

# **Taxation and top incomes in Canada**

Kevin Milligan  
(University of British Columbia)

Michael Smart  
(University of Toronto)

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## **Abstract:**

We estimate the elasticity of reported income with respect to tax rates for high earners using sub-national variation across Canadian provinces. We argue this allows for better identification of tax elasticities than the existing literature. We find that elasticities of reported income at the provincial level are large for incomes in the top one percent, but small for lower earners. There are strong indications that the response happens both through earned and capital income. While our estimated elasticities are large, changes in tax rates cannot explain much of the overall long-run trend of higher income concentration in Canada.

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