



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

Cost Estimate of Election Campaign Proposal

Publication Date:	September 2021						
Short Title:	Implement annual net wealth tax						
Description:	Impose an annual tax of 1% on net wealth owned by Canadian resident economic families on December 31 st of each year, beginning in 2021. Families with net wealth below a threshold of \$10 million are exempt from the tax, as well as wealth acquired through lottery winnings.						
Cost of Proposed Measure:	\$ millions	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	Total
	Total cost	-10,854	-11,356	-12,146	-12,594	-13,122	-60,072
Notes:	<ul style="list-style-type: none">· 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:	<p>The net wealth tax base was constructed using PBO's High-net-worth Family Database (HFD). Family net wealth was projected forward using per capita asset growth rates from the EPC baseline. The estimate accounts for the recurring annual taxation of the wealth stock. A behavioural response is expected, reducing total exposure to wealth taxation. To account for this behaviour, each economic family's net wealth was reduced by 35 per cent.</p> <p>Net wealth above the \$10 million threshold was multiplied by the 1% tax rate to determine gross revenues. Exempt lottery winnings were assumed to be 0.15% of gross revenues. Administrative costs were assumed to amount to 2% of gross revenues.</p>						
Source of Uncertainty:	The main sources of uncertainty relate to the database used to estimate family net wealth and the assumed behavioural response. There is also uncertainty surrounding the magnitude of administrative costs.						
Data Sources:	Variable	Source					
	Family net wealth	PBO High-net-worth Family Database (HFD)					
	Family net wealth growth rate	PBO EPC baseline					
	Exempted lottery winnings ratio	Ontario Lottery and Gaming Corporation, PBO July 2020 annual wealth tax costing					
	Behavioural response	PBO July 2020 annual wealth tax costing					
	Administrative cost ratio	Inspectorate General of Finances (France)					