



2023 New Year's Tax Changes

CANADIAN TAXPAYERS FEDERATION

DECEMBER 2022

Canadian
Taxpayers
Federation

About the Canadian Taxpayers Federation

The Canadian Taxpayers Federation is a federally incorporated, not-for-profit citizens' group dedicated to lower taxes, less waste and accountable government.

The CTF was founded in Saskatchewan in 1990 when the Association of Saskatchewan Taxpayers and the Resolution One Association of Alberta joined forces to create a national organization. At the end of 2020, the CTF had over 235,000 supporters nationwide.

The CTF maintains a federal office in Ottawa and regional offices in British Columbia, Alberta, Prairie (Saskatchewan and Manitoba), Ontario, Québec and Atlantic Canada. Regional offices conduct research and advocacy activities specific to their provinces in addition to acting as regional organizers of Canada-wide initiatives.

CTF offices field hundreds of media interviews each month, hold press conferences and issue regular news releases, commentaries, online postings and publications to advocate on behalf of CTF supporters. CTF representatives speak at functions, make presentations to government, meet with politicians and organize petition drives, events and campaigns to mobilize citizens to effect public policy change.

Any Canadian taxpayer committed to the CTF's mission is welcome to join at no cost and receive emailed Action Updates. Financial supporters can additionally receive the CTF's flagship publication *The Taxpayer* magazine, published three times a year.

The CTF is independent of any institutional or partisan affiliations. All CTF staff, board members and representatives are prohibited from donating to or holding a membership in any political party. In 2019-20, the CTF raised \$4.8 million on the strength of 39,792 donations. Donations to the CTF are not tax deductible as a charitable contribution.



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Introduction

The New Year's Tax Changes report outlines the major tax changes that will occur in 2023 in each province, such as changes to income taxes, carbon taxes and property taxes. After adding up income taxes, sales taxes, property taxes and all other taxes, the average Canadian family pays [43 per cent](#) of its budget to taxes, according to the Fraser Institute.

This report highlights the tax changes in 2023 and provides cost estimates for increases to payroll taxes, such as the mandatory Canada Pension Plan and Employment Insurance payments, carbon tax hikes, liquor tax increases and bracket creep.

Bracket creep happens when governments don't move tax brackets with inflation and inflation can automatically bump taxpayers into a higher tax bracket even though they can't actually afford to buy more. With bracket creep, the basic personal amount is also eroded over time. The end of the report provides more information on the cost of bracket creep in 2023.

While the government of Canada raised taxes, the Canadian Taxpayers Federation identified [51 other national governments](#) that provided tax relief during the pandemic or to ease the burdens of inflation. National governments that provided tax relief include more than half of G7 and G20 countries and two-thirds of the countries in the Organisation for Economic Co-operation and Development.

Federal Government

Canadian workers making \$40,000 or more will see their federal income-based taxes increase in 2023 due to rising payroll taxes. The federal government is also increasing liquor taxes, the carbon tax and is imposing a second carbon tax through fuel regulations in 2023.

When leaving aside payroll taxes, federal income taxes paid in 2023 will be lower because the federal basic personal amount is [increasing](#) from \$14,398 to \$15,000. Canadians making less than \$165,430 can claim an extra \$602 in tax-free income from the increase in the basic personal amount, saving them about \$90 in income taxes.

However, the increase in the basic personal amount is not keeping up with inflation. The basic personal amount is [increasing](#) from \$14,398 to \$15,000, but with the [high inflation](#), it would need to be \$15,391 for taxpayers to break even. Because the basic personal amount isn't increasing fully with inflation in 2023, Canadians with an income under \$165,430 will see their inflation-adjusted income tax bill increase by \$59.

The table below shows the total change in federal income-based taxes Canadians will pay in 2023 when considering changes to the basic personal amount, Canada Pension Plan and Employment Insurance taxes. Canadians earning \$40,000 or more will pay higher federal income-based taxes in 2023.

Income	Total income-based tax change
\$35,000	-\$9
\$40,000	\$20
\$50,000	\$50
\$60,000	\$80
\$80,000	\$214
\$100,000	\$214
\$150,000	\$214

Canada Pension Plan

The CPP tax rate and maximum pensionable earnings covered by the tax rate are both increasing. Employers and employees will each be required to pay [\\$3,754](#) in 2023. This represents a \$255 tax increase in 2023 for both employees and employers (for workers earning \$66,600 or more).

The CPP tax has been increasing steadily over the past several years. Since 2018, the employee and employer taxes for CPP have increased from \$2,594 in 2018 to \$3,754 in 2023. This represents a CPP tax increase of \$1,160 on both employees and employers since 2018.

Year	Tax rate	Maximum pensionable earnings	Basic exemption	Employee tax	Employer tax
2022	5.70%	\$64,900	\$3,500	\$3,500	\$3,500
2023	5.95%	\$66,600	\$3,500	\$3,754	\$3,754
Increase				\$255	\$255

Totals may not add up because of rounding.

Employment Insurance

The [EI tax rate](#) and maximum insurable earnings will increase. That will require employees to pay \$1,002 and employers to pay \$1,403 into EI in 2023. This represents a \$50 EI tax increase for employees and a \$70 EI tax increase for employers (for workers earning \$61,500 or more).

Year	Tax rate	Maximum insurable earnings	Employee tax	Employer tax
2022	1.58%	\$60,300	\$953	\$1,334
2023	1.63%	\$61,500	\$1,002	\$1,403
Increase			\$50	\$70

Totals may not add up because of rounding.

In [2018](#), the employee and employer tax bills were \$858 and \$1,202 respectively. That means the EI tax for employees has increased by \$144 and has increased for employers by \$201 since 2018.

In total, federal payroll taxes (CPP and EI tax) will cost a worker making \$66,600 or more \$4,756 in 2023. Their employer will also be forced to pay \$5,157.

Carbon tax:

The federal government's [carbon tax](#) is set to increase from \$50 per tonne to \$65 per tonne on April 1, 2023. That will increase the current 11.05 cents per litre carbon tax to 14.31 cents per litre of gas. At that higher rate, the carbon tax will cost a family about \$10.88 every time they fuel up their [minivan](#). Beginning next year, taxpayers in every province and territory, except Quebec, will be forced to pay this federal carbon tax rate.

The federal government [claims](#) that "families are going to be better off"

with its carbon tax and rebate scheme. However, [a Parliamentary Budget Officer report](#) shows the carbon tax will cost the average household between \$402 and \$847 in 2023, even after the rebates. The tables below break down the net cost of the carbon tax to the average household in Alberta, Saskatchewan, Manitoba and Ontario in 2023-24.

Alberta

Year	Total cost	Rebate	True cost (total cost - rebate)
2023	\$2,512	\$1,665	\$847
2024	\$2,967	\$1,948	\$1,018
2025	\$3,408	\$2,215	\$1,194
2026	\$3,867	\$2,441	\$1,425
2027	\$4,312	\$2,662	\$1,650
2028	\$4,724	\$2,849	\$1,874
2029	\$5,113	\$3,033	\$2,080
2030	\$5,469	\$3,187	\$2,282

Totals may not add up because of rounding.

Manitoba

Year	Total cost	Rebate	True cost (total cost - rebate)
2023	\$1,298	\$896	\$402
2024	\$1,574	\$1,081	\$493
2025	\$1,840	\$1,250	\$590
2026	\$2,112	\$1,412	\$701
2027	\$2,375	\$1,562	\$813
2028	\$2,624	\$1,690	\$934
2029	\$2,855	\$1,793	\$1,062
2030	\$3,085	\$1,939	\$1,145

Totals may not add up because of rounding.

Saskatchewan

Year	Total cost	Rebate	True cost (total cost - rebate)
2023	\$1,972	\$1,472	\$500
2024	\$2,350	\$1,743	\$607
2025	\$2,700	\$1,979	\$721
2026	\$3,056	\$2,193	\$863
2027	\$3,362	\$2,357	\$1,004
2028	\$3,565	\$2,376	\$1,189
2029	\$3,831	\$2,477	\$1,353
2030	\$4,085	\$2,620	\$1,464

Totals may not add up because of rounding.

Ontario

Year	Total cost	Rebate	True cost (total cost - rebate)
2023	\$1,356	\$866	\$490
2024	\$1,653	\$1,037	\$616
2025	\$1,942	\$1,200	\$743
2026	\$2,234	\$1,351	\$882
2027	\$2,512	\$1,490	\$1,023
2028	\$2,782	\$1,614	\$1,168
2029	\$3,027	\$1,711	\$1,316
2030	\$3,275	\$1,814	\$1,461

Totals may not add up because of rounding.

Second carbon tax

The federal government is imposing a second carbon tax [through fuel regulations](#) in 2023. If fuel producers can't meet the requirements in the regulations, then they'll be forced to pay the second carbon tax. The second carbon tax will take effect in July 2023.

The second carbon tax is expected to increase the price of gas by up to 13 cents per litre and cost a family \$220 annually by 2030, [according](#) to the government's analysis.

The government's analysis shows that the second carbon tax will "disproportionately impact lower and middle-income households, as well as households currently experiencing energy poverty." That will especially harm "single mothers" and "seniors living on fixed incomes," according to the government.

Liquor taxes

The liquor escalator tax will increase the excise taxes on beer, wine and spirits with inflation on April 1, 2023. Taxes already account for about half of the price of beer, 65 per cent of the price of wine and more than three quarters of the price of spirits.

As inflation is significantly high, so will next year's liquor tax increase. In fact, the liquor escalator will result in a [6.3 per cent](#) increase in the federal excise tax on beer, wine and spirits in 2023.

Other tax increases in Budget 2022:

- Budget 2022 included a tax on property flipping. It will cost taxpayers \$15 million in 2023-24.
- Budget 2022 suggests the vaping tax rate introduced in Budget 2021 could be \$5 for the first 10 mL and \$1 per 10 mL thereafter (for containers with more than 10 mL).
- Budget 2022 included taxes on financial institutions. These taxes will cost taxpayers nearly \$1.3 billion in 2023-24.
- The 2022 Fall Fiscal Update introduced a new tax on businesses buying back shares. The tax will come into effect in the 2023 fiscal year and cost taxpayers \$30 million in 2023 and \$2.1 billion over five years.

British Columbia

Carbon tax

British Columbia's carbon tax is set to rise to \$65 per tonne from \$50 per tonne on April 1, 2023. The carbon tax will cost 14 cents per litre of gas, 17 cents per litre of diesel and 12 cents per cubic metre of natural gas.

Here's how the carbon tax hike will impact a couple in B.C. that owns a [Dodge Caravan](#) and [Ford F-150](#):

The carbon tax will cost nearly \$11 to fuel up the minivan and more than \$14 to fuel up the pick-up truck when it reaches \$65 per tonne. Filling up their minivan once a week and truck once every two weeks will cost the family \$930 in 2023 just to pay the carbon tax.

The average home in Canada uses about [2,385](#) cubic metres of natural gas per year. The total annual carbon tax bill on [natural gas](#), including the first three months of the year at \$50 per tonne, will be \$280.

That means that the total cost of the carbon tax in 2023 will be about \$1,210.

B.C. [announced](#) a one-time \$164 additional carbon tax rebate for the first quarter of 2023. This will be reduced to zero for individuals making more than \$79,376.

The base carbon tax rebate for the first half of 2023 will still be \$194 for adults and \$57 for children. A single individual is no longer eligible for the B.C. carbon tax rebate once they make more than \$44,842, according to the B.C. government.

Second carbon tax

B.C. taxpayers also pay a second carbon tax through fuel regulations that costs about [17 cents per litre of gas](#).

Used car tax

The provincial government [announced](#) that as of October 2022, the Insurance Corporation of B.C. would dictate the price of used cars for sales tax purposes. That means that instead of basing the sales tax on the actual sale, ICBC will use its own price calculations. Reports in late 2022 have already found vehicle buyers being forced to pay [thousands more](#) in sales taxes because of the change.

Property taxes

The taxes that British Columbians pay on their homes are set to rise in 2023. Premier David Eby announced plans to [introduce a tax](#) on homes sold within the first two years of ownership.

Alberta

Bracket creep

The Alberta government [announced](#) that it's re-indexing income tax brackets to inflation, retroactive to the 2022 tax year. This means that affected Albertans will save nearly [\\$300](#) on average due to the elimination of bracket creep.

Gas taxes

In November 2022, the Alberta government announced that the provincial gas tax would be completely removed for at least six months. This will save Albertans [13 cents per litre](#) on both gas and diesel. This means Alberta will continue to have the lowest gas taxes in the country. The entire tax burden at the pumps in Alberta is from the federal government.

Here's how the gas tax cut will impact a family in Alberta that owns a [Dodge Caravan](#) and [Ford F-150](#):

They will save nearly \$9.88 when fueling up their minivan and \$12.74 when fueling up their pick-up truck. Filling up their minivan once a week and truck once every two weeks means this tax cut will save the family \$422 through April 2023.

Saskatchewan

Provincial sales tax

In the 2022 budget, the Saskatchewan government raised taxes by applying the provincial sales tax to previously exempt goods and services. As of Oct. 1, 2022, the six per cent PST was [imposed](#) on movie theatres, hunting and fishing guides, concerts and other events, including Saskatchewan Roughrider games. The tax hike is expected to cost taxpayers \$18 million in 2023.

Small business tax

In August 2022, the Saskatchewan government [announced](#) that it would be extending a temporary reduction of the small business tax by one year. The rate was retroactively set to zero as of July 1, 2022, and will increase to one per cent on July 1, 2023. The tax relief is expected to save the average small business \$3,000.

Property taxes

The city of Saskatoon has passed a 3.93 per cent property tax increase.

Manitoba

Education property tax rebates

Manitoba is [continuing](#) to phase out the education property taxes that are part of annual property tax bills. The average homeowner is set to receive a \$774 rebate on their annual education property taxes. That's an increase of \$193 from 2022.

Vehicle registration fees

[Vehicle registration fees](#) for all non-commercial and off-road vehicles were reduced a year early by 10 per cent as of June 30, 2022, instead of the planned 2023 reduction.

Property taxes

The city of Winnipeg has set a 2.33 per cent property tax increase for 2023.

Ontario

Gas tax

In the summer of 2022, the Ontario government cut the [provincial gas tax](#) by 5.7 cents per litre. The measure was supposed to last until Dec. 31, 2022. On Nov. 13, the government announced that the tax cut would be extended for another full year.

Here's how the gas tax cut will impact a couple in Ontario that owns a [Dodge Caravan](#) and [Ford F-150](#):

They will save nearly \$4.33 when fueling up their minivan and \$5.58 when fueling up their pick-up truck. Filling up their minivan once a week and truck once every two weeks means this tax cut will save the family \$371 in 2023.

Income tax – Low Income Individuals and Families Tax Credit

In the [budget](#), the Ontario government increased the maximum LIFT tax credit by \$25 to \$875. It also increased the range of incomes that can claim this amount. Now, 700,000 more Ontarians making \$50,000 or less are eligible for some form of LIFT tax credit.

However, the LIFT tax credit is still not indexed to inflation. This means that it is still going to be eroded by bracket creep in the coming years, as it has been [in the past](#).

Bracket creep

In Ontario, the lower tax brackets and most of the tax credits are indexed to inflation. However, the top two brackets aren't indexed, and neither is the Low-Income Individuals and Families Tax credit. This year, the income tax bracket creep will cost an Ontario taxpayer up to \$98, depending on income (see the table at the end of the report for how bracket creep impacts different income levels).

Ontario health premiums

While many of Ontario's income tax brackets are indexed, the Ontario Health Premium is automatically deducted from the wages of any Ontarian earning more than \$20,000 per year and its bracket thresholds are not indexed. The [OHP](#) kicks in for anyone earning more than \$20,000 annually and gradually increases to a maximum of \$900 per taxpayer. The base threshold of \$20,000 has remained the same since the tax was introduced in 2004. The \$900 maximum applies to anyone earning \$200,600 or more, which has also not changed since the tax was first introduced. This means that every Ontarian earning more than \$20,000 is subject to bracket creep.

Vacant home tax

The city of Toronto is bringing in a [vacant home tax](#) in 2023. Any residence that is left unoccupied for more than six months of the year will be subject to a tax of one per cent of the current assessed value.

Quebec

Quebec Pension Plan

The Quebec Pension Plan [tax rate](#) is increasing in 2023. This means that employees and employers each pay \$3,930 into the QPP in 2023. This represents a \$154 QPP tax increase for employees and employers. The maximum QPP tax is slated to continue increasing in the future and will reach \$4,290 for employees and employers by 2025.

Year	Tax rate	Maximum pensionable earnings	Basic exemption	Employee tax	Employer tax
2022	6.15%	\$64,900	\$3,500	\$3,776	\$3,776
2023	6.40%	\$64,900	\$3,500	\$3,930	\$3,930
Increase				\$154	\$154

Quebec Employment Insurance

The Quebec EI tax rate and maximum insurable earnings will both increase in 2023. This means employees will pay \$781 and employers will pay \$1,093 into Quebec EI in 2023. This represents a \$57 EI tax increase for employees and an \$80 EI tax increase for employers.

Year	Tax rate	Maximum insurable earnings	Employee tax	Employer tax
2022	1.20%	\$60,300	\$724	\$1,013
2023	1.27%	\$61,500	\$781	\$1,093
Increase			\$57	\$80

Property taxes

The city of Montreal announced a tax increase of 4.1 per cent for residential properties and an increase of 2.9 per cent for non-residential properties. Quebec City announced a \$74 tax increase for the average single-family home.

New Brunswick

Income tax

In November 2022, the New Brunswick government [announced](#) that it was cutting income taxes for most New Brunswick taxpayers. The basic personal amount was raised by \$903 to \$11,720 and the top four tax brackets were all reduced, with the fourth bracket being consolidated into the third bracket.

The table below highlights the tax changes for various income levels.

Income	Tax change
\$50,000	-\$45
\$60,000	-\$132
\$80,000	-\$306
\$100,000	-\$448
\$150,000	-\$781
\$200,000	-\$1,386

New Brunswick is also [increasing](#) the Low-Income Tax Reduction credit by \$909, meaning taxpayers earning less than \$19,177 won't have to pay provincial income tax for the 2022 tax year.

Provincial property taxes

The New Brunswick government is [cutting provincial property taxes](#) on non-owner-occupied residential buildings by 50 per cent in 2023.

Nova Scotia

Carbon tax

On Nov. 22, 2022, the federal government [announced](#) that it would impose its carbon tax on Nova Scotia. This means that the carbon tax in Nova Scotia will be \$65 per tonne beginning on July 1, 2023. This represents a 12 cent per litre of gas tax hike in Nova Scotia.

The federal carbon tax is also applied on home heating oil, which had previously been exempted under the provincial carbon tax. With the tax taking effect on July 1, it will cost the [average](#) home owner \$560 more for heat and hot water for the year, including tax-on-tax due to the harmonized sales tax. A total of [39 per cent](#) of Nova Scotians use home heating oil to heat their homes.

Bracket creep

This year, bracket creep will cost a Nova Scotia taxpayer up to \$653, depending on income (see table at the end of the report for how bracket creep will impact different incomes).

Property taxes

The city of Halifax raised property taxes in its [2022-23 budget](#). Property taxes were increased by 4.6 per cent, meaning the average homeowner will be paying \$94 more in taxes in the coming year.

Prince Edward Island

Carbon tax

On Nov. 22, 2022, the federal government [announced](#) that it would impose its carbon tax on Prince Edward Island. This means that the carbon tax in P.E.I. will go up to \$65 per tonne on July 1, 2023. This represents a three cents per litre tax hike on gasoline.

The federal carbon tax is also applied on home heating oil, which had previously been exempted under the provincial carbon tax. With the tax taking effect on July 1, it will cost the average [3-bedroom bungalow](#) owner \$600 more for heat and hot water for the year, including tax-on-tax from the harmonized sales tax. A total of [56 per cent](#) of Islanders use home heating oil to heat their homes.

Income tax

The 2022 provincial budget increased the [basic personal exemption](#) to from \$11,250 to \$12,000. This takes effect on Jan. 1, 2023. That means Islanders making \$40,000 will see a \$73.50 reduction in their tax bills in 2023.

Bracket creep

This year, bracket creep will cost a P.E.I. taxpayer up to \$263, depending on income (see table at the end of the report for different income levels).

Vape and tobacco tax

On May 7, 2022, the government increased the [tobacco tax](#) by two cents to 29.52 cents per cigarette or tobacco stick. The province also [announced plans](#) to bring in a tax on vaping products, but has not released what the rate will be.

Newfoundland and Labrador

Carbon tax

On Nov. 22, 2022, the federal government [announced](#) that it would impose its carbon tax on Newfoundland and Labrador. This means that the carbon tax in Newfoundland and Labrador will increase to \$65 per tonne, or 14 cent per litre of gas, on July 1, 2023. This represents a three cent per litre tax hike on gasoline.

The federal carbon tax is also applied on home heating oil, which had previously been exempted under the provincial carbon tax. With the tax taking effect on July 1, it will cost the [average](#) home owner \$497 more for heat and hot water for the year, including tax-on-tax from the harmonized sales tax. A total of [15 per cent](#) of residents use home heating oil to heat their homes.

Gas tax

In May 2022, the provincial government temporarily [cut its gas tax](#) by seven cents per litre for eight months, saving the average two-car household \$275. This means that in January 2023, when the temporary tax cut ends, Newfoundland and Labrador's [provincial gas tax](#) will go up by seven cents per litre on both gasoline and diesel. The tax hike will add \$5.32 to the cost of filling up a [minivan](#) and \$6.86 to the cost of filling up a [pickup truck](#).

Pop tax

On Sep. 1, 2022, Newfoundland and Labrador imposed a 20 cent per litre tax on pop and other drinks with added sugar. The tax is expected to cost taxpayers [\\$9 million](#) over the first year.

Cost of living

The provincial government [removed](#) its sales tax on home insurance for one year in its 2022 budget. The tax cut will last until April 7, 2023. The province also cut registration fees for passenger vehicles, light trucks and taxis for one year in its [2022 budget](#).

The government introduced a [refundable tax credit](#) for physical activity. Families can receive up to \$2,000 for registration costs of eligible activities.

Bracket creep

Bracket creep happens when governments don't move tax brackets with inflation and inflation can automatically bump taxpayers into a higher tax bracket even though they can't actually afford to buy more. With bracket creep, the personal basic exemption is also eroded over time. While the federal government and most provinces move their tax brackets with inflation, Nova Scotia and Prince Edward Island continue to take more money from their taxpayers through bracket creep. In Ontario, the lower tax brackets and most of the tax credits are indexed. But the top two brackets aren't indexed, and neither is the Low-Income Individuals and Families Tax credit. The cost of bracket creep in 2023 for the three provinces is listed in the table below.

Income	NS	ON	PEI
\$30,000	\$175	\$ 0	\$21
\$40,000	\$175	\$0	\$107
\$50,000	\$175	\$0	\$107
\$60,000	\$244	\$0	\$139
\$80,000	\$244	\$0	\$263
\$100,000	\$296	\$0	\$263
\$150,000	\$653	\$98	\$263
\$200,000	\$653	\$98	\$263