

Legislative Costing Note

Announcement date: 2020-03-25 (C-13)

Publication date: 2020-04-02

Short title: GST Credit special payment (Bill C-13)

Description: Doubling the maximum Goods and Services Tax Credit claimable for tax filers for the 2019-20 benefit year. A one-time special payment will be provided by early May 2020.

Data sources:	<u>Variable</u>	<u>Source</u>
	Adjusted net income	SPSD/M
	GST Credit claimable	House of Commons, Bill C-13, "An Act respecting certain measures in response to COVID-19"
	GST Credit reduction level	SPSD/M
	GST Credit reduction rate	SPSD/M

Estimation and projection method: This analysis uses Statistics Canada's Social Policy Simulation Database and Model (SPSD/M, version 28.0). Since Bill C-13 prescribes a one-time payment by May 2020, no projection in the following years was necessary.

PBO simulated the fiscal impact of the GST Credit special payment in SPSPD/M using two scenarios: A 'base' scenario with pre-legislation policy parameters; and a 'variant' scenario in which the maximum GST Credit claimable for individuals, spouses, and dependents for the July 2019 – June 2020 benefit year was doubled to the levels specified in Bill C-13. The difference between these two scenarios was the estimated fiscal impact of the GST Credit special payment. PBO assumed all payments would be provided by May 2020 and did not estimate any incremental administrative costs.

Aggregate Results: PBO estimates the cost of this one-time special payment to be \$5.67 billion in 2020-21. PBO estimates 13.2 million individuals will benefit from the special payment.

Source of Uncertainty: Payments are based on 2018 federal personal income tax returns and are not sensitive to the current economic volatility. No behavioural response is expected. PBO does not expect a material impact from individuals that have not filed their 2018 federal income taxes and may not collect the GST Credit special payment.

Prepared by: Tessa Devakos and Nigel Wodrich

Cost of proposed measure

\$ millions	2020-2021
Total cost	5,665

Notes:

Estimates are presented on an accruals basis as would appear in the budget and public accounts.

Positive numbers subtract from the budgetary balance, negative numbers contribute to the budget balance.

"-" = PBO does not expect a financial cost

This analysis is based on Statistics Canada's Social Policy Simulation Database and Model. The assumptions and calculations underlying the simulation results were prepared by the PBO and the responsibility for the use and interpretation of these data is entirely that of the authors.