



**DAVID MOSCROP**

The contributing columnist for the *Washington Post* and author of *Too Dumb For Democracy?*

**SAYS YES**

INTERGENERATIONAL WEALTH TRANSFER is central to perpetuating wealth inequality. Passing assets along—not the cash your grandmother left you or family heirlooms from parents, but high-value property and financial holdings—maintains family wealth and, through it, power. As Baby Boomers die, many countries are preparing for a massive intergenerational wealth transfer. In the US, in the next few decades, analysts are expecting \$68-trillion to be passed along. In Canada, over the next decade, that number could hit CAD \$1-trillion.

Canada has neither an inheritance tax nor an estate tax. Rather than levy a tax on the beneficiary, the Income Tax Act applies a “deemed disposition” at the time of death as if the assets had been sold at fair market value. There are limits, including spousal transfer and a principal residence exemption. The estate transferring the assets is taxed on the deemed disposition on any de facto capital gains when filing income tax.

In 2018 the Canadian Centre for Policy Alternatives made the case for tax reforms aimed at reducing wealth inequality. In “Born to Win: Wealth Concentration in Canada Since 1999,” David Macdonald points out that Canadian estate tax policy “contrasts with the US, which maintains a 40 per cent tax on estates above \$11.2-million, or Japan, which maintains a 55 per cent maximum rate.” Accordingly, he suggests a 45 per cent inheritance tax be adopted and applied to large estates—those with over \$5-million in assets. This would be applied to the beneficiaries of an estate, tackling what is received both as an asset and a transfer of power, because wealth is more than an asset. It’s also a tool. As Macdonald notes, this policy would be consistent with the estate inheritance policies of other G7 countries and would raise some \$2-billion in revenue annually.

Capitalism tends not only towards monopoly but to the general pooling of wealth and power into the hands of the few. Rather than a success, this is a market failure of the sort that worried not just Karl Marx but Adam Smith, who was concerned about inequality as a threat to the market. The same logic can be applied to the health of our democratic institutions, which rely on (but rarely realize) the principles of both formal equality and broadly equal opportunity to influence social, political and economic outcomes in the public interest.

Massive wealth transfers through inheritance drive inequality, undermining the market and our democratic institutions, concentrating not just assets but power into the hands of the few. Not only is there a fundamental moral reason to tax and redistribute to help those in need, there is also a functional one: we need to protect our institutions. Taxing inheritance on the beneficiary side offsets the concentration of power and could even be designed to eliminate it if we so wished. At the very least we need a rebalancing—and we need it now.

VIKki WIERCINSKI

**DIALOGUE**  
PEOPLE WHO DISAGREE ENGAGE  
IN A RESPECTFUL EXCHANGE

# SHOULD CANADA HAVE AN INHERITANCE TAX?



**FRANCO TERRAZZANO**

The federal director of the Canadian Taxpayers Federation

**SAYS NO**



THERE ARE TWO KEY CHALLENGES FOR CANADA as we move beyond the pandemic: growing the economy and addressing government debt. A death tax won’t achieve either.

A death tax won’t come close to balancing the budget, never mind paying down a \$1-trillion federal debt. A death tax on estates valued over \$5-million would generate \$2-billion per year for the feds, according to the Canadian Centre for Policy Alternatives (CCPA). For context, the federal government adds \$424-million to its debt every day. So even if Justin Trudeau received all the death tax money Monday morning, he would blow through it by the end of happy hour on Friday.

In 2018 Canada’s inflation-adjusted per-person spending reached an all-time high. Even before COVID-19, the federal government was spending more than it did during any year of the Second World War.

Politicians would try to sell a death tax as a tax on high earners, similar to the CCPA proposal. But history shows that once politicians are done soaking the rich they quickly set their sights on the wallets of average citizens. Ottawa, for example, imposed its first income tax in 1917 to help pay war expenses. Very few Canadians had to pay the tax, because of its high exemptions. More than a century after the war ended, most Canadians with paycheques now make more than the income-tax-free threshold because of the lower personal exemption.

Similarly, when France introduced its wealth tax in 1988, it was indexed to inflation. But in 1997 the threshold stopped moving with inflation, and as property values rose, more families were hit by the tax.

During Canada’s 2019 federal election, the NDP proposed a tax on wealth over \$20-million. In 2021 they promised a lower threshold of \$10-million. How long before a Canadian party follows New Zealand’s Green Party and demands a wealth tax starting at \$1-million, including the value of primary homes?

A death tax won’t fix the nation’s finances. It would, however, discourage the savings and investment sorely needed for job creation. The Tax Foundation’s 2021 International Tax Competitiveness Index ranked Canada 20th out of 37 OECD countries. After falling two spots this year, Canada is in the bottom half of the pack of developed countries on tax competitiveness. The index noted that a rare bright spot is that “Canada does not levy wealth, estate or inheritance taxes.”

Even Prime Minister Trudeau has dismissed the idea of more taxes on the wealthy. “People know we need to have economic growth in order to create jobs, opportunities,” he said during the 2021 election. “The idea that you can go with unlimited zeal against the successful and wealthy in this country to pay for everything else is an idea that reaches its limit at [some] point.”

Any politician looking to grow investment and recover the economy should prioritize tax relief instead of looking for new schemes to punish hard-working Canadians.