

Costing Note

Publication date:	2020-10-07											
Short title:	Tax Free Seniors Benefits											
Description:	Mr. Ziad Aboultaif M.P. requested the removal of federal income taxes on Canada Pension Plan/Quebec Pension Plan (CPP/QPP) and OAS benefits received by seniors with limited sources of income. The funds to pay for the measure will come from general revenue of the federal government and not from an increase in future CPP/QPP contributions.											
Data sources:	<table><tr><th><u>Variable</u></th><th><u>Source</u></th></tr><tr><td>The number of seniors eligible for the CPP/QPP tax benefits removal</td><td>SPSD/M, Statistics Canada</td></tr><tr><td>The number of seniors eligible for the OAS tax benefits removal</td><td>SPSD/M, Statistics Canada</td></tr><tr><td>Total CPP/QPP benefits by income bracket</td><td>SPSD/M, Statistics Canada</td></tr><tr><td>Total OAS benefits by income bracket</td><td>SPSD/M, Statistics Canada</td></tr></table>	<u>Variable</u>	<u>Source</u>	The number of seniors eligible for the CPP/QPP tax benefits removal	SPSD/M, Statistics Canada	The number of seniors eligible for the OAS tax benefits removal	SPSD/M, Statistics Canada	Total CPP/QPP benefits by income bracket	SPSD/M, Statistics Canada	Total OAS benefits by income bracket	SPSD/M, Statistics Canada	
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The number of seniors eligible for the CPP/QPP tax benefits removal	SPSD/M, Statistics Canada											
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Total CPP/QPP benefits by income bracket	SPSD/M, Statistics Canada											
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Estimation and projection method:	<p>The program was assumed to become available as at January 1, 2021. The Statistics Canada’s Social Policy Simulation Database and Model (SPSD/M)¹ were used to estimate the fiscal cost of removing federal income taxes on CPP/QPP and OAS benefits received by seniors who have no sources of income other than: CPP/QPP Benefits, Old Age Security (OAS) Benefits, Guaranteed Income Supplement (GIS) Benefits, Spouse’s Allowance, elderly top-ups benefits, social assistance, alimony and support payments, and child care benefits. The number of seniors who would benefit from this tax removal and the amount of benefit they will receive were estimated using SPSPD/M. Eligible individuals were assumed to have zero income from the following sources: employment earnings; self-employment earning; other pension income; other taxable income; interest and other investment income; dividends; capital gains and losses; pension income transferred from spouse; employment insurance benefits; Registered Retirement Savings Plan withdrawals income; Quebec Parental Insurance Plan; and Workers Compensation Benefits.</p> <p>The cost of removing the federal income taxes on CPP/QPP and OAS benefits for each eligible senior was equal to the amount of benefit received multiplied by the average effective income tax rate of each senior. The total cost was equal to the sum of the cost of removing the federal income taxes on CPP/QPP and OAS tax benefits for all eligible seniors.</p>											

¹ 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.

Aggregate Results: PBO estimates this program to cost \$268.1 million in 2020-2021 and \$1,083.4 million in 2021-2022. The time horizon for this costing is aligned to PBO's September 29, 2020 Economic and Fiscal Scenario.

Sources of Uncertainty: The estimate has low uncertainty. The uncertainty is attributable to the number of seniors eligible for the CPP/QPP and OAS tax benefits removal estimated using SPSPD/M which has inherent uncertainty.

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Cost of proposed measure

\$ millions	2020-2021	2021-2022
Total cost	268.1	1,083.4

Notes:

Estimates are presented on an accruals basis as would appear in the budget and public accounts.

Positive numbers subtract from the budgetary balance, negative numbers contribute to the budget balance.

"-" = PBO does not expect a financial cost