



OFFICE OF THE PARLIAMENTARY BUDGET OFFICER  
BUREAU DU DIRECTEUR PARLEMENTAIRE DU BUDGET

## Election Proposal Costing

# Eliminating resource deductions for the oil and gas sector

April 14, 2025

Corporations in the oil and gas sector will no longer be permitted to deduct Canadian development expenses and oil and gas property expenses from taxable income or renounce expenses to investors via flow through share agreements. The policy would be effective as of July 1, 2025.

### Cost of Proposed Measure

Fiscal year	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
<b>Total cost</b> \$ millions	-1,015	-2,878	-3,323	-3,584	-3,741	-14,542

### Notes

- Estimates are presented on an accrual basis as would appear in the budget and public accounts.
- A positive number implies a deterioration in the budgetary balance (lower revenues or higher spending). A negative number implies an improvement in the budgetary balance (higher revenues or lower spending).
- Totals may not add due to rounding.

### Estimation and Projection Method

Corporate tax (T2) data was used to estimate the stocks and flows of resource-related expenses by taxable corporations in the oil and gas sector. Resource expenditures were assumed to grow in line with the EPC baseline. The revenue impact was estimated from the increase in taxable income occurring as resource related expenses are no longer deductible. The estimate did not account for potential alternative accounting or tax treatment of resources expenditures. SPSPD/M 30.00 was used to estimate the marginal effective tax rate paid by investors deducting flow through expenses.

Revenue estimates were adjusted lower to account for corporations changing their behaviour in response to the additional tax.

### Sources of Uncertainty

The main sources of uncertainty relate to the projection of business investment and to behavioural responses from corporations affected by this measure. There is additional uncertainty over the cumulative effect of new policies on the tax base in the oil and gas sector.

### Data Sources

#### Resource-related deductions

T2 form Schedule 12

**Renounced expenses under flow-through share agreement**

T2 form Schedule 12 lines 343 and 344

**Investment in non-residential construction**

EPC baseline projection

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