



## Revenue Impacts Arising from Tax Adjustments: 2013

---

Ottawa, Canada  
December 19, 2012  
[www.pbo-dpb.gc.ca](http://www.pbo-dpb.gc.ca)

**Key Points of this Note:**

- The revenue impact arising from changes to federal tax rates, credits and brackets are among the most common questions posed by parliamentarians.
- The Parliamentary Budget Officer (PBO) has prepared a reference table of the potential revenue impacts arising from adjusting the Goods and Services Tax (GST) rate, as well as some of the more prominent personal and corporate income tax rates, brackets and benefits in the federal tax system.
- It is expected that this reference guide could provide a sound starting point for parliamentarians to broadly estimate the revenue impact of some adjustments to the federal tax system.

Prepared by: Jason Jacques \*

---

\* The author would like to thank Chris Matier for his generous assistance. Please contact Jason Jacques (e-mail: [jason.jacques@parl.gc.ca](mailto:jason.jacques@parl.gc.ca)) for further information.

## 1 Overview

The Parliamentary Budget Officer (PBO) receives many requests pertaining to the potential revenue impacts arising from adjustments to the federal tax system.

To address some of these requests, the PBO has prepared a summary table that outlines the potential revenue impacts to the federal treasury that would arise from adjusting various tax brackets, rates and credits during the 2013 calendar year.

The figures were prepared using two approaches:

- *Personal income tax* figures were prepared using Statistics Canada's Social Policy Simulation Database and Model (SPSD/M). The assumptions and calculations underlying the simulation results were prepared by the staff of the PBO and responsibility for their use and interpretation rests with us.
- *Goods and Services Tax and corporate income tax* figures were prepared using the PBO's economic and fiscal forecast.<sup>1</sup>

The figures in the reference table are intended to provide a starting point for parliamentarians to broadly estimate the revenue impact of some aspects of the federal tax system. They may also provide a framework for assessment of various proposals that may emerge through legislative pre-budget consultations. However, two important caveats apply:

- The estimates are static and do not include any behavioural changes that could be induced as a result of potential amendments; and,
- The figures are intended to provide a rough approximation only. Precise cost figures of more complex tax changes (e.g. multiple adjustments) may differ materially from the results suggested in the tables.

<sup>1</sup> [http://www.pbo-dpb.gc.ca/files/files/EFOU\\_2012.pdf](http://www.pbo-dpb.gc.ca/files/files/EFOU_2012.pdf). Accessed December 2012.

## 2 Examples

Four examples are provided to demonstrate the practical use of the reference table.

### *Example 1: Increasing the Top Bracket Threshold by \$10,000*

As indicated in Table 1, the top bracket for federal personal income taxes will begin at \$132,406 in 2013. As indicated in the reference table, each \$5,000 increase to this bracket would cost approximately \$90 million in forgone revenue in 2013. Therefore, a \$10,000 increase would result in approximately \$180 million in forgone revenue to the federal treasury in 2013.

**Table 1**

### **2013 Federal Tax Rates and Brackets**

<b>RATE</b>	<b>BRACKET</b>
<b>15%</b>	• <b>on the first \$42,707 of taxable income</b>
<b>22%</b>	• <b>on the portion of taxable income between \$42,707 and \$85,414</b>
<b>26%</b>	• <b>on the portion of taxable income between \$85,414 and \$132,406</b>
<b>29%</b>	• <b>on the portion of taxable income over \$132,406</b>

Source: Canada Revenue Agency. 2012.

### *Example 2: Increasing the Basic Personal Amount (BPA) by \$1,000*

As indicated in the reference table, a \$100 increase to the BPA would result in forgone revenue of approximately \$260 million in 2013. As such, a \$1,000 increase could be expected to result in forgone revenues of \$2.6 billion in 2013.

*Example 3: Decrease the General and Small Business Corporate tax rates by 1-percentage point each*

As indicated in the reference table, a 1-percentage point decrease in the general corporate tax rate would decrease revenues by approximately \$1.3 billion in 2013. A 1-percentage point decrease in the small business tax rate would decrease revenue by approximately \$770 million in 2013. In combination, these changes would result in lower federal revenues of approximately \$2.1 billion in 2013.

*Example 4: Increasing the Goods and Services Tax rate from 5% to 7%*

As indicated in the reference table, each 1-percentage point increase in the Goods and Services Tax rate would result in additional revenue of approximately \$7 billion in 2013. Therefore, a 2-percentage point adjustment would result in additional revenues of approximately \$14 billion in 2013.

**Reference Table for Tax Adjustments**  
*Based on 2013 Calendar Year*

**Section I: Personal Income Tax**  
*Revenue Impact in '\$000,000s*

**Adjust Marginal Tax Rates (*per percentage point*)**

Lowest Rate (15%)	6,080
Second Rate (22%)	1,900
Third Rate (26%)	520
High Rate (29%)	1,010

**\$5000 change in Tax Brackets**

Second Bracket Threshold	2,900
Third Bracket Threshold	390
Top Bracket Threshold	90

**\$100 change in Basic Personal and Spousal Amounts**

Basic Personal Amount	260
Spousal/Equivalent to Spousal Amount	30

**Change Capital Gains Inclusion Rate**

By 5 percentage points	410
------------------------	-----

**Child Tax Benefit (CCTB)**

\$100 increase in each benefit	550
\$1,000 increase in phase-out threshold	60

**GST Credit for a Family of Four**

\$50 increase in adult benefit	540
\$50 increase in dependant benefit	100
\$1,000 increase in phase-out threshold	90

**National Child Benefit (NCB) Supplement**

\$100 increase in each benefit	200
\$1,000 increase in phase-out threshold	110

## Section II: Corporate Income Taxes

*Revenue Impact in '\$000,000s*

### General Corporate Rate

Increase by 1 percentage point	1,300
--------------------------------	-------

### Small Business Rate

Increase by 1 percentage point	770
--------------------------------	-----

## Section III: Goods and Services Tax (GST)

*Revenue Impact in '\$000,000s*

1 percentage point adjustment in GST	6,950
--------------------------------------	-------