



OFFICE OF THE PARLIAMENTARY BUDGET OFFICER
BUREAU DU DIRECTEUR PARLEMENTAIRE DU BUDGET

Cost Estimate of Election Campaign Proposal

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Short Title: Minimum tax for high-income individuals

Description: Introducing a minimum effective tax rate of 15% for individuals with taxable income above the threshold for the top bracket (\$222,661 for 2022). The minimum tax will be calculated as 15% of taxable income and will replace the net federal tax where net federal tax is lower than the minimum tax. Foreign income taxes paid will be used to reduce the minimum tax payable, based on the share of foreign income in net income, to avoid double-taxation of income. For Quebec residents, the refundable Quebec abatement will be calculated based on the minimum tax amount when it is greater than net federal tax.

Cost of Proposed Measure:	\$ millions	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	Total
Total cost		-99	-393	-405	-413	-423	-1,734

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: SPSPD/M¹ was used to estimate the fiscal impact of introducing the minimum tax. A behavioural response was included.

Source of Uncertainty: The main sources of uncertainty relate to the magnitude of the behavioural response and the absence of data on the tax on split income (TOSI) in SPSPD/M.

Data Sources:	Variable	Source
	Taxable income	SPSPD/M
	Net income	SPSPD/M
	Net federal tax	SPSPD/M
	Net foreign income	SPSPD/M
	Foreign tax paid	SPSPD/M

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¹ This analysis is based on Statistics Canada's Social Policy Simulation Database and Model (SPSPD/M). The assumptions and calculations underlying the SPSPD/M simulation results were prepared by the Office of the Parliamentary Budget Officer (PBO) and the responsibility for the use and interpretation of these data is entirely that of the PBO.