

# Cost estimate of Election Campaign Proposal

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Publication date:	2019-09-24	
Short title:	Spousal income sprinkling	
Description:	Reduce personal income tax payable by exempting the spouses or common-law partners of individuals who own a Canadian-controlled private corporation from the tax on split income (TOSI).	
Operating line(s):	Personal Income Tax	
Data sources:	<u>Variable</u>	<u>Source</u>
	Revenues generated from TOSI in 2018-2019	<a href="#">Income Sprinkling Using Private Corporations</a> (PBO, March 2018)
	Ineligible dividend recipients	Statistics Canada's SPSD/M <sup>1</sup>
	Growth in dividend payments to households	PBO
Estimation and projection method:	The federal revenues expected in 2018-2019 as a result of TOSI rules were obtained from the PBO, then projected using PBO's forecast for dividend payments to households. These represent the revenues generated by the federal government by exempting spouses 25 and older from TOSI rules. These revenues were further discounted by the proportion of spouses 18 to 24 receiving ineligible dividends to obtain the final estimate for the proposed measure.	
Uncertainty assessment:	The estimate has moderate uncertainty. It was derived using PBO's model for income sprinkling, and the data are of good quality. The estimate is sensitive to dividends' growth and recipients' age. The estimate does not include the costs associated with a behavioural response.	

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<sup>1</sup> This analysis is based on Statistics Canada's Social Policy Simulation Database and Model. The assumptions and calculations underlying the simulation results were prepared by PBO and the responsibility for the use and interpretation of these data is entirely that of the author.

## Cost of proposed measure

\$ millions	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029
Total cost	-	32	32	33	34	36	38	40	43	46

### 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