

# A Tax on Share Buybacks

Published on February 2, 2023

**Legislative  
Costing  
Note**


The 2022 Fall Economic Statement announced the government's intention to introduce a corporate-level 2 per cent tax on the net value of all types of share buybacks by public corporations in Canada, effective January 1, 2024. The details of this new tax are expected to be announced in Budget 2023. PBO interprets "all types of share buybacks by public corporations in Canada" to mean all net share buybacks by publicly traded corporations that would pay corporate income tax in Canada.

## 5-Year Cost

\$ millions	2023-24	2024-25	2025-26	2026-27	2027-28	Total
Total cost	-128	-565	-727	-763	-800	-2 983

## 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).

## Estimation and Projection Method

The baseline amount of net share buybacks for calendar year 2022 was proxied using the transaction data for calendar year 2019 from Capital IQ Pro. A 4.9% growth rate for future years was estimated using the annual growth rates of net share buyback volume between calendar years 2010 to 2019 inclusively to exclude the effect of the COVID-19 pandemic.

The estimate for net share buyback volume in 2022 was projected by multiplying the baseline amount by the growth rate for each calendar year. This was then multiplied by the 2% tax rate and adjusted to obtain the tax revenue on a fiscal year basis. PBO assumes a 25% reduction in net share buyback volume as an intertemporal adjustment to account for potential changes in corporate behaviour for calendar year 2024.

## Sources of Uncertainty

The main sources of uncertainty relate to measurement errors for the volume of share buybacks and issuances, the fundamental unpredictability of equity markets which affect the volume and growth projections of share buybacks, as well as a potential behavioural impact resulting from the tax.

## Prepared by

Albert Kho &lt;Albert.Kho@parl.gc.ca&gt;

## Data Sources

### Variable

Volume of Share Buybacks in Canada  
Volume of Share Issuances in Canada  
Growth rate of Net Share Buybacks in Canada  
  
Tax Rate

### Source

Capital IQ Pro<sup>1</sup>  
Capital IQ Pro  
Capital IQ Pro, PBO's October 2022 Economic and  
Fiscal Outlook  
2022 Fall Economic Statement

© Office of the Parliamentary Budget Officer, Ottawa, Canada, 2023 • LEG-2223-024-S\_e

---

<sup>1</sup> The statements, findings, results, conclusions, views and opinions contained and expressed herein are based in part on data obtained with the permission of S&P Global Market Intelligence (all rights reserved) and are not those of S&P Global Market Intelligence or any of its affiliates or subsidiaries.