

Election Proposal Costing

Eliminating the corporate meals and entertainment expenses deduction

April 11, 2025

Eliminating corporate meals and entertainment expenses deduction for corporations, effective July 1, 2025. The proposed measure will preclude corporations from claiming Goods and Services Tax (GST) paid on meals and entertainment expenses as an input tax credit (ITC).

Cost of Proposed Measure

Fiscal year	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Total cost \$ millions	-707	-978	-1,029	-1,035	-1,056	-4,805

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

The cost of the proposed measure was estimated as the change in federal corporate income tax (CIT) paid after the elimination the proposed deduction.

Using PBO's T2 microsimulation model and the 2023 T2 corporate tax database, net income (or loss) for tax purposes was adjusted by the amount of the eliminated deduction if claimed. The increase in corporate federal taxes paid was projected using PBO's EPC baseline projections. A 5% GST rate was applied on the total value of deductions to estimate the value of lower ITC claims. A behavioural response was not incorporated.

Sources of Uncertainty

The main sources of uncertainty are related to the CIT projections and the value of the ITC claims, as well as the assumed lack of behavioural response.

Data Sources

Corporate Meals and Entertainment Expenses, Number of Corporations Claiming Meals and Entertainment Expenses, Net Federal Taxes Paid

T2 Schedule 200 and Schedule 1 administrative data, Statistics Canada

CIT Revenue Projections

EPC Baseline – April 2025, Office of the Parliamentary Budget Officer

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