

Election Proposal Costing

Increasing the expenditure limit for the SR&ED investment tax credit

April 19, 2025

Increasing the expenditure limit for the enhanced rate of the Scientific Research and Experimental Development (SR&ED) investment tax credit from \$4.5 million to \$6 million, effective July 1, 2025.

Cost of Proposed Measure

Fiscal year	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Total cost \$ millions	23	48	50	51	54	225

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. The baseline simulation was calibrated to reflect the expanded expenditure limit, phase out rates and eligibility criteria outlined in the 2024 Fall Economic Statement. The model was then used to simulate the cost of increasing the expenditure limit from \$4.5 million to \$6 million. Estimated revenue was assumed to grow in line with the EPC baseline projection of investment in intellectual property products over 2024 to 2030.

Sources of Uncertainty

The main sources of uncertainty relate to the projection of corporate tax revenue and to behavioural responses from corporations affected by this measure.

Data Sources

Investment tax credit

Schedule 200 line 652

Investment tax credit refund

Schedule 200 line 780

Investment in intellectual property products

PBO EPC baseline projection

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