

Legislative Costing Note

This is an independent cost estimate of a budgetary measure contained in the federal government's Fall Economic Statement 2020 (FES 2020). A list of the PBO's cost estimates of components of the FES 2020 can be viewed on [its website](#).

Publication Date:	2021-02-10	
Short Title:	Taxing sales of digital products and services	
Description:	This measure would require foreign-based vendors selling digital products or services to consumers in Canada and digital marketplace platforms to register for, collect and remit the GST/HST on their taxable sales to Canadian consumers.	
Data Sources:	Variable	Source
	Canadian revenues for digital products and services	Netflix Annual Report Alphabet (Google) Annual Report Spotify Annual and Quarterly Reports Statistics Canada study on the economic impacts of music streaming platforms on Canadian creators Bloomberg Statista Media in Canada
	Projected future growth rates of various sectors	PricewaterhouseCoopers (PwC) "Global Entertainment & Media Outlook" report Statista
	Exchange rates	Bank of Canada
Estimation and Projection Method:	The Canadian revenues for digital products and services, that do not already collect GST/HST on their sales, were estimated using annual company reports, Statistics Canada data, and various external sources.	
Sources of Uncertainty:	The revenues were projected forward using various sources including PwC's projected growth rates for different sectors. The GST tax rate was then applied to the projected revenues.	
	There is some uncertainty in the modelling approach and data quality as figures are estimated from external data (annual reports) and survey-based data. Moreover, there is a potential behavioural response of consumers switching to other digital products and services due to a potential increase in price, however, the amount of GST to the federal government remains the same. All digital platforms are assumed to fully comply with the policy.	
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Cost of proposed measure

\$ millions	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
Total cost	-	-176	-254	-278	-304	-332

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.

