

Additional Tax on Banks and Life Insurers

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Budget 2022 introduced an increase of the corporate income tax rate of 1.5 percentage points on the taxable income of banking and life insurance groups above \$100 million. This will increase the overall federal corporate income tax rate above this threshold from 15.0 per cent to 16.5 per cent for all taxation years that end after Budget Day 2022. For a taxation year that includes Budget Day, the additional tax is prorated based on the number of days in the taxation year after Budget Day.

5-Year Cost

\$ millions	2022-23	2023-24	2024-25	2025-26	2026-27	Total
Total cost	-266	-480	-491	-501	-512	-2,250

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

Future taxable earnings were projected based on publicly available financial data, Canada Revenue Agency's aggregate data, and future nominal GDP growth from PBO's March Economic and Fiscal Outlook published on March 1st, 2022. To account for possible behavioral responses of affected corporations, an attrition rate was applied to the estimated tax base.

Sources of Uncertainty

The main sources of uncertainty relate to the projection of taxable earnings and the magnitude of the behavioural response.

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Data Sources

Variable

Segmented financial data

Source

Capital IQ¹, Office of the Superintendent of Financial Institution

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Variable

Tax base

Attrition rate

Nominal GDP growth

Source

Canada Revenue Agency

Office for Budget Responsibility

PBO Economic and Fiscal Outlook, March 2022

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