

Cost estimate

Publication date: 2019-04-30

Short title: Canada Training Tax Credit Introduction

Description: Introducing the Canada Training Credit. This new, non-taxable credit will help Canadians pay for training fees. Every year, eligible workers between the ages of 25 and 64 will accumulate a credit balance of \$250 per year, up to a lifetime limit of \$5,000. The portion of the tuition fees refunded through the Canada Training Tax Credit will not qualify as eligible expenses under the Tuition Tax Credit. The training cost will be reduced by the savings due to claimed amounts not qualifying under the Tuition Tax Credit.

Operating line(s): Personal income tax

Data sources:	<u>Variable</u>	<u>Source</u>
	Number of claims by age	SPSD/M and Statistics Canada
	Tuition cost by age	SPSD/M
	Postsecondary enrolment	Statistics Canada
	Postsecondary graduates	Statistics Canada
	Consumer price indices	PBO economic model

Estimation and projection method: The number of the Training Credit claims in the status quo was projected using SPSPD/M based on the number of the projected Tuition Tax Credit claims. The amount of the Training Tax Credit was projected by multiplying the number of projected claims by the accumulated credit in each year. The cost of the Training Tax Credit was then calculated on the basis of full take-up among tax filers. The calculation took into consideration the age of the claimants and the share of the new claimants every year.

The Training tax cost was reduced by the savings due to claimed amounts not qualifying under the Tuition Tax Credit. The reduction amount was determined by applying the Tuition Tax Credit rate of 15% on the Training Tax Credit.

With regards to the behavior impact, a rise of participation rate of 3 percentage points for every \$1000 of Training Tax Credit per person was assumed. This assumption was based on the literature dealing with the impact of the tuition on enrollment at colleges and universities. We estimated an additional 19,000 participants claiming the Training Tax Credit in 2023-24.

Uncertainty assessment: The estimate has low uncertainty. The take-up rate could be different. The behavioural response increases the total cost. The incentive effect could be different from what is estimated in the literature taking into consideration the novelty of the policy.

Cost of proposed measure

\$ millions	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Total cost	-	30	155	178	196	211

Supplementary information

\$ millions	Description	Operating line	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Cost	Training Tax credit	PIT	-	36	172	195	212	225
Tuition Tax Credit reduction	Savings due to claimed amounts not qualifying under the Tuition Tax Credit	PIT	-	(5)	(26)	(29)	(32)	(34)
Cost of behavioural response			-	-	8	12	16	20
Total net cost			-	30	155	178	196	211

Notes:

Estimates are presented on an accruals basis as would appear in the budget and public accounts. Totals do not add due to rounding.

Positive numbers subtract from the budgetary balance, negative numbers contribute to the budget balance.

"-" = PBO does not expect a financial cost