

# Canada Recovery Dividend

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The Canada Recovery Dividend is a one-time tax on banking and life insurance groups. The amount payable is calculated as 15% of the average Canadian-based taxable income over 2020 and 2021 minus a 1 billion deduction. It will be imposed for the 2022 taxation year and will be paid in equal installments over five years.

It is to be noted that this definition follows what is laid out in the draft legislation<sup>1</sup> and differs from what was published in Budget 2022. The initially proposed tax base for this measure was the 2021 Canadian-based taxable income instead of the two-year average.

## 5-Year Cost

\$ millions	2022-23	2023-24	2024-25	2025-26	2026-27	Total
Total cost	-604	-604	-604	-604	-604	-3,022

## Notes

- Estimates are presented on an accrual basis as would appear in the budget and public accounts.
- A positive number implies a deterioration in the budgetary balance (lower revenues or higher spending). A negative number implies an improvement in the budgetary balance (higher revenues or lower spending).

## Estimation and Projection Method

2021's taxable earnings were calculated based on publicly available financial data and Canada Revenue Agency's historical aggregate data.

## Sources of Uncertainty

The main source of uncertainty relates to the estimation of 2021 taxable earnings and the interaction of this measure with the other taxes payable by the targeted taxpayers. Our costing doesn't include possible interactions with payable taxes from the Part VI of the *Income Tax Act* which could reduce the net revenues for the government.

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<sup>1</sup> The legislative draft was published in August 2022 and can be accessed here: <https://fin.canada.ca/drleg-apl/2022/ita-lir-0822-l-2-eng.html>.

# Data Sources

Variable	Source
Segmented financial data	Capital IQ <sup>2</sup> , Office of the Superintendent of Financial Institution
Tax base	Canada Revenue Agency

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