



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

Cost Estimate of Election Campaign Proposal

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Short Title: Implementing a month-long GST holiday in December 2021

Description: This policy would implement a month-long period (December 2021) during which the GST would not be charged on purchases of most goods from retail stores. Retail purchases of motor vehicles (and parts), alcoholic beverages, cannabis products and e-commerce purchases would not be eligible for the GST holiday.

Cost of Proposed Measure:	\$ millions	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	Total
Total cost		1,819	-	-	-	-	1,819

Notes:

- Estimates are presented on an accrual basis as would appear in the budget and public accounts.
- A positive number implies a reduction in the budgetary balance (lower revenues or higher spending). A negative number implies an increase in the budgetary balance (higher revenues or lower spending).
- "-" = PBO does not expect a financial cost.

Estimation and projection method: Statistics Canada's retail trade data were used to estimate the level of retail sales eligible for the GST holiday under the proposal. These figures were projected forward using the EPC baseline to estimate the level of eligible retail sales from November 2021 to January 2022.

The static cost of the GST holiday was calculated as five per cent of eligible retail purchases made during the month of December 2021.

A behavioural effect was incorporated to reflect households shifting some of their purchases to take advantage of the GST holiday. PBO assumed that six per cent of eligible retail sales in November 2021 and January 2022 (under the EPC baseline projection) would be shifted to December 2021. PBO also assumed that there would be no overall increase to eligible retail purchases made over the course of 2021-22.

Source of Uncertainty: The main source of uncertainty relates to the size of the behavioural effect, both in terms of the timing and incrementality of purchases. There is also uncertainty surrounding the EPC baseline projection used to estimate monthly purchases over 2021-22.

Data Sources:	Variable	Source
	Retail trade sales by industry	Statistics Canada
	Consumer spending	PBO EPC baseline