

# Cost Estimate of Election Campaign Proposal

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Short title: Measures to reduce costs for small and medium sized businesses

Description: This measure has two parts:

1. Reducing the cost of federally incorporating a company from the current \$200 fee to \$50.
2. Offering new businesses a \$250 voucher that can be used to pay for e-commerce support services from Canadian service providers.

Operating line(s): Other revenues

Data sources:	<u>Variable</u>	<u>Source</u>
	Number of New Federal Incorporations	Innovation, Science and Economic Development Canada (public data)
	Number of New Federal and Provincial Incorporations	Canada Revenue Agency (public data)
	Business Counts by Industry	Statistics Canada (public data)

Estimation and projection method: Item 1: All firms that incorporate federally would be affected. The cost estimates were based on actual data on the number of new federal incorporations. Projections of the number of new federal incorporations were based on the annual growth trend in new federal and provincial incorporations. These figures were then combined with the cost of the reduction (\$150) in federal incorporation fees to derive the total cost.

Item 2: All firms incorporated either federally or provincially from January 1, 2019 onwards would be affected, with firms remaining eligible for up to one year after incorporation. Estimates were based on actual data on the number of new federal and provincial incorporations, with projections based on the annual growth trend of this data. The uptake rate of this program was based on PBO assumptions of usage rates of e-commerce services by industry. The cost of the measure was determined by multiplying the usage rate by the number of affected firms and then applying the value of the voucher (\$250).

Uncertainty assessment: Item 1: The estimate has moderate uncertainty. It was assumed that the nominal reduction in federal incorporation fees will not have a behavioural effect on the number of firms incorporating federally. The projection of new federal incorporations was based on an aggregate trend of both federal and provincial incorporations. It was assumed that this trend is equally reflective of the federal component. Finally, economic factors can affect the number of new firms seeking federal incorporation going forward.

Item 2: This estimate has high uncertainty. The uptake rate of the voucher was estimated through assumptions of usage rates of e-commerce in new firms;

these were based on a breakdown of the count of small and medium enterprises by industry, with proportions of e-commerce usage applied to each industry.

### 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
Item 1 Reduction in Federal Incorporation Fees	2	7	7	7	7	7	7	7	8	8
Item 2 E-commerce Voucher for New Corporations	5	19	19	19	19	19	19	19	20	20

**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