



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

# Cost Estimate of Election Campaign Proposal

Publication Date: September 2021

Short Title: Restricting deductibility of internet advertising expenses

Description: Income Tax Act Article 19 would be amended to restrict the deductibility of internet advertising expenses paid by Canadian resident businesses to only the expenses for advertising on Canadian-owned websites and on other Canadian-owned internet-delivered media. The proposal will be effective September 20, 2021.

Cost of Proposed Measure:	\$ millions	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	Total
Total cost		-578	-1,210	-1,285	-1,362	-1,442	-5,877

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: PBO projected total Canadian internet advertising expenses based on historical trends, adjusted to exclude spending on advertising with Canadian-owned internet companies. This tax base was multiplied by the average effective corporate income tax rate to estimate the additional revenue that would be raised. Behavioural responses were incorporated, as some advertising revenues were assumed to shift from foreign- to Canadian-owned internet companies.

Source of Uncertainty: The main sources of uncertainty relate to projected advertising expenses in Canada and the behavioural response of advertisers.

Data Sources:	Variable	Source
	Total TV and Internet advertising expenses	IAB and Think tv
	Google Advertising revenues	Form 10-k of Alphabet Inc. 2020
	Facebook Advertising revenues	Form 10-k of Facebook Inc. 2020
	Exchange rate	PBO EPC baseline
	Financial and taxation statistics for enterprises	Statistics Canada
	Foreign border station losses due to Section 19(1)	Nordicity estimates