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An attempt to understand Canada's inheritance tax backlash: Don Pittis

Roar of objections to imposing death duties on Canadians may have complex roots

[Don Pittis](#) · CBC News · Posted: Aug 07, 2018 4:00 AM EDT | Last Updated: August 7, 2018



It's tricky to escape death and taxes when passing on the cottage to the grandchildren, even though Canada has no estate tax. (Submitted by Christine Brown)

[comments](#) 

Anyone who thinks the CBC does not serve conservative-leaning Canadians should look at the comments for a recent online story about [inheritance taxes](#).

The article was based on a report about the wide gulf between rich and poor issued by the left-leaning Canadian Centre for Policy Alternatives think-tank. The report suggested the lack of an inheritance tax in this country makes inequality worse.

Other countries, including Britain and the United States, have 40 per cent inheritance taxes that kick in if people are rich enough. In the U.S., you have to have about \$11 million when you die for your estate to pay death duties.

Death and no taxes

Canada used to have an inheritance tax, but as of 1972 the Canadian death duty rate dropped to zero.

Of course, that's not the whole story (more on that in a bit). But the really interesting thing was the reaction to the think-tank's [proposal](#) that estates worth more than \$5 million be subject to a 45 per cent tax.

Of the roughly 3,000 people who commented, a large number — and generally the most strident voices — condemned the idea. Many Twitter responses did so as well.

Mark Scott, for example, tweeted that he would leave Canada if such a tax were ever applied.



Mark Scott

@onedarwinian

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I will leave Canada if they try to implement a wealth tax. Canada already has unreasonably high taxes. The [@ccpa](#) doesn't realize that people will not accept never ending confiscation of their property.

Depending on your religious views, you really do have to depart — if just to the Great Beyond — in order to pay death duties.

But if you do decide to leave Canada before you die, choose your country wisely. The U.S. isn't the only place to have an inheritance tax. Most rich countries have one, or like Canada, something roughly equivalent. Japan takes half. Tax havens such as the Channel Islands and the Caymans are among the few safe spots.

Unlike in so many other cases, the usual warning that if Canada doesn't do the same as the U.S., rich Canadians will take their money bags and head south, does not apply.

Lucky to pay high taxes

Perhaps more interesting was the angry reaction from people who probably have little prospect of being affected by the hypothetical tax anyway. It's hard to imagine all the comments at the bottom of the inheritance story were from the richest group of Canadians known as the "one per cent," or even from the "10 per cent."

Instead, the tone is very much Joe and Josephine Canadian. And as that inheritance report points out, the vast majority of Canadians can never aspire to pay death duties. They should be so lucky!

- [Lack of inheritance tax is making inequality worse, think-tank study suggests](#)

As the article reminds us, half of all Canadian families have net assets worth less than \$300,000. Even the relatively well-off, with say, a paid-off home in Vancouver and a million dollar retirement nest egg, won't pass the \$5-million threshold.

So why the backlash? According to research in the U.S. by scholar Dianna Muntz, the main cause of conservative anger that fired up working-class supporters of Donald Trump during the 2016 presidential election was [status threat](#).

It wasn't so much that people were poorer, although they may have been, but that they were afraid that they were losing what they had, "a sense that white Americans are under siege by these engines of change," wrote Muntz.

Man on horse wanted

And according to [Canadian data from Ekos Research](#) released earlier this year, a similar kind of populist backlash seems to be brewing here in Canada. Last Friday's report on growing anger

over [illegal border crossings](#) seems to support the theory.

- [Justin Trudeau is losing the argument on border crossings, poll suggests](#)

Ekos founder and president Frank Graves says the rejection of inheritance tax is just one part of a wider phenomenon demonstrated in his polling. He pointed to the election of Doug Ford as premier in Ontario as an example of its impact. Most of Ford's supporters declared themselves to be working class.



When people feel threatened by change, he says, they don't necessarily look for logical solutions such as income redistribution from the very rich to people like them. Instead, the part of the collective personality that seeks strong leadership and order comes out.

"It looks for the man on the horse, the strong man," Graves says. "It also looks for decisive government action."

Research by Graves and others shows that under what some call "ordered populism," people turn against progressive action that they would have supported when they felt secure. That includes sharing wealth through government transfers — even if they would benefit. He says research shows that explaining the advantages of tax transfers to poorer people can make them change their position on such transfers.

As to solving inequality with inheritance taxes, the U.S and Britain, two of the most unequal of the rich countries, are hardly proof it works. Good public education for everyone has been shown to work better. And it makes a country richer in the long term.

- **ANALYSIS** [Backlash against tax changes shows how hard it is to promote equality: Don Pittis](#)

And as for leaving Canada if it were to introduce death duties, it may not be worth your while. Under the [tax provisions introduced in 1972](#), inheritance tax was cut to zero, but a provision on capital gains was added. Bringing back death duties would likely mean the two would be switched again to avoid double taxation.

Right now, if you die at 85 and bequeath a cottage lot you bought for a few thousand bucks to the grandkids, you (or, rather, having passed on, your estate) must pretend you sold it at the \$500,000 it is worth today, treat that notional increase as capital gains and pay the appropriate tax. Same applies to other assets. And, sorry, no \$5-million minimum.

So no, even in wonderful Canada, you can't escape death or taxes.

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