



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

Cost Estimate of Election Campaign Proposal

Publication Date:	September 2021						
Short Title:	Financial transaction tax						
Description:	Introducing a financial transaction tax (FTT) on all financial transactions in Canada at 0.5% of transaction value. This proposal will be effective January 1, 2022.						
Cost of Proposed Measure:	\$ millions	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	Total
	Total cost	-7,574	-30,874	-33,236	-35,784	-38,532	-146,000
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:	The tax base was estimated using transaction volumes for equity trading, bond trading, exchange traded derivatives, over-the-counter (OTC) derivatives, foreign exchange (FX) spot market, FX swaps, FX outright forwards, FX OTC and the money market. Potential revenue from the proposal was estimated using the methodology in European Commission report's Securities and Exchange Commission (2011) 1102 final. Growth in transactions was projected based on recent trends. Relocation and fiscal evasion between 10% to 90% was assumed depending on the financial product.						
Source of Uncertainty:	The main sources of uncertainty relate to the magnitude of the behavioural responses and to the trend projection of financial transactions.						
Data Sources:	Variable	Source					
	Equity market transactions	Bank of Canada / Investment Industry Regulatory Organization of Canada					
	Bond market transactions	Bank of Canada / Investment Industry Regulatory Organization of Canada					
	Money market transactions	Bank of Canada / Investment Industry Regulatory Organization of Canada					
	Derivative transactions	Bank for International Settlements / Depository Trust and Clearing Corporation					
	Foreign exchange transactions	Canadian Foreign Exchange Committee					