

Cost Estimate of Election Campaign Proposal

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Short Title: Increased investment in Canada Revenue Agency (CRA) audit enforcement

Description: Increasing the investment in CRA audit enforcement by \$100 million per year beginning on October 1, 2021.

Cost of Proposed Measure:	\$ millions	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	Total
Total cost		-234	-492	-490	-443	-407	-2,066

Notes:

- Estimates are presented on an accrual basis as would appear in the budget and public accounts.
- A positive number implies a reduction in the budgetary balance (lower revenues or higher spending). A negative number implies an increase in the budgetary balance (higher revenues or lower spending).
- "-" = PBO does not expect a financial cost.

Estimation and projection method: The requesting party identified a set spending envelope for additional audit enforcement. The corresponding revenue increase was estimated based on the PBO's October 2020 publication regarding business tax compliance.

Source of Uncertainty: There are several sources of uncertainty regarding this estimate. First, PBO notes that the Canada Revenue Agency has received significant increases in resources over the past decade to increase tax compliance. As such, it is unclear that it can continue to absorb new cash inflows in a timely manner. The historical relationships of expenses and revenues may start to erode as more resources are devoted to enforcement. The estimate is sensitive to the PBO's baseline, as economic growth will directly influence the base of taxable income. A behavioural response is expected and reflected through our revenue attrition assumption.

Data Sources:	Variable	Source
	Planned additional spending on audit enforcement	Provided by the requestor
	Annual returns on investment for business compliance programs	PBO Report: Estimating the Return of Additional Federal Spending on Business Tax Compliance