

Cost estimate of Election Campaign Proposal

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Short title: GST/HST on online sales in Canada

Description: Requiring E-commerce companies to collect and submit GST/HST on all their transactions in Canada.

Operating line(s): Goods and Services Tax

Data sources:	<u>Variable</u>	<u>Source</u>
	Estimated Tax Loss (Quebec)	Tax Havens: Tax Fairness Action Plan
	Digital Economy GDP	Statistics Canada
	Historical GDP	Statistics Canada
	Growth of Household Final Consumption Expenditure	PBO

Estimation and projection method: The cost estimate is based, in part, on the amount of tax loss for Quebec attributable to E-commerce outside of Canada in 2017 that was estimated in the Tax Fairness Action Plan. This includes the purchase of intangible digital services previously not subject to tax (for example, video streaming services), as well as taxes that were not collected by the Canadian Border Services Agency (CBSA) on tangible products.

The estimate of Quebec's tax loss for intangible and tangible goods and services was adjusted to represent a cost estimate for all of Canada, based on Quebec's share of E-commerce in the Canadian economy. The cost estimate also accounts for the difference in Quebec's sales tax and the GST.

Estimated tax revenue was then extrapolated using growth in household final consumption expenditure from PBO's baseline projection.

Uncertainty assessment: The cost estimate has moderate uncertainty. There is some uncertainty in the modelling approach and data quality as figures are estimated from external data (Quebec's Tax Fairness Action Plan) and survey-based data. There is no behavioural response included in the estimation and all E-commerce companies are assumed to fully comply with the policy.

Cost of proposed measure

\$ millions	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029
Total cost	-194	-781	-805	-831	-859	-889	-921	-955	-990	-1,026

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