



OFFICE OF THE PARLIAMENTARY BUDGET OFFICER  
BUREAU DU DIRECTEUR PARLEMENTAIRE DU BUDGET

March 4, 2021

The Honourable Chrystia Freeland  
Deputy Prime Minister and Minister of Finance  
Finance Canada  
90 Elgin Street, Room 16-027  
James Michael Flaherty Building  
Ottawa ON K1A 0G5

Chrystia.Freeland@canada.ca

Information Request: IR0588

Dear Minister Freeland:

As you are likely aware, the Parliamentary Budget Officer (PBO) provides independent and non-partisan analysis to the Senate and to the House of Commons about matters related to the nation's finances and the economy, the estimates, certain other government documents, and the cost of proposals. In carrying out my mandate, I often require information held by government departments and Crown corporations and I am entitled to free and timely access – subject to limited exceptions – to such information under section 79.4 of the *Parliament of Canada Act*.

I am currently undertaking an analysis pursuant to paragraph 79.2(1)(b) of the *Parliament of Canada Act*, which mandates the PBO to prepare reports on matters of particular significance relating to the nation's finances or economy that are listed in an annual work plan.

For this analysis, I am requesting an estimate of the amount of federal corporate income tax (CIT) revenue foregone from reducing, by 50% over three years, the applicable CIT rate on qualifying businesses making zero-emissions clean technology as partly described in [A Healthy Environment and a Healthy Economy](#), published by Environment and Climate Change Canada. Details of the change in applicable rates and of the qualifying businesses can be found in Appendix A.

In order to provide the analysis to parliamentarians in a timely manner, I ask that the information be provided to my office no later than **March 30, 2021**. If access to the requested information cannot be granted by that date, a response must be provided by you or your deputy minister as soon as possible.

Should you or your staff have any questions about this information request, the analyst responsible, Govindadeva Bernier can be contacted directly at [Govindadeva.Bernier@parl.gc.ca](mailto:Govindadeva.Bernier@parl.gc.ca), 613-769-4988.

Attached is a reply form. It too should be filled out and returned by March 30, 2021, whether or not you provide access to the requested information. Should you refuse to provide access to the requested information, you or your deputy minister must provide a written justification for the refusal as required under section 79.41 of the *Parliament of Canada Act*.

The response letter will be posted on the PBO website and, therefore, it should not be marked "confidential". As well, the requested information should be attached separately. If this information is confidential, please clearly mark it as such, either on the electronic spreadsheet or the hard copy version.

Providing timely and effective analysis to the Senate and House of Commons and promoting greater budget transparency and accountability are the PBO's primary objectives. The degree to which this is possible depends, to a large extent, on free and timely access to quality information held by government departments. In doing so, you are assisting us in better serving the Senate, the House of Commons, and their members.



Yves Giroux

Parliamentary Budget Officer

c.c.: Antoine Brunelle-Côté, Privy Council Office, Assistant Secretary to the Cabinet, Liaison Secretariat for Macroeconomic Policy

Michael Sabia, Deputy Minister, Finance Canada

Attachments: Reply form for IR0588  
Appendix A  
Excel workbook



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## Appendix A

We would like an estimate of the amount of federal corporate income tax (CIT) revenue foregone from reducing by half over three years, the CIT rate on qualifying businesses (see below). More specifically, the general CIT rate for large companies would go from 15 to 12.5 per cent in the first year, to 10 per cent in the second year and 7.5 per cent in the third year. For corporations eligible for the small business deduction, the portion of their income which is currently taxed at a CIT rate of 9 per cent would be taxed at 7.5 per cent in the first year, 6 per cent in the second year and 4.5 per cent in the third year. We will consider qualifying businesses as businesses producing, for example, the following:

- Manufacturing and installations related to renewable electricity (wind, solar, hydro, geothermal, biomass, tidal, wave)
- Production of renewable fuels (biofuels, biogas, fuels from carbon capture and use technologies)
- Zero emission vehicles
- Carbon sequestration and removal technology
- Batteries for use in zero emission vehicles and grid storage
- Electric vehicle charging systems
- Net zero energy homes and buildings

A preliminary review of potentially eligible businesses identified the 435 corporations listed in the attached Excel workbook. Thus, we require that these corporations be matched by name with the latest CORTAX data available (the most recent year considered complete, either 2018 or 2019) to estimate the cost of the CIT rate reduction on these specific corporations. Three simulations would be done on the same data: one for each of the steps in reducing the CIT rate over three years (a simulation for the first year where the general rate would be at 12.5 per cent and the small business rate at 7.5 per cent; another for the second year, and a last one for the third year where both rates are now cut in half).