



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

# Cost Estimate of Election Campaign Proposal

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Short Title: Enhancing support for tech start-ups

Description: Introducing flow-through shares to technology start-up firms. These shares would allow technology firms to renounce eligible expenses to the owners of the shares. Individuals or firms with these shares would be able to claim these expenses when filing their taxes. The proposal would go into effect January 1, 2022.

Cost of Proposed Measure:	\$ millions	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	Total
Total cost		71	288	306	326	348	1,339

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: PBO estimated the amount of expenses renounced using flow-through shares as a percentage of GDP in sectors where these shares were already in use. This percentage was applied to technology firms' GDP to estimate the amount of expenses that would be renounced. It was assumed that firms renouncing expenses would not be in a taxable position before or after renouncing. The decrease in tax revenues due to the renounced expenses was calculated using the tax rates of those currently holding flow-through shares.

Source of Uncertainty: The main source of uncertainty relates to using historical data in one sector to estimate future values in another. There could also be differences in tax rates between current and new holders of flow-through shares.

Data Sources:	Variable	Source
	Prescribed interest rates	Canadian Revenue Agency
	Effective personal income tax rate	SPSD/M 28.1 <sup>1</sup>
	Renounced expenses	Statistics Canada
	Effective corporate income tax rate	
	Flow-through share deductions	
	Real and nominal GDP	PBO EPC baseline, Statistics Canada

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<sup>1</sup> This analysis is based on Statistics Canada's Social Policy Simulation Database and Model (SPSD/M). The assumptions and calculations underlying the SPSPD/M simulation results were prepared by the Office of the Parliamentary Budget Officer (PBO) and the responsibility for the use and interpretation of these data is entirely that of the PBO.