

Election Proposal Costing

Corporate capital tax

April 24, 2025

Introducing a 0.225% tax on corporations' taxable capital employed in Canada exceeding \$10 million, effective January 1, 2025.

Cost of Proposed Measure

| Fiscal year | 2025-2026 | 2026-2027 | 2027-2028 | 2028-2029 | 2029-2030 | Total |
|----------------------------------|-----------|-----------|-----------|-----------|-----------|---------|
| Total cost \$ millions | -7,778 | -8,056 | -8,363 | -8,688 | -9,018 | -41,902 |

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. Taxable capital employed in Canada was estimated directly from Schedules 33 and 34 or indirectly using balance sheet information reported on Schedule 100. Taxable capital estimates were adjusted to avoid double counting balance sheets within corporate groups. A tax rate of 0.225% was applied to taxable capital above \$10 million.

Projected revenue was based on the growth in non-residential capital assets from our Election Proposal Costing (EPC) baseline. Revenue estimates were then adjusted lower to account for corporations changing their behaviour.

Sources of Uncertainty

The main sources of uncertainty relate to the projection of capital assets and to assumed behavioural responses from corporations affected by this measure. The combination of this measure and other increases in various corporate taxes could further erode the tax base, leading to an overestimation of the revenues of a tax on capital.

Data Sources

Taxable capital

Line 690 of schedule 33 of the T2 form, 2023 tax reference year

Total assets

Line 2599 of schedule 100 of the T2 form, 2023 tax reference year

Non-residential capital assets

PBO EPC Baseline

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