



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

Cost Estimate of Election Campaign Proposal

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Short Title: Eliminating Corporate Meals and Entertainment Expense Tax Deductions

Description: Eliminating corporate meals and entertainment expense tax deductions for all Canadian corporations except businesses with revenue less than \$500,000, self-employed individuals and businesses operating as a sole proprietorship or partnership. The proposal will disqualify large corporations to claim the GST paid on meals and entertainment expenses as an input tax credit. The proposal will be effective October 1, 2021.

| Cost of Proposed Measure: | \$ millions | 2021-2022 | 2022-2023 | 2023-2024 | 2024-2025 | 2025-2026 | Total |
|---------------------------|-------------|-----------|-----------|-----------|-----------|-----------|--------|
| Total cost | | -121 | -487 | -502 | -516 | -530 | -2,156 |

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 projected the number and value of meal and entertainment expense deductions based on the historical growth in the value of deductions, adjusted for inflation. A 15% corporate income tax rate was applied to the estimated value of deductions by profitable corporations. A 5% GST rate was applied on all deductions to estimate the reduction in input tax credit claims. A behavioural response was not incorporated.

Source of Uncertainty: The main source of uncertainty relates to the projection of expense deductions based on historical data, which may not be representative of future years.

| Data Sources: | Variable | Source |
|---------------|--|----------------------------|
| | Number of corporations claiming meals and entertainment expense deductions | Statistics Canada, T2-LEAP |
| | Value of the meals and entertainment expense deductions | Statistics Canada, T2-LEAP |
| | Consumer price index | PBO EPC baseline |