



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

Cost Estimate of Election Campaign Proposal

Publication Date:	September 2021						
Short Title:	Increase the corporate income tax rate to 18%						
Description:	Raising the general corporate income tax (CIT) rate from 15% to 18% beginning on October 1, 2021.						
Cost of Proposed Measure:	\$ millions	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	Total
	Total cost	-2,691	-5,458	-5,693	-5,934	-6,133	-25,910
Notes:	<ul style="list-style-type: none">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:	<p>PBO used its microsimulation model of T2 returns to estimate the static impact of increasing the general corporate income tax rate from 15% to 18%. The model uses administrative data provided to Statistics Canada by the Canada Revenue Agency (CRA).</p> <p>Simulations were run on 2017 tax data. To account for growth in the tax base since 2017, we scaled the cost estimates by the EPC baseline projection for CIT revenues. The dividend tax credit and gross-up rates were adjusted for each year to maintain integration between personal and corporate income taxes. This was done using SPSPD/M v28.1¹ and the personal income tax offset was scaled by the PBO's growth forecast for nominal GDP.</p>						
Source of Uncertainty:	The estimate was based on 2017 tax data which may not be representative for the simulated years. No behavioral effects were incorporated.						
Data Sources:	Variable	Source					
	Corporate income tax revenues	T2-LEAP, Statistics Canada, CRA					
	Personal income tax revenues	SPSPD/M v28.1					
	Nominal GDP	PBO EPC Baseline					

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¹ This analysis is based on Statistics Canada's Social Policy Simulation Database and Model (SPSPD/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.