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Perspectives on Labour and Income

September 2007 online edition

The September 2007 online edition of *Perspectives on Labour and Income*, released today, features two articles.

"High-income Canadians" presents various criteria for defining high income and looks at some of the characteristics and behaviours of high-income taxfilers under these definitions. Income taxes paid and effective tax rates are also examined.

"Spending patterns in Canada and the U.S." looks at changes in consumer spending in Canada and the United States between the early 1980s and 2003.

The September 2007 online edition of *Perspectives on Labour and Income*, Vol. 8, no. 9 (75-001-XWE, free), is now available from the *Publications* module of our website. For more information, contact Henry Pold (613-951-4608; henry.pold@statcan.ca), Labour and Household Surveys Analysis Division.



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Releases

Study: High-income Canadians

2004

An annual income of \$89,000 was enough to put an individual among the 1.2 million Canadians who made up the top 5% of the country's taxfiler population in 2004, according to a new study.

Similarly, an income of \$181,000 was sufficient to put someone among the 237,000 people in the top 1% of the taxfiler population.

But to be part of the richest one-hundredth of a percent (0.01%) of taxfilers, Canadians had to have income of more than \$2.8 million, the study found.

The study, released today in the September issue of *Perspectives on Labour and Income*, uses tax returns and survey data to explore trends in the number and characteristics of high-income Canadians, as well as their wealth and the effective income tax rates they face.

Between 1992 and 2004, constant-dollar income for people in the top 20% of the taxfiler population rose substantially, and the gains got bigger the higher up the income distribution. However, individuals in the rest of the population generally saw little improvement in constant-dollar income.

In 1992, Canadians in the top 5% of the taxfiler population accounted for about 21% of total income. By 2004, they accounted for 25% of total income.

High-income Canadians: Who they are

Of the 1.2 million Canadians who comprised the top 5% of income recipients in 2004, three-quarters were men, even though men were a minority (48%) of individual income recipients in general.

In 1982, women accounted for one in seven of the top 5% of income earners; by 2004, they accounted for one in four. However, their share of the top 0.01% declined from 12% to 11%.

The study found that the prevalence of high income peaked in the pre-retirement years. In 2004, individuals aged 45 to 64 represented 33% of all income recipients, but they were the majority in the top 5% (54%).

In the top 0.01%, taxfilers aged 45 to 64 accounted for three out of every five individuals.

Taxfilers aged 25 to 44 were the second largest group in the top 5% of high-income recipients. However, seniors were in second place in the top 0.01%, accounting for 23%.

Over three-quarters (78%) of all high-income individuals were married, as were 83% of the top 0.01%.

High-income Canadians: Where they live

Almost half (46%) of the top 5% of the taxfiler population lived in Ontario. Quebec was a distant second, at 18%, followed by Alberta (15%) and British Columbia (13%).

Among the top 0.01% of the taxfiler population, more than one-half (51%) lived in Ontario. However, Alberta was second at 23%, while Quebec was fourth at just 10%.

Higher-income families tend to be located in the larger urban centres. Three out of 10 (31%) families with incomes of more than \$250,000 lived in Toronto, followed by Montréal (11%), and Vancouver and Calgary (both 8%).

Overall, from 1992 to 2004, each demographic group experienced real increases in income. Some groups, such as individuals aged 45 to 64 and those living in Alberta, experienced much larger changes, both incurring gains of about 60%.

Overall, though, many groups experienced very little change—younger individuals (under 45), older individuals (65 and older), and those living in the smaller provinces.

High-income Canadians as a group pay higher tax rates

The study also examined effective income tax rates, an important indicator of the fairness of a tax system. The effective tax rate is the ratio of taxes paid to total income.

The study found that in line with their increasing share of total income, high-income Canadian taxfilers have been paying an increasing share of total personal income taxes. As well, effective income tax rates are clearly higher in the higher-income groups, reflecting the progressive nature of the income tax system. However, effective rates vary widely across the income distribution as well as among individuals within the highest income group.

In 2004, the top 5% of the taxfiler population received 25% of income and paid 36% of taxes. In contrast, the bottom 95% of the taxfiler population received 75% of income and paid 64% of taxes.

For high-income Canadian taxfilers, effective tax rates were about 30%, compared with roughly 12% for non-high-income filers.

Nearly one-third of those in the top 0.01% had an effective tax rate of over 40%, although some paid as little as 10%. Among the top 5% of the taxfiler

population, only 2.7% had an effective tax rate of over 40%.

The study found that between 1992 and 2004, the proportion of taxfilers who paid zero taxes declined at almost all income levels. In the top 0.01%, about 100 taxfilers paid no taxes in 2004. Tax deductions, such as business losses and gifts to the Crown, are responsible for a number of these situations.

Canada vs. the US: Disparity most striking at the extreme high end

The study found that differences between Canada and the United States were most striking at the extreme high end of the taxfiler population.

In Canada, the top 5% of individual income recipients in 2004 had an income of at least \$89,000. In the United States, this figure would not have placed them even in the top 10% (using purchasing power parity values). The 5% threshold for the United States was \$165,000. Further up the income distribution, the thresholds diverged considerably.

The threshold for the top 0.01% of the taxfiler population in Canada was just over \$2.8 million; in the United States, it was \$9.4 million.

However, these differences paled when comparing average income. In 2004, in Canada, the average

income for the top 5% of the taxfiler population was \$178,000; in the United States, it was 2.5 times higher at \$416,000.

The differences grew even larger higher up the income distribution. For the top 0.01% of the taxfiler population, the average American income was \$25.8 million, over four times the Canadian figure of \$5.9 million.

Definitions, data sources and methods: survey number 4105.

The article, "High-income Canadians", is now available in the September 2007 online edition of *Perspectives on Labour and Income*, Vol. 8, no. 9 (75-001-XWE, free), from the *Publications* module of our website. The article is based on the research paper, *A Profile of High-income Canadians* (75F0002MIE2007006, free), which is also available.

For more information, or to enquire about the concepts, methods or data quality of this release, contact Brian Murphy (613-951-3769; brian.murphy@statcan.ca), Income Statistics Division. ■

Natural gas sales

July 2007 (preliminary)

Cooler than normal temperatures in most regions of the country led to a slight increase in natural gas sales in the residential sector in July.

Higher sales volume in the residential sector (+1.6%) and the commercial sector (+0.3%) were more than offset by a decline of 12.3% in the volume of industrial sales (including direct sales).

Natural gas sales totalled 3 682 million cubic metres, down 9.7% from July 2006.

On a year-to-date basis, sales at the end of July were up 5.4% from the same seven-month period in 2006 in the wake of across-the-board increases in all sectors.

The volume of natural gas sales to the industrial sector (including direct sales) has risen 2.2% so far in 2007, while sales were up 9.8% in the residential sector and 9.4% in the commercial sector.

Definitions, data sources and methods: survey number 2149.

For more information, to order data, or to enquire about the concepts, methods or data quality of this release, contact the dissemination officer (toll-free 1-866-873-8789; 613-951-9497; energ@statcan.ca), Manufacturing, Construction and Energy Division.

Natural gas sales

	July 2007 ^P	July 2006	July 2006 to July 2007
	thousands of cubic metres		% change
Total sales	3 682 246	4 078 230	-9.7
Residential	424 759	418 195	1.6
Commercial	373 232	372 156	0.3
Industrial and direct	2 884 255	3 287 879	-12.3
	Year-to-date		
	2007 ^P	2006	2006 to 2007
	thousands of cubic metres		% change
Total sales	43 393 938	41 176 548	5.4
Residential	11 273 132	10 268 707	9.8
Commercial	8 140 991	7 441 692	9.4
Industrial and direct	23 979 815	23 466 149	2.2

^P preliminary

Domestic travel

Third quarter 2006 (preliminary)

Available today is a set of tables containing data on domestic travel for the third quarter of 2006 from the Travel Survey of Residents of Canada (TSRC).

This survey, which started in 2005, provides estimates of domestic visits that are in line with the international guidelines recommended by the World Tourism Organization.

A domestic visit is one that originates and occurs within Canada, is less than 365 days in duration, ends during the reference period, and is outside the respondent's "usual" environment.

The visits made by Canadian travellers in Canada totalled 64.9 million during the third quarter of 2006.

Almost a quarter of these visitors were accompanied by household members less than 18 years old.

Visits for pleasure, vacation, holiday, and visiting friends and relatives represented 91% of all domestic visits. Together, these visits increased 2.1% in the third quarter of 2006 compared with the same period in 2005.

Intra-provincial visits reached 58.5 million in the third quarter of 2006, while inter-provincial visits totalled 7.6 million.

In Canada, 9 domestic visits out of 10 were taken within the traveller's province of residence.

Same day visits reached 32.9 million in the third quarter of 2006, while overnight visits totalled 32.0 million.

Canadian residents spent an average of four nights away from home during their overnight visits

in Canada. Of the 116.2 million nights spent away from home, 50.9 million were spent in a commercial establishment.

Domestic travel usually peaks during the summer vacation period. The number of visits in Canada was 23.2 million in July, almost equal to the 23.5 million visits recorded in August, and in September it reached 18.2 million.

Canadian travellers spent \$11.8 billion within the country during the third quarter of 2006. When taking inflation into account, spending on domestic visits totalled \$11.0 billion (in 2002 dollars) for this same quarter.

More than 60% of all domestic expenditures were for transportation (\$3.9 billion) and food and beverages (\$3.4 billion).

In the third quarter of 2006, Canadian spending on domestic visits for pleasure, vacation, holiday, and visiting friends and relatives increased 2.0% compared with the same period in 2005.

Note: The total domestic visit estimates for the third quarter of 2006 are preliminary and are not comparable with the preliminary data released for the third quarter of 2005. Two categories of visits (business and other) are affected due to changes made to the TSRC questionnaire, beginning with the reference month of September 2005. These two categories represented 9% of domestic visits in the third quarter of 2006. The remaining categories of visits, which include pleasure, vacation, holiday, and visiting friends and relatives, are comparable.

Definitions, data sources and methods: survey number 3810.

For general information or to order data, contact Client Services (toll-free 1-800-307-3382; 613-951-9169; fax: 613-951-2909; tourism@statcan.ca).

To enquire about the concepts, questionnaires, methods or data quality of this release, contact Lizette Gervais-Simard (613-951-1672; fax: 613-951-2909; gervliz@statcan.ca), Culture, Tourism, and the Centre for Education Statistics. ■

Production and disposition of tobacco products

August 2007

Total cigarettes sold in August by Canadian manufacturers decreased 9.0% from July to 1.5 billion cigarettes, down 23.8% compared with August 2006.

Cigarette production in August increased 31.0% from July to 1.6 billion cigarettes, down 17.3% from August 2006.

At 1.6 billion cigarettes, the level of closing inventories for August increased 1.0% from July, up 15.0% from August 2006.

Note: This survey collects data on the production of tobacco products in Canada by Canadian manufacturers and the disposition or sales of this production. It does not collect data on imported tobacco products. Therefore, sales information in this release is not a proxy for domestic consumption of tobacco products.

Available on CANSIM: table 303-0062.

Definitions, data sources and methods: survey number 2142.

The August 2007 issue of *Production and Disposition of Tobacco Products*, Vol. 36, no. 8 (32-022-XWE, free) is now available from the *Publications* module of our website.

For more information, or to enquire about the concepts, methods or data quality of this release, contact the dissemination officer (toll-free 1-866-873-8789; 613-951-9497; manufact@statcan.ca), Manufacturing, Construction and Energy Division. ■

Mineral wool including fibrous glass insulation

August 2007 and July 2007 (revised)

Data for August and a revision for July on mineral wool including fibrous glass insulation are now available.

Definitions, data sources and methods: survey number 2110.

Data are available upon request only. For more information, or to enquire about the concepts, methods or data quality of this release, contact the dissemination officer (toll-free 1-866-873-8789; 613-951-9497; manufact@statcan.ca), Manufacturing, Construction and Energy Division. ■

Social Policy Simulation Database and Model

The Social Policy Simulation Database and Model (SPSD/M), Version 15.0 based on 2003 microdata, is now available. The most recent SPSPD/M can be used to study the impacts of changes to federal and provincial

tax and benefit programs on families and governments from 1991 through 2012.

The SPSPD/M is a tool designed to analyze the financial interactions of governments and individuals/families in Canada. It enables the estimation of the income redistributive effects or cost implications of changes in the personal taxation (including GST and other commodity taxes) and cash transfer systems. The SPSPD/M assists analysts in examining the potential impacts of changes in taxes, earnings, demographic trends, and a wide range of other factors.

The SPSPD/M allows analysts to answer "what-if" types of questions. What if there were changes to the taxes Canadians paid or transfers they received—who would gain and who would lose? Would single parent households in a particular province be better off? By how much? How much extra money would federal or provincial governments collect or pay out?

As its name implies, the SPSPD/M is comprised of both a database (SPSPD) and a model (SPSM). The SPSPD is a statistically-representative database of individuals in their family context with enough information on each individual to compute taxes paid

to and cash transfers received from the federal and provincial governments. It is created by statistically combining data from survey and administrative sources. The SPSM is a static accounting model that processes each individual and family on the SPSPD, calculates transfers and taxes (including income, payroll, and commodity taxes) using legislated or proposed programs and algorithms, and reports on the results. This microsimulation model can be run using a visual interface. Extensive documentation on both the SPSPD and the SPSM is included.

Definitions, data sources and methods: survey number 3889.

The *Social Policy Simulation Database and Model*, Version 15.0 (89F0002XCB, \$5,000/\$12,500), is now available on CD-ROM.

For more information, to order a copy or to enquire about the concepts, methods or data quality of this release, contact Chantal Hicks (613-951-5311; spsdm@statcan.ca), Socio-Economic Analysis and Modeling Division. ■

New products

Environment Industry: Business Sector, 2002 (revised) and 2004
Catalogue number 16F0008XIE
(free).

Production and Disposition of Tobacco Products,
August 2007, Vol. 36, no. 8
Catalogue number 32-022-XWE
(free).

Retail Trade, July 2007, Vol. 79, no. 7
Catalogue number 63-005-XWE
(free).

Perspectives on Labour and Income,
September 2007, Vol. 8, no. 9
Catalogue number 75-001-XWE
(free).

Income Research Paper Series: "A Profile of High Income Canadians", 1982 to 2004, no. 6
Catalogue number 75F0002MIE2007006
(free).

Social Policy Simulation Database and Model (SPSD/M), 1991 to 2012 (Version 15.0, database year 2003)
Catalogue number 89F0002XCB
(various prices).

All prices are in Canadian dollars and exclude sales tax. Additional shipping charges apply for delivery outside Canada.

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Thursday, June 5, 1997 For release at 9:30 a.m.	
MAJOR RELEASES	
Urban transit, 1995 Despite the emphasis on taking urban transit, Canadians are using it less and less. In 1996, each Canadian took an average of about 25 trips on some form of urban transit, the lowest level in the past 25 years.	2
Productivity, hourly compensation and unit labour cost, 1995 Growth in productivity among Canadian businesses also noticeably weak again in 1996 accompanied by sluggish gains in employment and slow economic growth during the year.	4
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