



**Written Submission for the Pre-Budget Consultations  
in Advance of the Upcoming Federal Budget**

***By: SINGLE SENIORS FOR TAX FAIRNESS (SSTF)***

## List of Recommendations

- **Recommendation 1:** That the government **implement a tax provision for single seniors** to offset the considerable reduction in tax payable by couples applying pension income splitting.
- **Recommendation 2:** That the government **implement a new non-refundable tax credit for single seniors**, equivalent to **half the basic personal amount** for the applicable taxation year (e.g., **7,853** in 2024).
- **Recommendation 3:** That the government **increase the pension income amount** from **2,000 to 3,000** for **single seniors**.
- **Recommendation 4:** That the government **raise the income clawback thresholds** for both **Old Age Security** and the **age amount non-refundable tax credit** specifically for **single seniors**.
- **Recommendation 5:** That the government amend the tax treatment of **registered plan proceeds on the death of a single senior** to allow a **tax-deferred rollover to any beneficiary** (regardless of relationship to the deceased) provided that:
  - The proceeds are paid out and taxed to the beneficiary over a **maximum of ten (10) years**, and
  - If the beneficiary dies before the ten years have elapsed, the remaining balance becomes fully taxable in the year of their death.

## RATIONALE FOR RECOMMENDATIONS

Single Seniors for Tax Fairness (SSTF) is a nationwide organization lobbying for revisions to the Income Tax Act to provide fairness and equity for single seniors (lifetime single, widowed, divorced or separated seniors aged 65 or older).

### **INCOME TAX ACT PROVISIONS FAVOURING COUPLES**

**Married and common-law spouses benefit from several significant tax advantages not available to single seniors:**

- 1. Pension income splitting** allows couples to allocate up to 50% of eligible pension income from one spouse to the other, reducing their combined taxable income and overall tax payable. This strategy also minimizes or eliminates the clawback of the age amount non-refundable tax credit and Old Age Security (OAS). According to the Government of Canada *Report on Federal Tax Expenditures – Concepts, Estimate and Evaluations 2025*, about 1.5 million couples (3 million people) used pension income splitting in 2022 at a cost of \$1.6 billion. About 2.5 million single seniors contributed to funding this benefit. The projected cost in 2025 is nearly \$2 billion.
- 2. Non-refundable tax credits** reduce or eliminate income taxes. Each spouse can claim these credits – such as the personal, age and pension income amounts – and can transfer certain unused credits, including the age and pension income amounts, to a spouse. This further reduces their tax payable.
- 3. Registered retirement plan** proceeds can be transferred on a tax-deferred basis to the planholder's surviving spouse. Upon the death of a single senior, the total value is taxed as income in the year of death, potentially triggering an OAS repayment and significantly reducing the estate.

## CANADIAN STATISTICS

### According to the 2021 census:

- 39% of Canadians age 65+ are single
- 69% of single seniors live alone so pay all household expenses
- 71% of seniors living alone have incomes of \$50,000 or less

**Note:** *Non-discretionary household expenses - mortgage, rent, utilities, insurance, property taxes, maintenance, etc.- are comparable regardless of household size*

### Population Growth:

- By 2030, adults 65+ will make up 23% of Canada's population
- By 2051, this will rise to 24.9%

### Measurement Gaps:

- Neither the Market Basket Measure (poverty) nor Consumer Price Index (inflation) accurately reflects seniors' needs
- *For example, these tools omit products and services used by seniors and health related expenses which can be considerable for seniors.*

### Societal Shifts contributing to the number of single seniors

- No-fault divorce
- More women are financially independent, allowing single living
- Rise in later or non-marriage
- Long-term care residents without spousal caregivers

## **CASE STUDIES**

### **All cases are based on the following:**

- Tax year 2024, residents of Ontario.
- “Spouse” means legally married or common-law.
- Each person is age 66 and receives the maximum OAS of \$8,732 and Canada Pension Plan payments of \$8,200.
- The non-refundable tax credits are personal amount 15,705, maximum age amount 8,790, and pension income amount 2,000.
- Spouse 1 splits pension income with Spouse 2 so that their total incomes are equal and the combined total incomes of the couple equals the income of the single senior.

### **Clawback thresholds for the Age amount and OAS in 2024:**

- The age amount is reduced by 15% of net income exceeding a threshold of \$44,325 and is eliminated when income exceeds \$102,925.
- The OAS is reduced by 15% of net income exceeding a threshold of \$90,997 and is fully clawed back when income exceeds \$148,065 for seniors aged 65-74 and \$153,771 for seniors aged 75-plus.

### **Eligible pension income for pension income splitting (not CPP or OAS):**

- the taxable part of life annuity payments from a superannuation or pension fund
- received because of the death of a spouse, or if the transferring spouse is at least 65 at the end of the year
- registered retirement income fund (RRIF) and life income fund (LIF) payments
- registered retirement savings plan (RRSP) annuity payments
- certain amounts from other registered plans

## **CASE #1 – Single senior pays more tax on \$50,000 than a couple with the same combined total income**

### **Income**

	<b>Spouse 1</b>	<b>Spouse 2</b>	<b>Single senior</b>
Old Age Security	\$8,732	\$8,732	\$8,732
CPP	\$8,200	\$8,200	\$8,200
Pension – couple splits income	\$8,068 (1)	\$8,068 (1)	\$33,068*
<b>Total/taxable income</b>	<b>\$25,000</b>	<b>\$25,000</b>	<b>\$50,000</b>

\*This amount is used to give the same total/taxable income.

### **Tax payable**

	<b>Spouse 1</b>	<b>Spouse 2</b>	<b>Combined</b>	<b>Single senior</b>
Federal non-refundable tax credits	26,495 (2)	26,495 (2)	52,990 (2)	25,643 (2)
Federal tax payable	\$0	\$0	\$0	\$3,653
Ontario tax payable	\$300	\$300	\$600	\$2,144
<b>Tax payable</b>	<b>\$300</b>	<b>\$300</b>	<b>\$600</b>	<b>\$5,797</b>

### **Comparison of age amount non-refundable tax credit**

	<b>Spouse 1</b>	<b>Spouse 2</b>	<b>Combined</b>	<b>Single senior</b>
Age amount	8,790	8,790	17,580	7,938 (3)

## **CONCLUSION**

**The single senior pays \$5,797 in tax while the couple pays a total of only \$600 on the same combined income – more than 9.6 times more tax.**

This is the result of:

- (1) Spouse 1 splits pension income of \$16,136 with Spouse 2, so each claims \$8,068.
- (2) Each spouse claims the full personal, age and pension income amounts totalling 52,990 while the single senior can claim only 25,643.
- (3) The single senior's age amount is clawed back by 852 to 7,938 while the couple can each claim the maximum for a combined total of 17,580.

## **CASE #2 – Single senior pays more tax on \$100,000 than a couple with the same combined total income**

### **Income**

	<b>Spouse 1</b>	<b>Spouse 2</b>	<b>Single Senior</b>
Old Age Security	\$8,732 (4)	\$8,732 (4)	\$8,732 (4)
CPP	\$8,200	\$8,200	\$8,200
Pension – couple splits	\$33,068 (1)	\$33,068 (1)	\$83,068*
<b>Total income</b>	<b>\$50,000</b>	<b>\$50,000</b>	<b>\$100,000</b>

\* This amount is used to give the same total income.

### **Tax payable**

	<b>Spouse 1</b>	<b>Spouse 2</b>	<b>Combined</b>	<b>Single Senior</b>
Federal non-refundable tax credits	25,643 (2)	25,643 (2)	51,286 (2)	18,346 (3)
Federal tax payable	\$3,653	\$3,653	\$7,306	\$14,399
Social benefits repayment	\$0	\$0	\$0	<b>\$1,350 (4)</b>
Ontario tax payable	\$2,144	\$2,144	\$4,286	\$7,084
<b>Tax payable</b>	<b>\$5,797</b>	<b>\$5,797</b>	<b>\$11,594</b>	<b>\$22,833</b>

### **Single senior amounts after clawback:**

	<b>Spouse 1</b>	<b>Spouse 2</b>	<b>Combined</b>	<b>Single Senior</b>
Age amount	7,938 (2)	7,938 (2)	<b>15,876</b>	<b>641 (3)</b>
OAS	\$8,732	\$8,732	<b>\$17,464</b>	<b>\$7,382 (4)</b>

## **CONCLUSION**

**The single senior pays \$22,833 in tax; the couple pays only \$11,594 - the single senior is paying almost twice as much tax.**

This is the result of:

- (1) Spouse 1 splits pension income of \$66,136 with Spouse 2, so each claims \$33,068.
- (2) Each spouse claims full personal and pension income amounts and each receives an age amount of 7,938 (partial clawback) for total non-refundable tax credits of 51,286.
- (3) The single senior's age amount of 8,790 is clawed back to 641 for total non-refundable credits of 18,346.
- (4) The single senior has a partial OAS repayment of \$1,350 resulting in net OAS income of only \$7,382, while each spouse receives the full \$8,732 in OAS totalling \$17,464 without clawback.

### CASE #3 - Summary of the disparity in tax payable and clawback of age amount and OAS for the single senior compared to the couple.

Assumptions: The spouses each have half of the total income; the combined spouses' income equals the total income of the single senior. Other assumptions are on page 5.

Total income	Couple's total tax	Single senior's tax	Extra tax paid by single senior	Single senior age amount clawback	Couple's age amount clawback	Single senior OAS clawback	Clawback of OAS for the couple
\$30,000 (1)	\$0	\$1,246	<b>\$1,246</b>	0	0	\$0	\$0
\$40,000 (2)	\$0	\$3,477	<b>\$3,477</b>	0	0	\$0	\$0
\$50,000 (3)	\$600	\$5,797	<b>\$5,197</b>	<b>852</b>	0	\$0	\$0
\$70,000 (4)	\$4,648	<b>\$11,946</b> (6)	<b>\$7,298</b>	<b>3,852</b>	0	\$0	\$0
\$100,000 (5)	<b>\$11,594</b> (6)	\$22,833	<b>\$11,239</b>	<b>8,149</b>	<b>1,704</b>	<b>\$1,350</b>	\$0

(1) & (2) couple pays no taxes while single senior pays 4.2% and 8.7% of income in taxes

(3) single senior pays almost 10 times as much tax as the couple. See page 6 for details.

(4) single senior pays over 2.5 times as much tax as the couple

(5) single senior pays almost twice as much tax as the couple; couple receive two full OAS totalling **\$17,464**. See page 7 for details. Note: the couple has no clawback of the age amount except at \$100,000.

(6) single pays **\$11,946** tax on \$70,000; a couple can earn \$100,000 before paying almost paying the same tax (**\$11,594**)

### CONCLUSION

Single seniors consistently pay significantly more in taxes than senior couples with the same or greater income, up to **10 times more** in some cases. This highlights a clear need for **fairer tax treatment**.



## **CASE #4– Effect of non-rollover of registered funds to non-spousal beneficiary**

The rollover provisions for registered plans, like RRSPs and RRIFs, upon death do not reflect current economic and social conditions. Many single seniors are supporting their adult children given high home prices, daycare costs, lack of employee benefits, etc.

Upon the death of a single senior, the proceeds of RRSPs/RRIFs/etc. are fully taxed at up to 50+%. In addition, the full OAS may be clawed back. In contrast, a surviving spouse, who has received tax-deferred assets from their deceased spouse, can withdraw money at any time, pay the tax, and give the balance to anyone. SSTF is proposing an option for any beneficiary of a single senior to have the value paid out, and taxed, over a maximum ten-year period. This would still generate tax revenue but be fairer treatment of single seniors' estates. Surviving spouses receive the annual income from their deceased spouses' RRIFs for their lifetimes, which may well exceed ten years. [Note: In the USA, the proceeds upon death of an Individual Retirement Account (IRA) can be paid out over 10 years to any non-spousal beneficiary.]

**Actual Case:** Two Nova Scotia sisters have shared a home and all expenses for fifty years. They want the right to transfer their RRIFs to the surviving sister's RRIF when the first one dies. But the law says no. That is allowed only if the housemate is a spouse – not a sister.

## **CONCLUSION**

### **Canada's tax system fails to treat single seniors equitably**

Despite the principle of tax fairness, current provisions in the *Income Tax Act* shift the tax burden from senior couples to single seniors through:

- Pension income splitting
- Double and transferable non-refundable tax credits
- OAS and age amount clawbacks that disproportionately affect singles
- Immediate full taxation of registered retirement plans upon death

Recent enhancements such as Pharmacare, Dental Care, and various tax credits do not address **these structural income tax inequities** that single seniors face nor do increases in GIS since many single seniors who are unfairly taxed are not eligible to receive those payments.

**Canada's tax policy must be modernized to reflect the realities of 2025 and ensure fair treatment for all seniors, regardless of marital status.**

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