



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

Election Proposal Costing

Increasing the capital gains inclusion rate

April 19, 2025

Increasing the inclusion rate of capital gains realized on or after July 1, 2025, from one half to two thirds for corporations and trusts, and from one half to two thirds on the portion of capital gains realized in the year that exceed \$250,000 for individuals.

Cost of Proposed Measure (\$ millions)

Fiscal Year	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Personal Income Tax	\-332	\-	\-	\-	\-	\-332
Corporate Income Tax	\-687	\-	\-	\-	\-	\-687
Total costs	\-1,019	\-	\-	\-	\-	\-1,019

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's EPC Baseline fiscal projection already incorporates the additional revenue from increasing the capital gains inclusion rate on January 1, 2026. The fiscal impact of increasing the inclusion rate sooner therefore only represents the additional revenue from the higher inclusion rate being effective in the second half of 2025.

Consistent with prior analysis, PBO applied the same methodology to calculate the projected baseline amount of capital gains realization adjusted for losses.¹ The behavioural response that was assumed to take place before the end of 2025 in our baseline scenario (an increase in capital gains realizations just before the new rate becomes effective) is now assumed to take place just before the new implementation date of July 1, 2026.

Sources of Uncertainty

There is an inherent uncertainty related to the volatile nature of capital gains. Furthermore, the distinctive context surrounding the announcement of the reform on capital gains taxation makes it difficult to accurately predict the extent of the behavioral response. Further, while the total cost of the measure would

not be materially affected, the breakdown between CIT and PIT revenues may vary significantly if the distribution of ordinary taxable dividends by CCPCs realizing capital gains deviates from its historical trend.

Data Sources

Corporate Income Tax Base

T2 administrative data obtained through Statistics Canada, PBO's EPC Baseline

Personal Income Tax Base

[IR0787](#) to the Canada Revenue Agency, PBO's EPC Baseline

Trusts Income Tax Base

T3 Trust Statistics from the Canada Revenue Agency

Foreign Ownership of Canadian Corporations

Statistics Canada Table: 33-10-0570-01

Effective Federal Tax Rate

SPSD/M, T2 administrative data

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1. ["Increasing the Capital Gains Inclusion Rate"](#) released August 1st, 2024.

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