

Election Proposal Costing

Surtax on corporations with taxable income over \$500 million

April 19, 2025

Introducing a 2% surtax on corporations with taxable income exceeding \$500 million, effective January 1, 2025.

Cost of Proposed Measure

| Fiscal year | 2025-2026 | 2026-2027 | 2027-2028 | 2028-2029 | 2029-2030 | Total |
|----------------------------------|-----------|-----------|-----------|-----------|-----------|--------|
| Total cost \$ millions | -1,591 | -1,626 | -1,685 | -1,667 | -1,675 | -8,243 |

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

PBO estimated the cost of this measure by simulating the proposed changes in our T2 microsimulation model. The new surtax was applied to taxable corporations with a taxable income above \$500 million, as reported on line 360 of the T2 form. A surtax equal to 2% of taxable income exceeding \$500 million was added to the Base Amount of Part I tax on line 550 of the T2 return. Taxable income up to \$500 million was not subject to the surtax.

Estimated revenue from the surtax was assumed to grow in line with the EPC baseline projection of corporate income tax revenue over 2024 to 2030. Revenue estimates were then adjusted lower to account for corporations changing their behaviour in response to the surtax.

Sources of Uncertainty

The main sources of uncertainty relate to the projection of corporate tax revenue and to assumed behavioural responses from corporations affected by this measure.

Data Sources

Taxable income

Line 360 of the T2 form, 2023 tax reference year

Part I tax payable

Line 550 of the T2 form, 2023 tax reference year

Corporate income tax revenue

PBO baseline fiscal projection

© Office of the Parliamentary Budget Officer, Ottawa, Canada, 2025 / EL-45-1023364-P_e