

Election Proposal Costing

Minimum tax on accounting profits

April 19, 2025

The proposed measure would set a minimum tax rate of 15% on a corporation's accounting profits, effective January 1, 2025. If a corporation's tax payable in a given year is lower than 15% of its net income, the corporation would be required to pay additional tax to make up the difference.

Cost of Proposed Measure

Fiscal year	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Total cost \$ millions	-3,929	-4,017	-4,162	-4,118	-4,137	-20,363

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 estimated the cost of this measure by simulating the proposed changes in our T2 microsimulation model. A corporation's before-tax accounting profits are defined as net income reported on line 9999 of schedule 125 of the T2 form, plus provisions for current and future taxes. Under the proposal, a corporation's tax payable is calculated as the greater of the following:

- 15% of before-tax accounting profits as defined above; or,
- Estimated tax payable as per current corporate income tax rules.

Small businesses and large multinational corporations that are subject to Canada's Global Minimum Tax are assumed to be exempt from the policy. Federal revenues are computed based on the federal share of the statutory corporate income tax rate.

Estimated revenue was assumed to grow in line with the EPC baseline projection. Revenue estimates were then adjusted lower to account for corporations changing their behaviour in response to the minimum tax.

Sources of Uncertainty

The main sources of uncertainty relate to the projection of corporate tax revenue and to behavioural responses from corporations affected by this measure. There is also uncertainty over how the proposed measure would interact with the Global Minimum Tax.

Data Sources

Net income/loss after taxes and extraordinary items

T2 schedule 125 line 9999

Total federal tax payable

T2 schedule 200 lines 700 to 728

Corporate income tax revenues

PBO baseline fiscal projection

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