

Cost Estimate of Election Campaign Proposal

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Short Title: Excess profit tax

Description: Introducing an additional 15% tax on profits defined as “excess” earned by Canadian corporations in 2020 and 2021. This tax would apply to Canadian corporations that had earned more than \$10 million in revenues in at least one year between 2016 and 2020.

Cost of Proposed Measure:	\$ millions	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	Total
Total cost		-	-14,599	-	-	-	-14,599

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: Under the proposal, excess profits were defined as profits in 2020 or 2021 above the average profit margin from 2014-2019. Average profit margins were estimated using public data on a firm-level basis and then scaled using administrative data. Profit estimates for 2020 and 2021 were based on publicly available financial statements and growth factors from the EPC baseline. PBO assumed that legislative actions would be taken to prevent the movement of profits or losses in response to this proposal. Revenue for tax years 2020 and 2021 are recorded in 2021-22.

Source of Uncertainty: The main sources of uncertainty relate to estimates of excess profits and legislative enforcement actions. There is also uncertainty from the behavioral response of affected corporations.

Data Sources:	Variable	Source
	Revenues and earnings before taxes	Capital IQ ¹
	Financial and taxation statistics for enterprises	Statistics Canada
	T2 administrative data	CRA
	GDP by industry	PBO EPC baseline

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