



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

# Cost Estimate of Election Campaign Proposal

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Short Title: Tax credit for new capital investment

Description: Provide a 5% tax credit on new capital investments made in 2022 and 2023 for all corporations that file a T2 tax return. The credit will be refundable up to \$25,000 for corporations that are eligible for the small business deduction.

Cost of Proposed Measure:	\$ millions	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	Total
Total cost		1,653	6,746	5,364	-	-	13,763

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's T2 corporate tax model was used to simulate a 5% tax credit for new capital investments. The value of the credit was computed as 5% of the cost of reported new capital acquisitions and was applied directly against Part I tax payable. The estimate was adjusted using the EPC baseline projection of business investment. A behavioural response was not incorporated.

Source of Uncertainty: The main sources of uncertainty relate to the projection of new capital investment and the magnitude of the behavioural response.

Data Sources:	Variable	Source
	Corporate tax data	2017 T2 corporate tax database
	Business investment	PBO EPC baseline