

Cost estimate

Publication date: 2019-04-30

Short title: Refundable Labour Tax Credit

Description: Introducing a refundable tax credit for employers as of January 1, 2019 equal to 25 percent of salary or wages paid to eligible newsroom employees, up to a maximum of \$55,000.

Operating line(s): Corporate Income Tax

Data sources:	<u>Variable</u>	<u>Source</u>
	Employment, Compensation	Statistics Canada Labour Force survey
	Employees in newsroom functions	The Tow Center for Digital Journalism at Columbia's Graduate School of Journalism
	Employment growth	The PBO

Estimation and projection method: The qualified beneficiaries were determined by applying the percentage of employees in a newsroom function to the total number of employees in newspaper publishers' category. This was projected forward using PBO's employment growth.

Salaries were estimated using the average compensation per job, which was greater than the maximum of \$55,000. The 25 percent tax credit rate was then applied to the maximum of \$55,000. The total tax credit was equal to the maximum tax credit per eligible employee of \$13,750, multiplied by the number of eligible employees.

Uncertainty assessment: The estimate has moderate uncertainty. The survey-based sample data is available to determine employment and average compensation, and the model is a top-down approach. There is no volatility in the model, but the program cost is sensitive to employment. Projecting the number of eligible employees by employment growth could result in an overestimation of the financial costs as overall employment growth is stronger than expected newsroom employment growth. There is no behavioural response included in the costing for this measure, which could result in an underestimation of the financial costs of the proposed measure.

Cost of proposed measure

\$ millions	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Total cost	27	108	109	110	111	112

Notes:

Estimates are presented on an accruals basis as would appear in the budget and public accounts. Positive numbers subtract from the budgetary balance, negative numbers contribute to the budget balance. "-" = PBO does not expect a financial cost