $12,875 in tax savings.[61] Owner-occupied housing is already the asset class with the most favourable tax treatment in Canada; it enjoys no taxation on the imputed value of the rent enjoyed by the owner-occupant, and it further is free of tax on capital gains when sold. If first-time owners are facing financial barriers in purchasing a home, other policies that address their cash-flow problems without giving a large subsidy might be more appropriate. In addition, the proposed Québec scheme would operate alongside the Home Buyers' Plan, and no thought has been given to potential overlap or coordination of the two. Finally, the plan as structured poses an attractive tax-planning vehicle for individuals who do not plan to buy a home at the end of the 10 years, particularly those who already utilize their full RRSP contribution limit. By initiating a Québec home plan they obtain additional tax-deferred room, since they get the up-front deduction on contributions and deferral on plan earnings even if they will have to bring all that back into their Québec taxable income at the end.

IV.5 Modify or abolish Québec Education Savings Incentive (QESI)

Québec offers an Education Savings Incentive to supplement contributions to RESPs, which add to the supplements from Canada Education Saving Grants. Both the RESP and CESGs have been carefully evaluated and received scathing assessments as:

> a needless, complex and ill-targeted way of supporting postsecondary education. … [The] RESP may attract savings that were destined for another tax-advantaged form, but is unlikely to generate new household saving. … The CESG payments end up disproportionately in high-income households.[62]

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in the proposal, funds not used for home purchase within 10 years and not transferred to an RRSP would become taxable in the Québec PIT.

[61] That is, $50,000 times the top-bracket rate of 25.75 percent. The proposal did not specify whether each spouse of a couple could have their own plan.

[62] Milligan (2002b, cover and abstract).

A further study reported that "… participation in RESPs is heavily concentrated among high-income, high-wealth, and high-education families,"[63] contrary to the program's goal of equal educational opportunities for children from low- and middle-income families. While its details differ, the QESI provision operates similarly to the CESG and shares its deficiencies. Since the QESI tax credits are proportional to RESP contributions, up to a modest ceiling, they also suffer from the heavy tilt of RESP participation by more prosperous families. The additional annual QESI credit of up to $50 for low-income families does little to offset this inherent bias of the program. Ideally, the QESI provision should be terminated and replaced with augmented policies to assist students from lower-income families in pursuing postsecondary studies.[64] This conclusion stands regardless of whether the federal RESP and CESG programs remain in place.

IV.6 Modify Québec's provision for TFSA disposition at death

Unlike in all the other provinces, Québec does not allow the TFSA of a decedent to pass directly to a surviving spouse as "successor holder" or another designated beneficiary. While the cost of filing for probate is a very low flat $104 in Québec, and does not hinge on the estate's size, the process can entail legal or notarial costs. Unless there are sound policy reasons not to allow a surviving spouse to retain the tax-sheltered status of the acquired TFSA funds—and assuming that no insuperable legal changes are required—it would seem reasonable for Québec to follow the practice of the other provinces. And even at present, if the deceased had made a notarial will, probate is not required for settling their estate in Québec.

IV.7 Alter Québec's tax treatment of non-registered investment income

Many households hold part or all of their savings outside of tax-advantaged accounts for various reasons. As shown in statistics cited earlier, many are in employment that does not carry any form of workplace pension plan, and self-employed workers do not have pension plans. At lower incomes some individuals without workplace pension coverage may opt not to save via an RRSP because of the heavy GIS clawback in retirement; others do not save in any form because their savings are minimal or nil or because they keep their savings in bank accounts on account of the perceived complexity of dealing with registered plans. At the highest income levels,

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[63] Milligan (2005).

[64] An overall assessment of public policies impinging on the returns to students pursuing post-secondary education must consider all aspects of tax treatment of educational expenses and of the later higher earnings as well as subsidies to PSE institutions. See Burbidge et al. (2012) for such an analysis.

workers become constrained by the contribution limits to RPPs, RRSPs, and TFSAs; for them any incremental savings must be held in non-registered accounts. And at all income levels, most individuals will choose to hold some funds in chequing or savings accounts to handle their day-to-day cash needs without the hassle of repeated transactions in registered accounts.[65]

The three principal forms of personal investment income are interest, dividends, and capital gains (or losses) realized on the sale of assets. When received outside of registered accounts, each type of income is treated differently in the personal tax system;[66] the Québec PIT mirrors the federal tax treatment of each type. Interest income is fully taxable, dividends from Canadian corporations receive a tax credit; and only 50 percent of capital gains are includible in taxable income. None of these treatments fully accords with the base for an ideal income tax. Interest income is over-taxed, since the nominal return is subject to tax without any allowance for inflation. Propriety of the dividend tax credit is contentious, since it is provided regardless of whether the corporation actually paid the implied tax, and studies cited earlier cast doubt on whether the economic incidence of corporate tax falls on dividends in a small open economy. Finally, in an ideal income-based tax, capital gains should be fully includible on an accrual basis but with an allowance for inflation. While none of these departures from an income base follows the format of a consumption base, the lighter tax burden on dividends and capital gains move the system's base partway toward consumption.

The two components of personal investment income with favourable tax treatment—dividends and capital gains—are received very disproportionately by individuals at the highest income levels. In contrast, the component that is taxed relatively harshly—interest income—is much less concentrated at high incomes and significantly received even at the lower levels of taxable income. An examination of all tax returns filed in Canada for the 2010 year displays this pattern.[67] Taxpayers reporting incomes exceeding $250,000 constituted just 0.8 percent of all returns with 10.1 percent of total incomes assessed. Yet, they reported 17.5 percent of taxable interest income, 37.8 percent of taxable dividends, and 49.8 percent of taxable capital gains.

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[65] Even the TFSA with its re-contribution provision is not fully flexible, as funds withdrawn, while nontaxable, cannot be re-contributed until the following year unless the individual has available contribution room.

[66] When received within a registered account, all three types are treated equally; no dividend tax credit is allowed, and capital gains are fully included.

[67] The figures reported here are calculated from Canada Revenue Agency data on all returns and taken from Kesselman and Spiro (2014, p. 35).

Clearly, this reflects both the concentration of wealth among top earners and also the limits on their ability to contribute to registered plans resulting in large amounts of taxable investment income. Nevertheless, taxable interest income is much more widely dispersed than the other forms of investment income. Tax filers reporting incomes of $50,000 and less constituted 73.1 percent of all returns with 37.6 percent of total incomes assessed, and they received 40.9 percent of taxable interest income.[68] This general pattern also characterizes tax filers in Québec.

No evidence is available to assess whether the generous tax treatment of dividends and capital gains significantly explains the high saving rates of top income earners. However, the favourable taxation of these forms of capital income must in part explain the high concentration of wealth at the top. Québec could pursue different tax policies for these income sources than the federal and other provincial governments. To illustrate a polar policy option, consider Québec offering no dividend tax credits and including 100 percent of capital gains in tax.[69] Table 5 shows the resultant effective marginal tax rates on the various sources of income at different income levels including both federal and Québec taxes. Because the federal provisions would remain unchanged, Canadian dividends and capital gains would still enjoy preferential tax treatment for Québec taxpayers albeit less so than at present.[70]

The estimated revenue cost to the Québec treasury in 2013 from these two provisions together was $1.1 billion per year (Table 2). Although the actual tax revenue gain from trimming the provisions would be less on account of revised tax planning,[71] the funds could finance tax incentives more targeted at moderate and middle-income earner if that were deemed desirable. One policy alternative could be to allow an annual exemption on a given amount of financial income per Québec tax filer.[72] Such an exemption would entail small windfalls for

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[68] A large proportion of filers with lower incomes are non-taxable; for all Canadian filers in 2010 with incomes below $20,000 fully 90 percent were non-taxable, so that their receipt of interest, dividend, and capital gain incomes is not taxed even if the assets are held outside of registered accounts.

[69] Of course, intermediate reforms such as 75 percent inclusion of capital gains (also shown in Table 5) and some form of a modified dividend tax credit could be considered for Québec.

[70] Increases in effective marginal tax rates on dividends from eliminating the Québec tax credit are largest in the lower tax brackets on account of the credit's structure, but the largest revenue gains would come from upper-bracket taxpayers. The opposite pattern in terms of increased marginal tax rates arises for the capital gains reform.

[71] For example, some high wealth Québec taxpayers might respond by diverting more savings into larger homes or shifting their investments to trusts domiciled outside the province.

[72] For a period in the 1980s, the federal PIT offered taxpayers an exemption on up to $1,000 per year for interest and dividend incomes.

many taxpayers; but this contrasts with the existing provisions that deliver much larger windfalls to a minority of taxpayers. A full evaluation of all of these types of reforms would entail many considerations beyond this study's scope.

IV.8 Constrain pension income splitting in Québec tax

The Canadian tax system is based on the individual as the tax unit, which reflects various values such as the financial autonomy of spouses and neutrality in marital and cohabitation choice of individuals. It also reflects a desire to preserve the progressivity of the tax system in the case of couples where the spouses have divergent incomes. The system is particularly restrictive against income splitting with respect to the labour incomes of spouses. Nevertheless, the system does have provisions that permit inter-spousal transfer of assets (and the associated incomes) and of pensions in specified circumstances. Spousal RRSPs, deposits to the TFSA of a spouse, and the pension splitting provisions of 2007 are major examples of these provisions. The Québec PIT has generally mirrored all of these splitting and transfer provisions in the federal PIT. However, in its 2014 budget Québec disallowed pension splitting for persons under age 65 for reasons cited earlier. Depending on views about the justification for splitting versus a stricter application of the individual tax unit, Québec could pursue stronger restrictions on splitting.

One rationale that has been offered in support of pension income splitting is that spousal RRSPs give some individuals a differential opportunity for splitting vis-à-vis others whose primary source is workplace pensions and thus have a large pension adjustment reducing their RRSP contribution room.[73] Unlike the other provinces, Québec has the tax policy discretion to immunize spousal RRSPs with respect to provincial PIT; it could attribute all withdrawals from spousal RRSPs to the person who had contributed to the plan, which is now done only for withdrawals made within three years of the contribution. This change would weaken the argument for broader pension income splitting. Québec could also extend its move of earlier this year and withdraw all provincial recognition of pension income splitting for those aged 65 and over. The benefits of the current pension income splitting provisions are highly tilted in favour of lifetime high earners, particularly those where the two aged spouses had experienced very differential earnings. The net impact of such a policy change would be to reduce the incentive for these couples to undertake voluntary savings for retirement (RRSPs and spousal RRSPs, but

[73] For example, see Kesselman (2008).

not TFSAs[74]), and that policy choice would engage a variety of considerations.

IV.9 Provide consistent Québec payroll tax treatment of pension-like funds

Contributions to various forms of pension funds and voluntary savings are part of the employees' total compensation, and on basic tax policy grounds one would expect them to be consistently included in the payroll tax base. Yet, while employer contributions to Group RRSPs are subject to federal payroll taxes, this is not the case for defined-contribution RPPs.[75] Similar differential treatment applies to most of Québec's own payroll taxes.[76] The justification for this differential treatment is not apparent, and it would be desirable to remove the bias unless cogent reasons can be cited in their support. A reasonable reform would be to expand all of the payroll tax bases to include employer contributions to DC-type RPP as well as VRSPs. All employer contributions to the varied types of pension plans and voluntary savings schemes are part of the total compensation to labour, and the ultimate pensions or withdrawals of funds will never attract *payroll tax* liability. Thus, the natural point to apply the payroll tax is when the full earnings (including deferred compensation) arise regardless of whether they are paid out or saved.

IV.10 Reforms requiring changes in federal income tax act

Two additional reforms might be desirable for Québec's income tax treatment of saving, but these operate within the federal *Income Tax Act's* provisions for RPPs and PRPPs. Thus, they would require consultations with federal tax authorities and corresponding national legislative amendments. First would be to add the tax-prepaid format (TFSA) as qualifying for PRPPs such as Québec's Voluntary Retirement Savings Plans,[77] and the auto-enrolment feature would make this superior to Group TFSAs. This option could be attractive for workers at lower

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[74] Québec would not easily be able to address this issue with respect to TFSAs, since the federal tax legislation permits contributions from one spouse to the TFSA of the other spouse, income accruing within the TFSA is not reported, and withdrawals of TFSA funds are non-taxable.

[75] This point was noted by Mintz and Wilson (2013).

[76] As best can be determined, a similar differential in payroll tax treatment applies to the Québec Pension Plan and levies for the Commission on Health and Safety (Commission de la santé et sécurité du travail), the Commission of Labor Standards (Commission des normes du travail), and the Development Fund and Recognition Skills of the Workforce (Fonds de développement et de reconnaissance des compétences de la main-d'œuvre). In contrast, the Québec Parental Leave Program (Régime Québécois d'assurance parentale) does not include employers' group RRSP contributions in its payroll tax base. The D'Amours Report cites the fact that unlike employers' contributions to Group RRSPs but like their contributions to DB pension plans, their contributions to VRSPs are not subject to provincial payroll taxes (2013, p. 38).

[77] Employers offering Group TFSA and Group RRSP options are exempt from the requirement to set up a VRSP. By removing this exemption, the auto-enrolment feature of VRSPs could engage more workers in saving.

earnings levels who might find tax-deferred saving too heavily penalized in the post-retirement period.[78] Second would be an increase in the age at which various types of locked-in saving vehicles must be converted into a pension, annuity, or some form of RIF with mandatory minimum annual disbursements that escalate with age.[79]

IV.11 Alter the mix between Québec sales tax and income tax

Given that the PIT still retains some elements of an income base, shifting the overall tax mix away from PIT and toward greater reliance on Québec sales tax could exert effects on savings incentives. Increasing the relative reliance of provincial revenues on sales tax raises the role of this tax-deferred tax instrument. However, the current federal plus Québec personal tax systems already provide ample opportunities for tax-deferred and tax-prepaid savings for the great majority of the population, as noted earlier. Only the top one to two percent of earners, with earnings above $180,000, are likely to have many individuals currently constrained from saving on a consumption tax basis on account of the combined contribution limits to RPPs, RRSPs, and TFSAs.[80] Thus, such a shift in the revenue mix would have minimal impacts on savings incentives for the great majority of Québec residents. For the few affected high earners with already high savings propensities, it would make additional saving marginally more attractive. Whether it would yield much more savings in aggregate, versus a tax windfall from shifting currently taxable assets into tax-advantaged forms, is doubtful. Yet, public policy need have little concern for the adequacy of retirement savings and income for this group. Only if a high policy priority is given to increased horizontal equity between high and low savers among this group might such a shift in the revenue mix be justified with respect to the savings issue.[81]

One might further question the practical feasibility of Québec raising its already high sales tax rate within the broader Canadian and North American context. Only Nova Scotia, with

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[78] Pierlot and Laurin (2012) critiqued the federal PRPP legislation for lacking this option.

[79] Robson (2008) and Laurin and Robson (2014) have similarly recommended both a later age for requiring withdrawals and lower minimum rates of withdrawal. The D'Amours Report also recommended this reform, but contingent on the introduction of its proposed "longevity pension" scheme (2013, p. 188).

[80] This figure also ignores saving via home equity, which would imply an even higher figure. See Kesselman and Spiro (2014) for the full analysis. Moreover, very high earners often benefit from Individual Pension Plans (see Gosselin and Laporte 2013).

[81] Of course, the choice of direct versus indirect taxes in the revenue mix hinges on additional considerations including tax compliance, work effort, and others. Kesselman (1986) assesses the various arguments commonly made for increasing the role of indirect sales taxes and finds most to be spurious or overstated.

its 15 percent HST, has a higher rate of sales tax than Québec's combined rate of 14.975 percent. Sales tax rates in the other provinces are lower, with Albertans bearing only the 5 percent GST, and sales tax rates in the US states mostly falling between 5.5 and 8.5 percent.[82] Any meaningful shift in Québec's tax mix further toward sales tax would require raising its rate by at least 2 percentage points, putting the province even further outside the range of the rest of the continent. Such a shift would have adverse effects on Québec merchants and service providers as residents chose to purchase more goods and services outside the province. In addition, any such revenue-neutral shift would require cutting PIT rates most for the lower brackets and least for the upper brackets if it were desired to maintain distribution neutrality.[83]

In addition to a nationally and continentally high sales tax rate, Québec also has one of North America's highest rates of employer payroll tax. Payroll taxes are often charged with imposing adverse employment incentives for private employers. However, the incidence of such taxes is complex and also interacts with the relative mobility of capital and labour for the higher-taxing jurisdiction; it may be further affected by how the payroll tax revenues are expended on various public facilities and benefits, which can exert offsetting attractions for both firms and workers.[84] With high tax rates on both sales and payrolls, would Québec gain from a shift in revenue mix between the two? Some economic analysis has concluded that payroll taxes are relatively more damaging to employment than consumption-type sales taxes.[85] Nevertheless, an employer payroll tax unrelated to employee benefits is similar to a sales tax in that it also imposes its burden only on labour while exempting capital-type and financial incomes. That is, both sales and payroll taxes are both forms of a consumption-based tax but levied differently.

V Discussion

This study opened by reviewing the rationales and methods of introducing incentives for saving into the personal tax system. The study described the major provisions for saving in the federal income tax and noted ways in which the Québec income tax and associated pension rules depart from the federal and other provincial systems. Québec's system was found to parallel

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[82] The cited rates include state plus local sales taxes; see http://taxfoundation.org/article/state-and-local-sales-tax-rates-2014 Note that the US has no national-level sales tax comparable to the GST.

[83] Kesselman and Spiro (2014)

[84] Analysis of the labour market and economic effects of employer payroll taxes as well as evaluation of the Québec and other Canadian provincial payroll taxes is provided in Kesselman (1997).

[85] See Phelps (1994, 2007) as well as a critical assessment of this view in Kesselman (1997).

most key aspects of the federal tax structure, even in areas where the province could exercise legislative discretion, and to follow some aspects of other provinces' pension practices. The study then assessed 11 areas of potential change in Québec's tax and pension provisions affecting household saving; brief comments were offered on both policy and practical factors that could affect choices in each area. All of these potential policy changes would require further study and reference to explicit objectives before proceeding. An Appendix to the study provides comparative statistics on Québec versus Rest of Canada saving patterns.

Policy changes in this area will undoubtedly need to respect varied objectives beyond those covered in this study. The goal is not simply to increase household savings regardless of fiscal cost but rather to provide incentives that are both efficient and deemed to be fair. Any policy framework for enhanced retirement saving is likely to focus on the large numbers of households at middle-income levels who are not saving adequately. The trends of decreased workplace pensions, and the shift of the workplace pensions that remain from defined benefits to defined contributions, will also affect the policy choices. Growing reliance has been placed on voluntary forms of savings—individual and Group RRSPs and TFSAs, non-registered financial assets, saving via home equity, and most recently Québec's Voluntary Retirement Savings Plans. Based on experience in other jurisdictions, the automatic enrollment feature of the VRSP should act to raise employees' saving, but the extent of any impact on *net* savings remains to be seen.

Moreover, all of the voluntary saving vehicles are of the defined contribution format, which has many deficiencies compared to defined benefits from the perspective of workers' needs for predictable and secure retirement income. For this reason, even if increased incentives for saving in voluntary vehicles yield some results, this may not be sufficient from the standpoint of retirement income adequacy. Policy analysis of tax incentives for saving should thus be considered alongside proposals to enhance mandatory public contributory pensions such as the Québec Pension Plan; Ontario's initiatives in this area could be instructive, as could further attempts to expand the CPP with parallel QPP enhancements. And unlike tax incentives for savings, which are costly to the public treasury in forgone revenues, expansion of public pension schemes is self-financing via the increased premiums assessed on employees and employers. Other non-tax policies to promote saving among lower-income groups for varied purposes also need to be considered along with reforms to tax incentive policies.[86]

At the other end of the spectrum of potential policy reforms would be to reduce the favourable tax treatment of capital gains and Canadian dividends. Like the federal provisions, Québec's provisions are revenue-costly ($1.1 billion annually for the Québec treasury), achieve little in ensuring minimum adequate retirement savings, and are highly tilted to households at the highest income and wealth levels. Thus, these kinds of reforms could contribute significantly to making the Québec tax system more progressive. Yet trimming those provisions would further increase Québec's already high tax burdens on top earners, and this could have adverse consequences for attracting and retaining highly skilled, entrepreneurial, managerial, professional, and creative workers. This example illustrates the considerable complexity and cross-cutting objectives that need to be factored into policy choices to enhance household saving.

Finally, despite considerable room for independent policy initiative in some taxation and regulatory aspects of household saving, Québec is also constrained in other areas by information and enforcement requirements. An apt example is the Tax Free Savings Account, for which the Conservative Party of Canada pledged in its 2011 campaign platform to double the contribution limits. That pledge was contingent on a federal budgetary balance, now projected for the 2015-16 fiscal year. If that policy change is legislated, Québec would be unable to prevent residents from accessing the higher tax-free limits, since financial institutions do not report incomes generated within TFSAs. This change would have major long-run impacts on government revenues at both the federal and provincial levels as well as a sharp tilt favouring households at high income and wealth levels.[87] Thus, the effective progressivity of federal and provincial income tax systems would be reduced, and Québec could not directly immunize itself from this impact. Yet despite its large revenue cost, this policy change would be of minimal benefit to most households at the middle-earnings range who are not currently saving adequately.

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[86] For example, saving incentives for educational purposes through credits (Leckie et al. 2010) and for residents of social housing through grants (Kraus 2012) show potential for changing habits as well as behaviours.

[87] Milligan (2012) provided a rough calculation that a mature TFSA system, after a generation, could reduce federal income tax revenues by more than 10 percent (more than $10 billion per year at 2005 levels). Kesselman (2012) noted how doubled TFSA limits would yield minimal benefits for most taxpayers other than those at the highest income levels who are exhausting their current combined RPP/RRSP/TFSA contribution limits.

Table 1: Types of Savings Vehicles, Attributes, and Scoring

	Workplace		**Individual**	**Public**
	DB	DC	DC	DB
Tax-deferred (TD) or Tax-Prepaid (TP)	TD		TD/TP	TD
Mandatory (R) or Voluntary (V)	R	R or V	V	R
Criterion	Rating for criterion			
Coverage adequacy	M	L	L	H
Investment returns	H	M	L	H
Investor skills/ temperament	H	M	L	H
Investment costs	H	M	L	H
Inflation risk	M	L	L	H
Longevity risk	H	M	L	H
Timing risk	H	L	L	H
Security of funding	M	H	H	H
Plan durability	M	H	H	H
Work/retirement incentives	L	H	H	H
Portability/mobility	L	M	H	H
Gender neutrality	H	L	L	H
Individual flexibility	L	M	H	L
Program examples	RPP	RPP, PRPP, Group RRSP	RRSP, TFSA	QPP/CPP

Notes: Performance criteria are scored as follows:

H = high rating (for items such as investment costs, skills, and various risks, H means low costs, skills, or risks)

M = medium rating or variable depending on plan structure and options

L = low rating

Source: Adapted from Kesselman (2010, p. 10).

Table 2: Revenue Costs of Personal Income Tax Measures Favouring Savings and Capital Incomes, Québec and Canada, Projections for 2013 ($ millions)

Tax expenditure item	Québec[b]		Canada (federal)[c]	
RRSPs (net revenue cost)[a]		2,108		13,080
Deduction for RRSP contributions	+1,565		+8,005	
Non-taxation of investment income in RRSPs	+1,379		+10,430	
Taxation of RRSP withdrawals/disbursements	–836		–5,355	
RPPs (net revenue cost)[a]		1,771		19,115
Deduction for RPP contributions	+2,113		+13,770	
Non-taxation of investment income in RPPs	+2,103		+13,680	
Taxation of RPP withdrawals/disbursements	–2,445		–8,335	
Partial inclusion of capital gains		739		3,945
Non-taxation of capital gains on principal residences		1,175		4,005
TFSAs[d]		78		410
Dividend gross-up and tax credit[e]		360		4,825
Tax incentive for education savings[f]		59		145
Pension income splitting		129		1,090

Notes: [a] Net revenue cost for RRSPs and RPPs are the net value of the three indicated components for each.

[b] Québec relates to revenue impacts of provincial income tax provisions or (for TFSAs) impact of federal provision on provincial income tax.

[c] Federal revenue cost includes cost associated with federal income tax from Québec residents.

[d] Québec annual revenue cost of TFSAs for earlier years were estimated as follows: $14 million (2009), $38 million (2010), $35 million (2011), $68 million (2012).

[e] Dividend tax credit is listed among “measures shown for information purposes” (“mesures présentées à titre informative”) rather than classified as a tax expenditure.

[f] Québec Education Savings Incentive and Registered Education Savings Plans, respectively; figures do not include costs of the Canada Education Savings Grant or Canada Learning Bond.

Sources: Québec Ministère des Finances et de l’Économie (2014, Table A6); Canada Finance (2014, Table 1).

Table 3: Cross-Jurisdictional Summary of Exemptions to Locking-In of Funds Transferred from Workplace Pension Plans[a]

Jurisdiction[b]	Unlock excess contributions	Unlock pre-retirement death benefit	Financial hardship exception	Unconditional unlocking
Federal	**No**	**No**	Yes[c]	Yes (50%)[c]
British Columbia	Yes	**No**	**No**	**No**
Alberta	Yes	**No**	Yes	Yes (50%)
Saskatchewan	Yes	Yes	**No**	Yes (100%)
Manitoba	Yes	**No**	**No**	Yes (50%)
Ontario	Yes	Yes	Yes	Yes (50%)
Québec	**No**	Yes	**No**	**No**
New Brunswick	Yes	Yes	**No**	Yes (25%)
Nova Scotia	Yes	Yes	Yes	**No**
Newfoundland	Yes	Yes	**No**	**No**

Notes: [a] Entries in the table were valid for 2007 or 2008 and have not been reconfirmed for more recent period except in the case of Québec; in 2009 Ontario passed regulatory changes raising the percent of unconditional unlocking from 25 to 50.
[b] All jurisdictions provide exemptions in the following circumstances: 1) individuals who have been non-resident in Canada for at least two years can withdraw the full amount in a single payment; 2) those with a medical certification of a shortened life expectancy are fully exempted from lock-in; and 3) any individual aged 65 or over with total locked-in funds less than a small threshold amount can unlock those funds (for Québec residents the threshold is 40 percent of the maximum pensionable earnings for QPP, which yields a threshold of $21,000 in 2014).
[c] These federal government provisions were introduced in 2008.

Source: Kendall (2008, p. 6).

Table 4: Tax-Free Savings Account Patterns, Canada and Quebec, 2012

	Canada	Québec
TFSA holders	9.60 mn	2.01 mn
% of tax filers aged 18+ holding TFSAs (2011)	31%	27%
Average number of TFSAs per holder	1.24	1.21
Average fair market value per holder	$9,118	$10,019
Contributions to TFSAs		
Total contributions in 2012	$33.5 bn	$7.50 bn
Average amount, all holders	$3,491	$3,726
% of holders who made contribution in 2012	64.3%	63.6%
Average contribution for all who made contribution	$5,426	$5,860
% who maximized their contributions	23.5%	24.6%
Average unused TFSA contribution room	$9,969	$9,068
Withdrawals from TFSAs		
Total withdrawals in 2012	$11.2 bn	$2.3 bn
Average amount, all holders	$1,164	$1,158
% of holders who made withdrawals in 2012	26.1%	25.3%
Average withdrawal for all who made withdrawals	$4,460	$4,577
Average number of withdrawals for those who withdrew	3.85	3.72
Total withdrawals as % of total contributions	33.4%	31.1%

Source: Canada Revenue Agency (Misc., 2012); except “% of tax filers aged 18+ holding TFSAs (2011)” from Canada Finance (2014, p. 35); calculations by author.

Table 5: Alternative Québec Policies for Taxation of Dividends and Capital Gains: Implied Total Marginal Tax Rates for Québec Taxpayers (percents), 2014[a]

	Marginal tax rate		Ordinary income	Eligible dividends		Ineligible dividends		Capital gains		
Taxable income[b]	Federal	Québec		Current	QC reform[c]	Current	QC reform[c]	Current	QC reform (75%)[d]	QC reform (100%)[d]
Nil-$11,138	0	0	0	0	0	0	0	0	0	0
$11,139-14,131	15	0	12.53	0	0	0	3.92	6.26	6.26	6.26
$14,132-41,495	15	16	28.53	5.63	15.98	14.49	19.92	14.26	18.26	22.26
$41,496-$43,953	15	20	32.53	11.15	19.98	19.21	23.92	16.26	21.26	26.26
$43,954-82.985	22	20	38.37	19.22	28.04	26.10	30.82	19.19	24.19	29.19
$82,986-87,907	22	24	42.37	24.74	32.04	30.82	34.82	21.19	27.19	33.19
$87,908-100,970	26	24	45.71	29.35	36.65	34.76	38.76	22.86	28.86	34.86
$100,971-136,270	26	25.75	47.46	31.77	38.40	36.83	40.51	23.73	30.17	36.61
$136,271 and up	29	25.75	49.97	35.22	41.86	39.78	43.47	24.98	31.42	37.86

Notes: [a] All computed figures reflect the 16.5 percent abatement of federal tax for Québec taxpayers.

[b] Taxable income is defined differently under the federal and Québec tax systems.

[c] Reform is elimination of Québec's dividend tax credits. For the zero entries for eligible and ineligible dividends, where the dividend tax credit exceeds the respective (federal or provincial) tax otherwise payable on the dividends, the tabulated rates do not reflect the value of the excess credit that can be used to offset taxes payable on other income sources.

[d] Reform is raising the tax inclusion for capital gains in Québec's PIT to the specified rate.

Source: Computations by the author.

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Appendix: Household Saving and Asset Patterns, Québec and Rest of Canada

This Appendix provides a broad overview of the patterns of saving and asset holdings by Québec residents relative to those in the rest of Canada. No formal analysis is undertaken to explore the causal relationships between Québec-specific income tax provisions and observed Québec household patterns. These tables present a snapshot of the accumulated savings by households at the time of the survey, 2009, and do not afford a dynamic view of trends or future patterns. However, analytical projections for Canada suggest that future retiree cohorts will fare significantly worse in their lifetime savings and income adequacy, particularly for a large proportion of middle-income workers.[88] This situation results from an extended period of low-wage growth, lower saving rates in recent years, low interest rates and investment returns, secularly increasing average longevity, and the declining availability and adequacy of workplace pensions[89] including a major shift away from defined-benefit to defined-contribution schemes.

The latter finding about the growing inadequacy of lifetime savings for retirement needs for Canadians at large has been confirmed in a study of Québec workers.[90] It concludes that 33 percent of Québec households are not saving enough to attain an income replacement rate of at least 60 percent of their pre-retirement level of if retiring at age 65; for those with family incomes between $38,000 and $67,000, the proportion failing to meet this standard is 45 percent; and for those between $67,000 and $92,000 it is 49 percent. If a higher income replacement rate than 60 percent or retirement earlier than age 65 were deemed appropriate, the figures would be even more discouraging. Québec's situation is exacerbated by the province's lower median retirement age of 60.3 years versus Ontario's 64.1 and the all-Canada figure of 62.6 years.[91]

Also relevant background to tax incentives for saving by Québec households is the participation in various types of workplace pensions. Pension plans that assure a specified benefit at retirement of the individual, so-called defined-benefit pensions, have been declining

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[88] See Moore et al. (2010) and Wolfson (2011). The projected inadequacy of retirement income for some groups also stems from causes such as secular changes in household formation and dissolution, as well as increased labour force turnover that may result in reduced Québec Pension Plan coverage. Less dire conclusions are reported in other studies such as those in Mintz (2009).

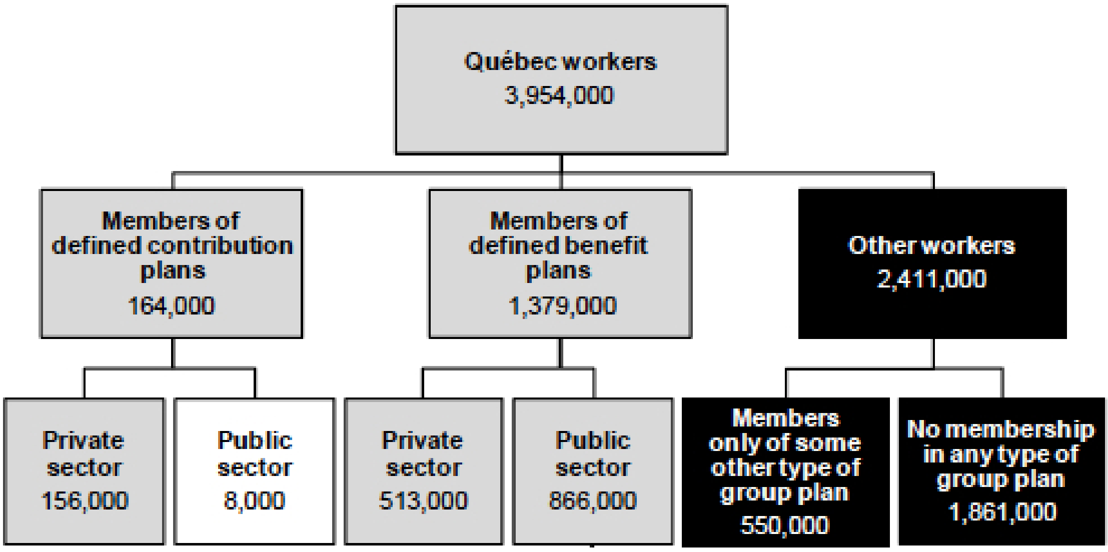
[89] See Morissette and Drolet (2001) for the secularly declining pattern of workplace pension coverage.

[90] Régie des rentes du Québec (2010), with results cited in D'Amours (2013, p. 39).

[91] Statistics Canada figures for 2012, as reported in D'Amours (2013, p. 76).

over time both in Québec[92] and across the country except for the public sector. Figure 1 portrays the breakdown of Québec's 3,954,000 workers in 2011 across the types of workplace pension plans. Only about one-third of all workers were members of defined-benefit plans, and of those more than five out of eight were employed in the public sector. Defined contribution plans are less common and almost entirely found in the private sector. Group saving plans such as Group RRSPs and Group TFSAs were somewhat more common than private-sector workplace pensions of the defined benefit variety, and these entail voluntary savings by individual workers without any ensured benefit levels and often without any employer contributions. In short, over 60 percent of Québec workers were not members of workplace pension plans, and 47 percent had access to neither a pension nor a group plan of any kind.

Figure 1: Québec Workplace Pension Membership



Source: D'Amours (2013, p. 33) but attributed to Régie des rentes du Québec; the figure has been truncated by the author.

A.1 Data source and application

The remainder of the Appendix provides a picture of the saving and asset patterns of Québec households relative to the rest of Canada (ROC) based on the Public Use Microdata File

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92 Figures from the Régie des rentes du Québec show a decline in defined-benefit pension plans in the province from 1,160 in 2000 to 787 at year-end 2011. Moreover, over this period the proportion of such plans having a defined-contribution component rose from 6.4 to 24.1 percent (cited in D'Amours, 2013, p. 94).

(PUMF) for the 2009 Canadian Financial Capability Survey (CFCS) from Statistics Canada.[93] Section A.6 provides a brief description of the CFCS PUMF and the methodology and limitations of the tables constructed using the survey. It also presents the findings in clustered tables for various measures of the composition of savings of households in Québec relative to households in all the other Canadian provinces aggregated. Some results on savings intentions are also included in the tables. Each table cluster contains four sub-tables with households divided as follows: 1) single adults disaggregated by income deciles;[94] 2) married or common-law couples disaggregated by income deciles; 3) single adults disaggregated by eight age groups;[95] and 4) married or common-law couples disaggregated based on age of the head.

To date the CFCS has received limited analysis of differential patterns across the provinces. A study undertaken for the Task Force on Financial Literacy[96] assessed five domains of financial capability: planning ahead (PA), choosing among financial products (CP), staying informed (SI), making ends meet (MEM), and keeping track of financial matters (KT). Using factor analysis, the study found several patterns relevant to the current study. Among all the six regions tracked, only Québec residents scored significantly above average in the MEM and KT domains in a linear regression analysis. With respect to the CP domain, Québec residents scored most strongly but three other regions also had significant positive coefficients. The PA domain showed no statistically significant regional differences. A logistic regression found that Québec residents were much less likely than other Canadians to be saving for their children's post-secondary education (possibly reflecting the province's lower tuition charges).

A.2 Non-registered non-financial assets

The CFCS provides information on holdings of non-financial assets but only in two broad aggregated categories: tangible (which lumps together housing, property, vehicles, furnishing, and the like) and business (agricultural and business property, machinery, and the like). As seen in Table A2, average tangible assets held in Québec are substantially less than their counterparts in ROC—by 40 percent for singles and 30 percent for couples. Moreover, this pattern holds true

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[93] The Commission specified the CFCS for present purposes in preference to other surveys from Statistics Canada.

[94] Income breaks for the deciles relate to the all-Canada income distributions; see Table A1 for comparative income distributions of singles and couples in Canada and Québec.

[95] The 18 to 24 year age group has been eliminated from some tables for reasons described in the Appendix.

[96] McKay (2011).

for both household types across all age groups and income deciles. Because of the aggregated nature of this asset category, it is not possible to assess the extent to which this result follows specifically from lower home prices or lower home ownership rates in Québec versus ROC. However, for most households the ownership of housing would be the largest component of this asset category. Another factor in comparing Québec and ROC savings and asset holdings is the lower average household incomes of Québec residents than the average for ROC (see Table A1).

Table A3 shows the corresponding patterns for business asset holdings. Again, the mean values for Québec households of both types are below those for their ROC counterparts. The differential between Québec and ROC households grows particularly for ages above 55 for couples and ages above 44 for singles. This sharper falloff for older Québec residents' business asset holdings may reflect lower retirement ages in the province than ROC. The large results reported for singles aged 18 to 24 may be caused by the survey issue cited in the Appendix methodology section, or they may be a real effect of greater self-employment with business assets by young adults. Various erratic patterns for singles between deciles D3 and D5 may reflect few observations and sampling variability.

A.3 Non-registered financial assets and liabilities

Holdings of financial assets outside of tax-favoured or registered accounts and their associated income flows are tracked in various ways by the CFCS. Table A4 shows the average values of such asset holdings for each of the cited subgroups.[97] Québec respondents again report less total financial holdings on average than their ROC counterparts, but the differentials are much smaller than for tangible asset holdings (about 7 percent less for singles and 11 percent less for couples). Average non-registered financial asset holdings of senior couples in Québec actually exceed their ROC counterparts. The figures and patterns displayed in Table A5, for percentages of households having financial investments outside registered accounts, cast some light on the distribution of these holdings within groups. The relative differentials between Québec and ROC for most of the age groups and household types are larger than those for the average value of holdings. Thus, within groups the Québec holdings are more concentrated in larger sums among fewer members of each group. As shown in Table A6, the proportion of households receiving any income from non-registered financial assets generally rises with age

[97] As indicated in the note to Table A4, financial assets were defined to include two registered forms, but very few individuals hold Registered Disability Saving Plans and the TFSAs were early in their first year of offering.

for both jurisdictions and peaks in the ages of retirement. Surprisingly, Québec singles for many age groups and most income deciles reported higher percentages than their ROC counterparts.

Life insurance holdings, as shown in Table A7, are significantly more widespread by Québec residents than in ROC for every age group of both household types. Sixty-two percent of Québec single respondents reported life insurance versus 44 percent of ROC singles; 84 percent of Québec couples reported life insurance versus 74 percent of ROC couples. This ranking of Québec relative to ROC also holds for all of the deciles for both household types. The survey did not solicit information as to the types of life insurance held or (for whole-life policies) the cash values of the policies.

The pattern of debts and liabilities of households are shown in Table A8 for the various groups. Average debt levels of Québec households are about one-quarter less than that of ROC households. Debt levels tend to peak around the ages between 25 to 44 for couples and 35 to 54 for singles, roughly consistent with the pattern that would be predicted by the life-cycle theory of saving behaviour. Average debt levels decline sharply for retirees, particularly beyond age 65 years. Average debt levels rise fairly consistently with income decile for both Québec and ROC and for both singles and couples, although a few odd reversals are observed.

A.4 Holdings and flows for registered saving vehicles

The CFCS asked several questions on the holding of registered saving assets. Table A9 shows the average value of RRSP account holdings for each of the groups. Québec households on average reported lower values of RRSP accounts than their ROC counterparts. However, a few reversals of this pattern are observed for singles in the mid-deciles, and elderly couples hold somewhat more RRSP funds in Québec than in ROC. For a few of the upper-decile groups of singles and couples, Québec households report larger average RRSP balances than the ROC. The RESP account holdings in Table A10 display substantially lower overall average balances for both singles and couples in Québec than in ROC. This large differential holds across the income deciles except for reversals in D9 for singles and D10 for couples.

For TFSAs the survey asked only whether the respondent of a "family" member had any but not the amount. As shown in Table A11, overall participation rates in TFSAs were similar for Québec and ROC residents for both singles and couples. Couples' participation rates generally rise with age in both Québec and ROC; the age profiles are more erratic for singles.

TFSA participation is fairly widely dispersed across income deciles but peaks at D10 for both jurisdictions and household types. However, note that the CFCS was conducted early in 2009, the first year that Tax-Free Savings Accounts were offered. Thus, survey responses on TFSA participation is very limited and may not be representative of behaviour in subsequent periods.[98]

A couple of survey questions addressed the holding of registered accounts in the form of workplace pensions. Table A12 presents results for the incidence of membership in private pension plans; unfortunately, the survey did not probe carefully for the kind of the benefit structure or its level. On average Québec residents reported private pension membership rates only two to three percent lower than their ROC counterparts. Holding of pensions generally rises with age of the individual, although it falls off after age 70 for ROC residents. Rates of pension membership generally rise across the lowest income deciles and after rising to the mid-deciles has a fairly flat income gradient, but they rise further in the top two deciles for couples. Another measure of registered savings is the incidence, but not the amounts, of disbursements from RPPs, RRSPs, annuities, and RRIFs as shown in Table A13. Average rates are about two percentage points higher for both singles and couples in Québec relative to their ROC counterparts. Not surprisingly, the rates rise steadily and steeply with age for all groups, and they also tend to be higher in the lower income deciles other than D1.

A.5 Financing retirement and other saving plans

The CFCS also inquired about other areas of past and planned saving. Table A14 shows the patterns of saving for the post-secondary education of children in households with a child under age 18. Québec households reported somewhat less incidence of such saving than their ROC counterparts for both singles and couples. Québec singles stopped saving for this purpose by the age of 60, whereas ROC-resident singles continue saving until later ages. Patterns of such saving fluctuate somewhat across the income deciles for all groups, but they display a general tendency to rise with income.

Four separate questions were posed in the CFCS concerning plans for the financing of retirement. Table A15 shows the proportions of respondents preparing for retirement through workplace pensions or their own saving. The figures are consistently high across the age groups,

[98] In the body of this study, Table 4 and the associated text provide comparative TFSA statistics for Québec and Canada for 2012 but do not disaggregate by age groups or income deciles.

household types, and jurisdictions—an average of about 77 percent for all singles and 84 percent for all couples. The figures are lowest for the lowest income decile D1 for both jurisdictions and household types at 60 percent or lower but are rising by D2. Table A16 shows that on average Québec singles and couples have higher percentages relying on workplace pension plans for their retirement than their ROC counterparts. This result appears inconsistent with the findings of Table A12 showing that Québec households have a lower incidence of pension holding that ROC households. In general these figures tend to rise with household incomes, particularly from the low figures reported in the bottom two or three deciles.

Table A17 finds that on average singles and couples in Québec have the same relatively high rates of reliance on RRSPs for their retirement as their ROC counterparts; couples in both jurisdictions have higher rates than singles. As expected, the rates for all groups are lowest for D1 and peak around D8 to D10. Table A18 presents findings for households whose financial plans for retirement include selling non-registered financial assets. The average rates are lower for Québec than ROC households of both types, and in general the rates are much lower than for the other sources of financing retirement. Given the concentration of non-registered wealth in the upper income ranges, the peaking of these figures in D9 and D10 is not surprising.

A.6 Database and methodological notes

The Canadian Financial Capability Survey (CFCS) was conducted between February and May 2009. The Public Use Microdata File (PUMF) of the survey contains over 15,500 households, including more than 3,330 from Québec. More than 27,500 households were surveyed including more than 5,800 in Québec; the response rate for Québec households at 57.3 percent was just above the national average rate for the survey. See Statistics Canada (2009) for description of the survey design, methodology, and limitations.

Observations in the PUMF sample of the CFCS have been divided into "couples" for those responding "married" or "living with partner" and all others classified as "single" for those responding any of "separated," "divorced," "widowed," or "single (never married)." Thus, "single" households include some with multiple related or unrelated adults. Further, note that the tabulated deciles of household income (for 2008) are based on the entire-Canada distributions and do not differentiate between single-adult and couple households. Table A1 shows the comparative Québec distributions of single-head and dual-head households, with incomes in the province generally distributed lower than for Canada as a whole. All the subsequent Appendix tables report results for Québec versus the "rest of Canada" (ROC) excluding Québec.

No imputations for missing data have been made in the results presented in the tables of this Appendix. The appropriate sample weights have been factored into the results, and the "number of observations" reported throughout are weighted. In several tables, the number of observations is very low for some cells (particularly the contents of Tables A3, A10, A11, and A14), so that the contents should be treated with caution. Cells for which no observations were available are indicated by an asterisk (*). The small number of observations in many cases means that the results should be construed as general patterns rather than precise figures; the coefficients of variation have not been calculated but undoubtedly can be extremely high.

All variables reported in dollar terms were treated as follows. For each amount reported in the survey as an amount range, the midpoint of that range was attributed to the corresponding observations. For the top reported dollar bracket, the point amount was arbitrarily set as that bracket's lower bound plus 75 percent of the previous bracket's breadth. For example, if the second-highest category was $400,000-$500,000 and the highest one was $500,000-plus, then the second-highest one was set at $450,000 and the highest one at $575,000. This procedure likely understates the true value of the mean for the highest sub-group, but the PUMF provided no further detail for the dollar amounts at the high end.

Some of the tables have omitted the results for single respondents aged 18 to 24 years, as indicated by double asterisks (**). Tabulations for this age group revealed some occasional anomalous results, which upon inspection appear to have been the consequence of the survey construction for the CFCS. Respondents were asked if "you or anyone in your family" had assets or liabilities of particular forms, and for affirmative replies they were further asked about the amount of the holding of that asset type. The survey does clarify with the statement, "By family we mean all related members of your family who usually reside in your household even if they are temporarily away." However, it appears that many young respondents classified as "single" answered the follow-up question with respect to amounts held by anyone in the household. This might particularly have arisen for young single adults (with no spouse or common-law partner) who were living with other singles or couples, and perhaps some single young respondents were thinking of their parental family.

For all singles and all couples in Québec and in R.O.C., each table provides the group average figure (MEAN) and the total observations (OBS) that were available in the sample; in each case these figures include any of the singles age 18 to 24 that are omitted from some tables. Each table reporting the average holding of an asset or average liability has included responses reporting zero of that item in the (weighted) average.

Table A1: Income Distributions for Canada and Québec, 2008, Percent

		Singles[b]		Couples[c]	
Income decile[a]	**Income range ($)[a]**	**Canada**	**Québec**	**Canada**	**Québec**
D1	<20,000	20.32	23.57	4.25	5.48
D2	$20,000-$32,000	13.34	16.35	8.18	10.24
D3	$32,001-$42,999	12.21	15.27	8.73	9.59
D4	$43,000-$54,999	10.01	9.37	9.98	11.06
D5	$55,000-$65,999	8.63	7.63	10.78	11.08
D6	$66,000-$79,999	7.82	6.93	11.23	12.97
D7	$80,000-$99,999	7.16	5.95	11.56	12.13
D8	$100,000-$119,999	7.19	5.80	11.59	11.13
D9	$120,000-$149,999	6.12	4.29	12.12	9.56
D10	$150,000 +	7.21	4.83	11.58	6.76
MEAN ($)		$60,966	$52,459	$84,926	$76,125
OBS[d]		5130	1499	3791	1835

Notes:

[a] Income deciles and associated income ranges are for the household and relate to all households (singles and couples combined) in all of Canada, including Québec. Figures in the table show the percentages of the respective group with incomes in the specified range, so that they do not constitute deciles of income distribution within that particular group.

[b] "Singles" refers here to single-adult household, and as such includes households headed by widowed, divorced, separated and never-married individuals.

[c] "Couples" encompass households that include a married or common-law couple.

[d] The number of observations in each group is computed using the survey weights provided by Statistics Canada.

Source: Derived from Statistics Canada, 2009 Canadian Financial Capability Survey.

Table A2: Tangible Asset Holdings, Average Value,
Québec and Rest-of-Canada. ($ per Household)

Table A2a: Singles

Age	Québec	R.O.C.
18-24	**	**
25-34	134,545	251,142
35-44	132,855	211,330
45-54	162,321	209,537
55-59	150,115	250,518
60-64	133,663	294,422
65-69	147,532	271,095
70+	85,803	228,488
MEAN	159,062	272,924
OBS	1221	3575

Table A2b: Couples

Age	Québec	R.O.C.
18-24	119,178	240,277
25-34	209,225	302,632
35-44	305,283	386,699
45-54	282,633	417,846
55-59	295,176	416,292
60-64	307,045	467,370
65-69	275,000	386,810
70+	220,473	347,156
MEAN	266,896	380,528
OBS	1542	5330

Table A2c: Singles

Income	Québec	R.O.C.
D1	69,207	123,683
D2	89,968	138,494
D3	123,424	198,777
D4	148,014	223,234
D5	217,155	230,296
D6	242,809	347,778
D7	250,918	343,806
D8	243,871	428,994
D9	318,866	468,392
D10	484,413	540,177

Table A2d: Couples

Income	Québec	R.O.C.
D1	101,122	149,585
D2	143,130	214,680
D3	191,846	226,088
D4	190,312	281,080
D5	225,591	292,755
D6	254,885	337,888
D7	297,253	367,228
D8	336,097	428,733
D9	393,743	470,788
D10	518,961	646,022

Source: CFCS, survey item AD_G02; includes house, property, vehicles, home furnishings, collections, and other tangible assets.

Table A3: Business Asset Holdings, Average Value, Québec and Rest-of-Canada ($ per Household)

Table A3a: Singles

Age	Québec	R.O.C.
18-24	24,218	28,768
25-34	16,200	16,653
35-44	18,224	13,533
45-54	12,490	24,113
55-59	12,428	25,474
60-64	6,352	10,113
65-69	8,832	22,413
70+	0	15,540
MEAN	14,361	21,062
OBS	1421	4504

Table A3b: Couples

Age	Québec	R.O.C.
18-24	10,266	26,075
25-34	22,198	18,341
35-44	36,257	40,721
45-54	40,817	43,436
55-59	25,150	43,748
60-64	11,702	44,599
65-69	29,520	23,982
70+	7,988	18,470
MEAN	27,510	34,609
OBS	1718	6484

Table A3c: Singles

Income	Québec	R.O.C.
D1	8,391	8,536
D2	5,487	12,273
D3	16,462	4,376
D4	7,113	14,363
D5	4,541	8,104
D6	14,786	17,601
D7	10,961	24,736
D8	63,971	28,864
D9	37,519	56,160
D10	29,146	81,415

Table A3d: Couples

Income	Québec	R.O.C.
D1	16,259	9,465
D2	20,484	25,352
D3	17,230	17,081
D4	19,240	20,398
D5	19,426	21,492
D6	20,344	23,648
D7	44,877	27,088
D8	23,319	30,972
D9	40,324	42,595
D10	62,540	93,191

Source: CFCS, survey item AD_Q10a; includes agricultural and business property, machinery, and equipment; copyrights, patents, and royalties.

Table A4: Financial Asset Holdings, Average Value, Québec and Rest-of-Canada ($ per Household)

Table A4a: Singles

Age	Québec	R.O.C.
18-24	**	**
25-34	19,632	18,275
35-44	17,702	17,749
45-54	23,743	27,222
55-59	28,576	41,048
60-64	31,264	38,032
65-69	34,309	40,545
70+	31,883	38,986
MEAN	25,199	26,979
OBS	1060	3055

Table A4b: Couples

Age	Québec	R.O.C.
18-24	7,833	12,715
25-34	19,918	19,331
35-44	26,907	31,240
45-54	29,115	40,811
55-59	46,637	56,186
60-64	45,668	54,675
65-69	59,838	52,422
70+	54,353	53,798
MEAN	33,455	37,780
OBS	1346	4521

Table A4c: Singles

Income	Québec	R.O.C.
D1	8,474	9,591
D2	16,253	18,373
D3	24,370	23,372
D4	23,011	25,206
D5	40,598	29,376
D6	53,335	38,775
D7	34,239	35,791
D8	52,855	42,808
D9	43,761	45,626
D10	70,039	61,902

Table A4d: Couples

Income	Québec	R.O.C.
D1	6,950	11,083
D2	17,883	15,491
D3	27,715	24,521
D4	21,698	24,903
D5	31,951	31,644
D6	33,460	37,464
D7	34,786	34,611
D8	41,600	45,226
D9	51,749	46,768
D10	65,245	67,438

Source: CFCS, survey item AD_Q08; excludes RRSPs but includes cash savings, mutual funds, RDSP balances, TFSA balances, private pensions, and other financial assets.

Table A5: Households Having Financial Investments Aside from Tax-Registered Accounts, Québec and Rest-of-Canada (percent)

Table A5a: Singles

Age	Québec	R.O.C.
18-24	**	**
25-34	28.6	41.5
35-44	26.1	33.0
45-54	29.3	36.6
55-59	26.2	39.8
60-64	30.4	39.2
65-69	44.2	45.0
70+	36.2	44.4
MEAN	34.4	43.8
OBS	493	2006

Table A5b: Couples

Age	Québec	R.O.C.
18-24	30.1	27.7
25-34	32.8	36.9
35-44	36.4	45.2
45-54	38.7	50.9
55-59	44.8	52.7
60-64	38.2	55.1
65-69	45.6	52.1
70+	43.9	56.4
MEAN	38.5	47.8
OBS	684	3242

Table A5c: Singles

Income	Québec	R.O.C.
D1	15.1	20.7
D2	28.5	30.8
D3	28.9	40.1
D4	32.9	39.0
D5	41.6	46.1
D6	48.0	53.7
D7	48.5	51.0
D8	54.1	61.3
D9	62.1	75.3
D10	72.2	67.6

Table A5d: Couples

Income	Québec	R.O.C.
D1	14.4	19.8
D2	20.5	28.1
D3	27.9	32.5
D4	23.0	37.4
D5	36.1	43.3
D6	45.3	44.4
D7	44.5	48.8
D8	49.9	58.5
D9	52.4	58.6
D10	68.3	69.6

Source: CFCS, survey item AD_Q07b; includes stocks, bonds, term deposits, GICs, non-RRSP mutual funds; does not include cash in savings or chequing accounts.

Table A6: Households Receiving Any Financial Investment Income In Previous 12 Months, Québec and Rest-of-Canada (percent)

Table A6a: Singles

Age	Québec	R.O.C.
18-24	18.2	8.8
25-34	16.5	17.8
35-44	15.3	15.0
45-54	15.4	20.0
55-59	21.2	27.1
60-64	24.4	23.5
65-69	28.0	27.2
70+	31.3	26.3
MEAN	19.9	17.1
OBS	287	806

Table A6b: Couples

Age	Québec	R.O.C.
18-24	9.2	9.1
25-34	18.4	16.9
35-44	18.6	21.0
45-54	16.8	25.5
55-59	21.4	32.9
60-64	24.2	30.8
65-69	30.9	32.2
70+	37.5	35.8
MEAN	21.4	25.2
OBS	380	1733

Table A6c: Singles

Income	Québec	R.O.C.
D1	12.7	10.2
D2	18.1	15.9
D3	16.4	16.5
D4	23.2	18.0
D5	25.0	20.3
D6	30.5	24.9
D7	22.6	21.1
D8	30.0	17.8
D9	8.0	16.4
D10	36.3	19.9

Table A6d: Couples

Income	Québec	R.O.C.
D1	12.1	11.2
D2	15.3	16.5
D3	18.3	15.8
D4	10.1	21.5
D5	21.3	22.4
D6	24.9	22.4
D7	23.3	23.9
D8	23.7	26.6
D9	30.8	32.9
D10	34.9	39.9

Source: CFCS survey item IN_Q01C; includes interest, dividends, capital gains, and other investment income such as net rental income.

Table A7: Households with Life Insurance,
Québec and Rest-of-Canada (percent)

Table A7a: Singles

Age	Québec	R.O.C.
18-24	51.7	29.1
25-34	56.8	47.4
35-44	71.9	59.9
45-54	72.2	56.5
55-59	63.9	59.4
60-64	68.0	54.6
65-69	66.2	52.7
70+	60.0	37.7
MEAN	61.6	44.2
OBS	875	2060

Table A7b: Couples

Age	Québec	R.O.C.
18-24	74.8	51.4
25-34	83.5	72.8
35-44	82.8	81.1
45-54	89.9	80.3
55-59	85.9	78.1
60-64	85.2	73.5
65-69	89.6	66.0
70+	68.7	52.7
MEAN	83.9	74.2
OBS	1470	5103

Table A7c: Singles

Income	Québec	R.O.C.
D1	53.3	29.1
D2	60.6	40.7
D3	63.9	44.4
D4	70.4	48.5
D5	64.9	51.6
D6	67.4	50.6
D7	65.1	52.4
D8	67.8	53.8
D9	71.2	49.6
D10	46.9	42.7

Table A7d: Couples

Income	Québec	R.O.C.
D1	54.0	40.0
D2	68.7	48.3
D3	79.7	60.9
D4	87.0	66.8
D5	87.9	72.6
D6	86.1	76.2
D7	89.6	82.3
D8	88.1	85.4
D9	88.1	81.5
D10	98.1	88.5

Source: CFCS, survey item FC_Q07b.

Table A8: Debts and Liabilities, Average Value, Québec and Rest-of-Canada ($ per Household)

Table A8a: Singles

Age	Québec	R.O.C.
18-24	40,763	52,619
25-34	40,151	69,195
35-44	49,473	72,090
45-54	52,716	51,974
55-59	25,647	42,405
60-64	27,959	39,376
65-69	16,507	25,709
70+	4,298	12,524
MEAN	35,038	49,358
OBS	1329	4072

Table A8b: Couples

Age	Québec	R.O.C.
18-24	62,193	97,337
25-34	99,098	131,886
35-44	107,060	123,333
45-54	69,243	94,017
55-59	43,384	67,290
60-64	24,449	55,919
65-69	16,126	28,528
70+	10,253	14,578
MEAN	65,747	88,556
OBS	1649	5924

Table A8c: Singles

Income	Québec	R.O.C.
D1	12,246	19,398
D2	23,020	24,150
D3	30,072	41,252
D4	41,934	45,113
D5	54,047	53,419
D6	50,844	69,673
D7	57,164	78,899
D8	44,123	96,790
D9	102,594	66,785
D10	76,519	93,532

Table A8d: Couples

Income	Québec	R.O.C.
D1	12,376	34,599
D2	21,010	34,236
D3	30,985	44,823
D4	52,580	56,184
D5	61,242	67,407
D6	78,274	83,108
D7	88,327	105,122
D8	98,243	110,351
D9	82,803	123,488
D10	114,909	138,986

Source: CFCS, survey item AD_G12; includes mortgages, student loans, payday loans, other loans, outstanding balances on credit cards and lines of credit, other debts and liabilities.

Table A9: RRSP Account Holdings, Average Value,
Québec and Rest-of-Canada ($ per Household)

Table A9a: Singles

Age	Québec	R.O.C.
18-24	**	**
25-34	12,569	17,901
35-44	15,865	27,742
45-54	32,700	30,935
55-59	45,175	58,252
60-64	26,512	42,676
65-69	31,753	48,939
70+	10,330	26,357
MEAN	22,983	29,720
OBS	1144	3508

Table A9b: Couples

Age	Québec	R.O.C.
18-24	7,404	11,629
25-34	19,183	18,534
35-44	43,348	50,394
45-54	61,263	72,778
55-59	90,861	93,718
60-64	72,313	98,604
65-69	71,420	69,881
70+	52,184	45,123
MEAN	51,807	57,352
OBS	1415	4986

Table A9c: Singles

Income	Québec	R.O.C.
D1	4,089	7,347
D2	10,624	14,332
D3	16,145	18,135
D4	26,563	33,617
D5	41,419	31,121
D6	60,769	41,672
D7	44,496	39,900
D8	53,609	61,689
D9	86,820	47,677
D10	100,239	102,719

Table A9d: Couples

Income	Québec	R.O.C.
D1	3,961	5,987
D2	10,781	15,682
D3	28,053	24,046
D4	27,389	27,719
D5	37,993	37,499
D6	48,208	45,093
D7	56,249	54,208
D8	67,668	73,119
D9	106,634	78,999
D10	162,869	131,642

Source: CFCS, survey item AD_Q04.

**Table A10: RESP Account Holdings, Average Value,
Québec and Rest-of-Canada ($ per Household)**

Table A10a: Singles

Age	Québec	R.O.C.
18-24	2,144	3,184
25-34	207	534
35-44	661	1,315
45-54	717	1,088
55-59	0	997
60-64	0	103
65-69	65	328
70+	75	256
MEAN	719	1,337
OBS	1397	4399

Table A10b: Couples

Age	Québec	R.O.C.
18-24	384	957
25-34	939	1,554
35-44	3,078	5,698
45-54	2,256	3,696
55-59	479	944
60-64	281	443
65-69	658	426
70+	44	376
MEAN	1,432	2,575
OBS	1689	6429

Table A10c: Singles

Income	Québec	R.O.C.
D1	174	465
D2	225	453
D3	838	949
D4	296	913
D5	505	1,063
D6	530	2,341
D7	707	1,131
D8	1,193	3,369
D9	5,280	2,564
D10	2,237	3,041

Table A10d: Couples

Income	Québec	R.O.C.
D1	318	1,191
D2	417	733
D3	178	727
D4	574	1,306
D5	371	1,248
D6	1,394	1,983
D7	1,732	2,691
D8	2,458	3,868
D9	1,843	3,350
D10	6,156	5,900

Source: CFCS, survey item AD_Q06.

Table A11: Households Having TFSA,
Québec and Rest-of-Canada (percent)

Table A11a: Singles

Age	Québec	R.O.C.
18-24	14.7	13.3
25-34	7.0	14.6
35-44	9.4	10.5
45-54	10.1	9.6
55-59	10.3	18.5
60-64	13.1	16.2
65-69	20.6	15.7
70+	18.3	13.1
MEAN	12.4	13.2
OBS	178	603

Table A11b: Couples

Age	Québec	R.O.C.
18-24	1.6	15.0
25-34	13.0	11.5
35-44	11.9	13.4
45-54	14.2	14.9
55-59	18.8	18.7
60-64	23.2	17.5
65-69	27.3	19.8
70+	24.6	20.8
MEAN	16.3	15.4
OBS	291	1047

Table A11c: Singles

Income	Québec	R.O.C.
D1	5.8	5.5
D2	9.9	10.2
D3	12.7	11.4
D4	14.0	14.2
D5	16.0	17.6
D6	24.3	16.3
D7	19.8	12.8
D8	10.7	17.9
D9	0.0	18.0
D10	28.3	21.1

Table A11d: Couples

Income	Québec	R.O.C.
D1	2.4	9.0
D2	16.1	9.8
D3	15.4	10.0
D4	8.5	12.6
D5	15.8	13.8
D6	17.0	13.9
D7	15.7	14.1
D8	22.3	19.9
D9	23.1	19.0
D10	23.9	22.2

Source: CFCS, survey item AD_Q07d.

Table A12: Households Having Private Pensions,
Québec and Rest-of-Canada (percent)

Table A12a: Singles

Age	Québec	R.O.C.
18-24	**	**
25-34	3.3	15.0
35-44	14.7	14.0
45-54	15.5	16.7
55-59	22.5	18.2
60-64	27.7	29.4
65-69	18.2	31.2
70+	23.6	21.7
MEAN	15.1	18.1
OBS	216	828

Table A12b: Couples

Age	Québec	R.O.C.
18-24	6.7	16.1
25-34	11.3	16.3
35-44	13.6	18.4
45-54	21.5	22.9
55-59	25.2	27.2
60-64	32.3	30.0
65-69	36.5	35.5
70+	38.1	33.7
MEAN	21.6	23.4
OBS	385	1584

Table A12c: Singles

Income	Québec	R.O.C.
D1	6.7	8.6
D2	17.1	15.4
D3	17.8	16.4
D4	16.3	18.2
D5	14.2	21.0
D6	28.2	22.5
D7	18.1	22.5
D8	15.0	25.0
D9	13.3	24.6
D10	17.5	23.2

Table A12d: Couples

Income	Québec	R.O.C.
D1	9.2	8.2
D2	13.0	12.1
D3	27.4	22.7
D4	18.5	20.8
D5	21.9	22.0
D6	20.1	24.5
D7	23.2	24.4
D8	21.1	24.5
D9	32.9	27.9
D10	26.4	30.0

Source: CFCS, survey item AD_Q07e.

Table A13: Households Receiving Any Income from RPPs, RRSP Annuities, or RRIF/RRSP Withdrawals in Previous 12 Months (percent)

Table A13a: Singles

Age	Québec	R.O.C.
18-24	1.3	3.6
25-34	1.5	4.0
35-44	3.4	5.7
45-54	5.0	6.0
55-59	12.4	14.6
60-64	34.7	26.1
65-69	34.7	34.2
70+	52.9	37.8
MEAN	13.3	11.4
OBS	191	534

Table A13b: Couples

Age	Québec	R.O.C.
18-24	1.9	1.3
25-34	2.3	4.6
35-44	2.1	4.3
45-54	3.1	5.4
55-59	21.6	15.4
60-64	35.6	25.7
65-69	47.8	34.8
70+	55.7	50.5
MEAN	15.6	13.7
OBS	278	950

Table A13c: Singles

Income	Québec	R.O.C.
D1	15.4	9.9
D2	22.9	17.3
D3	15.2	16.4
D4	12.9	15.6
D5	10.3	11.0
D6	8.7	12.0
D7	8.6	3.7
D8	4.7	7.0
D9	0.0	9.0
D10	4.1	6.7

Table A13d: Couples

Income	Québec	R.O.C.
D1	7.0	10.2
D2	21.0	20.1
D3	28.4	20.9
D4	19.8	17.2
D5	21.0	17.2
D6	15.2	17.2
D7	10.5	10.1
D8	6.9	12.5
D9	18.0	8.6
D10	1.5	7.6

Source: CFCS, survey item IN_Q01H.

Table A14: Households with Child under Age 18 That Are Saving or Have Saved for Post-Secondary Education, Québec and Rest-of-Canada (percent)

Table A14a: Singles

Age	Québec	R.O.C.
18-24	49.6	58.1
25-34	50.5	62.9
35-44	53.3	53.3
45-54	58.2	56.1
55-59	28.9	89.5
60-64	*	87.7
65-69	*	85.3
70+	*	33.2
MEAN	53.4	58.0
OBS	108	462

Table A14b: Couples

Age	Québec	R.O.C.
18-24	42.2	65.7
25-34	53.2	70.3
35-44	64.6	77.9
45-54	68.2	74.3
55-59	78.8	75.3
60-64	100.0	81.2
65-69	*	0.0
70+	*	85.3
MEAN	61.8	74.8
OBS	441	2171

Table A14c: Singles

Income	Québec	R.O.C.
D1	32.2	42.8
D2	32.6	48.4
D3	58.9	53.9
D4	62.4	60.7
D5	66.6	64.0
D6	84.8	64.1
D7	91.2	71.0
D8	83.8	72.5
D9	85.9	82.4
D10	15.6	81.3

Table A14d: Couples

Income	Québec	R.O.C.
D1	48.1	54.3
D2	60.9	48.9
D3	40.9	50.7
D4	47.6	66.7
D5	52.1	68.4
D6	66.0	74.0
D7	62.9	78.1
D8	63.6	84.2
D9	72.2	81.1
D10	83.2	86.5

Source: CFCS, survey item EF_Q02.

Table A15: Households Preparing for Retirement through Workplace Pensions or on Own, Québec and Rest-of-Canada (percent)

Table A15a: Singles

Age	Québec	R.O.C.
18-24	75.4	67.3
25-34	76.4	81.0
35-44	84.4	77.4
45-54	73.9	78.6
55-59	85.3	83.8
60-64	62.9	71.5
65-69	77.2	72.1
70+	72.0	51.4
MEAN	77.4	76.0
OBS	460	1595

Table A15b: Couples

Age	Québec	R.O.C.
18-24	63.0	83.2
25-34	84.5	79.9
35-44	84.6	86.3
45-54	83.4	86.0
55-59	90.1	84.6
60-64	84.1	84.9
65-69	100.0	79.0
70+	100.0	84.5
MEAN	84.6	84.4
OBS	842	3770

Table A15c: Singles

Income	Québec	R.O.C.
D1	55.2	51.7
D2	69.8	58.3
D3	79.7	72.8
D4	78.6	79.1
D5	81.0	82.3
D6	86.1	83.0
D7	77.5	82.4
D8	86.4	82.3
D9	79.2	80.8
D10	82.0	78.2

Table A15d: Couples

Income	Québec	R.O.C.
D1	55.2	60.0
D2	69.2	63.2
D3	79.1	64.0
D4	74.5	73.6
D5	80.3	78.3
D6	85.8	77.5
D7	82.1	87.3
D8	90.3	90.1
D9	88.6	90.3
D10	95.4	94.5

Source: CFCS, survey item RP_Q01.

Table A16: Households Whose Financial Plans for Retirement Include Workplace Pension Plans, Québec and Rest-of-Canada (percent)

Table A16a: Singles

Age	Québec	R.O.C.
18-24	50.9	46.5
25-34	66.8	54.9
35-44	68.0	56.5
45-54	65.4	59.5
55-59	71.6	49.8
60-64	49.2	55.0
65-69	45.4	16.2
70+	100.0	36.9
MEAN	63.6	53.0
OBS	378	1113

Table A16b: Couples

Age	Québec	R.O.C.
18-24	66.9	47.5
25-34	63.7	59.2
35-44	66.5	60.6
45-54	62.0	60.1
55-59	57.9	55.1
60-64	32.0	45.8
65-69	45.4	38.7
70+	33.2	24.4
MEAN	61.8	57.8
OBS	615	2581

Table A16c: Singles

Income	Québec	R.O.C.
D1	42.7	34.4
D2	46.3	48.4
D3	53.9	45.7
D4	70.7	57.3
D5	79.8	60.6
D6	79.0	60.1
D7	72.1	59.6
D8	82.5	56.1
D9	49.7	52.1
D10	70.7	50.4

Table A16d: Couples

Income	Québec	R.O.C.
D1	42.4	41.4
D2	42.9	33.3
D3	58.3	39.5
D4	47.4	49.9
D5	49.3	54.2
D6	60.0	54.5
D7	66.2	61.3
D8	71.8	60.4
D9	73.8	65.9
D10	60.0	62.4

Source: CFCS, survey item RP_Q02b.

Table A17: Households Whose Financial Plans for Retirement Include Drawing on RRSPs, Québec and Rest-of-Canada (percent)

Table A17a: Singles

Age	Québec	R.O.C.
18-24	75.4	67.3
25-34	76.4	81.0
35-44	84.4	77.4
45-54	73.9	78.6
55-59	85.3	83.8
60-64	62.9	71.5
65-69	77.2	72.1
70+	72.0	51.4
MEAN	77.4	76.0
OBS	460	1595

Table A17b: Couples

Age	Québec	R.O.C.
18-24	63.0	83.2
25-34	84.5	79.9
35-44	84.6	86.3
45-54	83.4	86.0
55-59	90.1	84.6
60-64	84.1	84.9
65-69	100.0	79.0
70+	100.0	84.5
MEAN	84.6	84.4
OBS	842	3770

Table A17c: Singles

Income	Québec	R.O.C.
D1	55.2	51.7
D2	69.8	58.3
D3	79.7	72.8
D4	78.6	79.1
D5	81.0	82.3
D6	86.1	83.0
D7	77.5	82.4
D8	86.4	82.3
D9	79.2	80.8
D10	82.0	78.2

Table A17d: Couples

Income	Québec	R.O.C.
D1	55.2	60.0
D2	69.2	63.2
D3	79.1	64.0
D4	74.5	73.6
D5	80.3	78.3
D6	85.8	77.5
D7	82.1	87.3
D8	90.3	90.1
D9	88.6	90.3
D10	95.4	94.5

Source: CFCS, survey item RP_Q02c.

Table A18: Households Whose Financial Plans for Retirement Include Selling Non-Registered Financial Assets, Québec and Rest-of-Canada (percent)

Table A18a: Singles

Age	Québec	R.O.C.
18-24	15.2	24.3
25-34	18.1	21.4
35-44	19.0	23.6
45-54	20.1	26.4
55-59	18.9	23.5
60-64	12.7	21.0
65-69	7.6	31.4
70+	0.0	18.2
MEAN	17.9	23.7
OBS	106	497

Table A18b: Couples

Age	Québec	R.O.C.
18-24	10.8	12.9
25-34	15.0	28.1
35-44	19.4	31.4
45-54	16.7	29.8
55-59	16.1	25.0
60-64	10.5	26.9
65-69	24.3	24.3
70+	12.0	25.8
MEAN	16.8	28.8
OBS	167	1287

Table A18c: Singles

Income	Québec	R.O.C.
D1	14.5	19.5
D2	14.0	18.2
D3	16.2	22.3
D4	19.1	17.7
D5	15.9	21.8
D6	19.8	35.4
D7	19.2	15.5
D8	12.8	20.3
D9	20.4	39.0
D10	43.3	27.3

Table A18d: Couples

Income	Québec	R.O.C.
D1	17.5	16.2
D2	11.7	19.5
D3	10.8	12.7
D4	7.0	25.5
D5	12.5	17.5
D6	18.7	25.5
D7	14.1	27.2
D8	17.3	31.6
D9	17.5	33.8
D10	32.0	39.1

Source: CFCS, survey item RP_Q02e.