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TARIFFS AS A REGRESSIVE TAX: WHO REALLY PAYS IN CANADA?

The hidden cost of trade protection in Canada
Tariffs act as a hidden tax, raising prices for Canadian consumers

Why Do Tariffs Exist?

Protect Domestic Industries
Shields Canadian firms from foreign producers and competitors

Generate Government Revenue
Generates approximately $4-7 billion annually in federal revenue from customs duties (tariffs)

Respond to Global Competition
Used in trade disputes and negotiations

But these benefits come at a cost,one that is often passed on to Canadian consumers

How Tariffs Raise Prices For Consumers

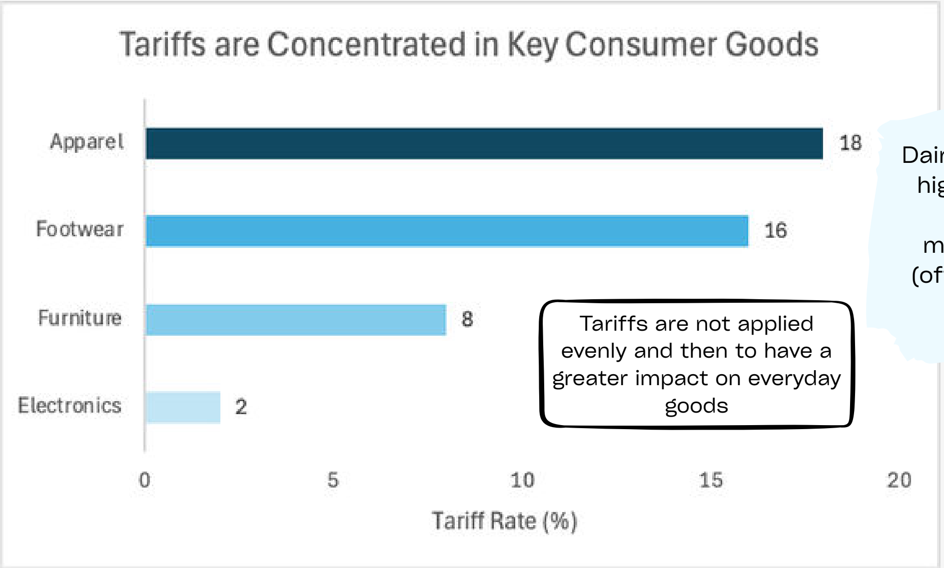
Illustrative example based on typical tariff rates (World Trade Organization, 2024)

Tariffs on consumer goods in Canada can reach **10-18%,** based on data collected by the World Trade Organization (WTO)

Concentration of Tariffs by Sector

While the average tariff rates are relatively low in Canada, higher tariff rates are concentrated in key consumer goods.

This structure means tariffs disproportionately affect goods purchased by households regularly, limiting consumers' ability to avoid higher costs, even when substitutes exist.



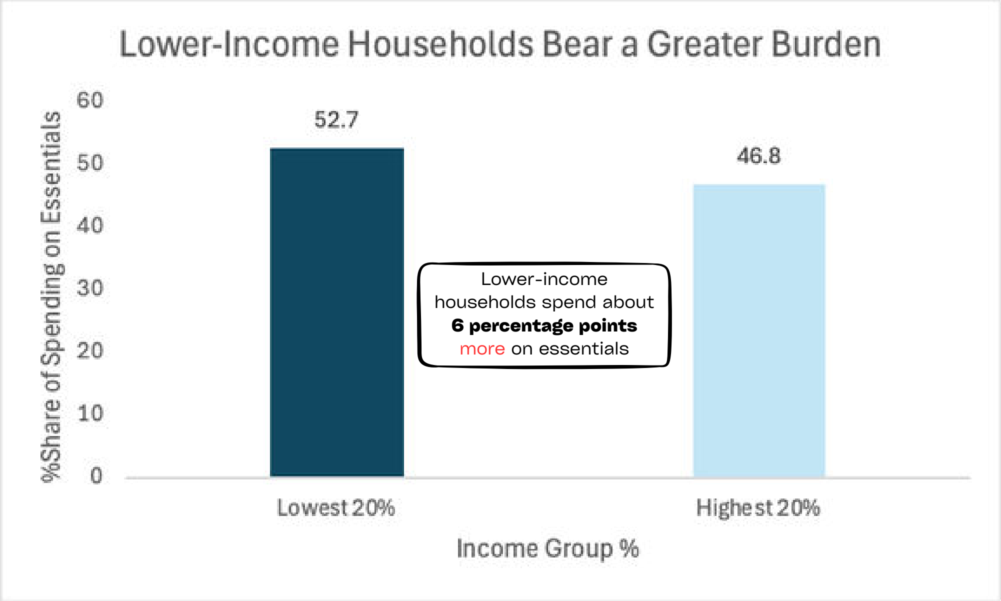
Source: World Trade Organization (2024) World Tariff Profiles; Government of Canada, Customs Tariff

Dairy products face very high tariff rates under Canada's supply management system (often exceeding **200%** outside quotas)

Spending on Essentials by Income Group

Lower-income households spend a larger share of their income on essential goods (food and shelter), making them more vulnerable to tariff-driven price increases that disproportionately raises their cost of living, functioning as a regressive tax.

Tariffs are paid by consumers...<u>especially</u> lower-income households



Source: Statistics Canada (2025), Survey of Household Spending(2023)

Tradeoffs

Protection vs **Consumer Cost**

Benefits

- Protect domestic industries
- Support jobs
- Generate Revenue

Costs

- Higher prices
- Increased costs of essentials
- Regressive impact

Tariffs act as a hidden, regressive tax on Canadian consumers.

While tariffs help protect domestic industries and raise government revenue, they **ALSO** raise prices on everyday goods.

<u>Tariffs may target foreign goods, but their costs are ultimately borne at home, disproportionately impacting lower-income households.</u>

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