



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

Cost Estimate of Election Campaign Proposal

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Short Title: Vacation Expense Tax Credit

Description: Introducing a 15% tax credit for vacation expenses of up to \$1,000 per person. Applies to Canadian residents aged 19 and older for travel within Canada in 2022. Eligible vacations must include at least one night in paid accommodations, such as a hotel or campground. Other eligible expenses include food and non-alcoholic drinks and leisure activities.

| Cost of Proposed Measure: | \$ millions | 2021-2022 | 2022-2023 | 2023-2024 | 2024-2025 | 2025-2026 | Total |
|---------------------------|-------------|-----------|-----------|-----------|-----------|-----------|-------|
| Total cost | | 155 | 1,399 | - | - | - | 1,554 |

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 estimate of eligible vacation expenses is based on historical data for overnight domestic tourism expenses incurred by Canadian residents. Vacation expenses were projected to 2022 based on their average historical growth rate and were adjusted for the proportion of expenses exceeding \$1,000 per person. Eligible expenses were multiplied by the 15% credit rate to estimate the fiscal cost of the proposal.

Source of Uncertainty: The major source of uncertainty relates to projected domestic travel expenses in 2022.

| Data Sources: | Variable | Source |
|---------------|--------------------------|---|
| | Tourism expenditure data | Statistics Canada: National Travel Indicators |
| | Travel type | Statistics Canada: Travel Survey of Residents in Canada |
| | Demographic data | Statistics Canada; PBO |
| | Household spending data | Statistics Canada: Survey of Household Spending |