

Election Proposal Costing

Eliminating the deduction for advertising on foreign-owned websites

April 11, 2025

Eliminating the deductibility of internet advertising expenses paid by Canadian resident businesses to foreign-owned websites and other foreign-owned digital media.

Cost of Proposed Measure

Fiscal year	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Total cost \$ millions	-2,192	-2,250	-2,351	-2,456	-2,566	-11,816

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

Internet advertising expenses by Canadian businesses were projected based on recent growth trends and PBO's EPC baseline projection. The share of these expenses paid to foreign companies was assumed to remain at its current level. To estimate the additional revenue earned, the effective corporate income tax rate was imposed on the projected deductible expenses, which represent an addition to the tax base when the deduction is eliminated.

A behavioural response was incorporated to reflect an expected shift of some Canadian advertising spending to Canadian-owned platforms, where it remains deductible.

Sources of Uncertainty

The main sources of uncertainty relate to projected growth in internet advertising spending, as well as the extent to which businesses will respond by shifting spending to Canadian-owned sites.

Data Sources

Advertising expenditures

IAB Canada, ThinkTV

Corporate income tax revenues

PBO EPC Baseline

Effective corporate tax rate

Canada Revenue Agency, Statistics Canada

Behavioural response

Nordicity estimates

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