

**Pages 1 to / à 65
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69(1)(g)re: (a), 69(1)(g)re: (e)

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18(d)(iii), 21(1)(a)

**of the Access to Information Act
de la Accès à l'information**

Provencher, Jessica

From: Brunelle-Côté, Antoine
Sent: February 8, 2021 2:52 PM
To: Hamel, Judith
Cc: Garrard, Michael; Bourély, Julien
Subject: Re: Tax Tools for Wealth Inequality note

Stp

Sent from my iPhone

On Feb 8, 2021, at 2:25 PM, Hamel, Judith <Judith.Hamel@pco-bcp.gc.ca> wrote:

Salut Antoine,

J'ai regardé ceci un peu.

Mettant ainsi en œuvre une promesse phare de son programme, Macron a mis fin à l'impôt de solidarité sur la fortune, pour le remplacer par un impôt sur la fortune immobilière. Le changement est effectif depuis janvier 2018.

D'après ce que je vois, ce n'est pas un changement qui a fait l'unanimité et il reste vivement critiqué pour avoir potentiellement accrus les inégalités (voir l'éditorial du Monde ci-dessous) :

https://www.lemonde.fr/idees/article/2020/10/09/suppression-de-l-isf-un-echec-politique_6055381_3232.html

Tel que discuté, si tu veux, on peut regarder ceci plus en détail avec Julien et faire un résumé des objectifs de la réforme et de ses résultats observés (on s'assurera de consulter Shane).

Judith

From: Brunelle-Côté, Antoine <Antoine.Brunelle-Cote@pco-bcp.gc.ca>

Sent: Friday, February 5, 2021 11:12 AM

To: Garrard, Michael <Michael.Garrard@pco-bcp.gc.ca>; Hamel, Judith <Judith.Hamel@pco-bcp.gc.ca>

Subject: FW: Tax Tools for Wealth Inequality note

Judith/Michael – il serait peut-être bon de faire une courte note sur l'expérience française de la récente réforme de l'impôt sur la fortune. Si je ne me trompe pas, ils viennent d'abandonner cet impôt pour le transformer en une taxe sur les valeurs immobilières.

On pourra en discuter.

From: Milligan, Kevin <Kevin.Milligan@pco-bcp.gc.ca>

Sent: Thursday, February 4, 2021 11:53 AM

To: Marsland, Andrew (FIN) <andrew.marsland@canada.ca>; Jovanovic, Miodrag (FIN)

<miodrag.jovanovic@canada.ca>; Greene, James (FIN) <james.greene@canada.ca>; Meredith, Tyler

(FIN) <tyler.meredith@canada.ca>; Church, Leslie (FIN) <leslie.church@canada.ca>; Sabia, Michael (FIN)

<michael.sabia@canada.ca>

Cc: Garrard, Michael <Michael.Garrard@pco-bcp.gc.ca>; Brunelle-Côté, Antoine <Antoine.Brunelle-

Cote@pco-bcp.gc.ca>; Hamel, Judith <Judith.Hamel@pco-bcp.gc.ca>; Jennings, Philip

<Philip.Jennings@pco-bcp.gc.ca>; [REDACTED] <[REDACTED]@pmo-cpm.gc.ca>; [REDACTED]

[REDACTED] <[REDACTED]@pmo-cpm.gc.ca>

Subject: Tax Tools for Wealth Inequality note

Dear FIN and PCO colleagues,

s.19(1)

Please find attached a note on tax measures to address wealth inequality. I hope you will find it complementary to your own analysis and recommendations. I'm happy to discuss or help out with any analysis on this front.

I've pasted the summary below.

Thanks, Kevin

Summary:



s.18(d)(iii)

s.21(1)(b)

Kevin Milligan

Special Advisor (Economic Recovery) | Conseiller spécial (Relance économique)

Privy Council Office | Bureau du Conseil privé



Provencher, Jessica

Subject: FW: Tax Tools for Wealth Inequality note
Attachments: INFO-TPB-009-2021-v1 Increasing Taxes on Wealthy Canadians.docx; TPB-009-2020-v1 (B20 Box Note) Limitations on Interest Deductibility.doc

From: Baddeley, Shane
Sent: Monday, February 8, 2021 11:23 AM
To: Garrard, Michael <Michael.Garrard@pco-bcp.gc.ca>
Subject: RE: Tax Tools for Wealth Inequality note

s.18(d)(iii)

s.21(1)(b)

Hi Mike,

Shane

From: Garrard, Michael <Michael.Garrard@pco-bcp.gc.ca>
Sent: Monday, February 8, 2021 9:11 AM
To: Baddeley, Shane <Shane.Baddeley@pco-bcp.gc.ca>
Subject: FW: Tax Tools for Wealth Inequality note

I think I flipped this to you when I got it but re-sending now.

Read it over the weekend. Learned something - always appreciate how he distills things.

s.18(d)(iii)

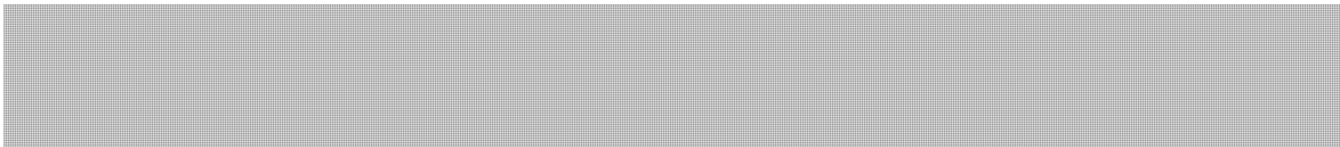
Sometime over this week I'd like to get your quick take on this paper and how it lines up with what might lie ahead. Since I am insufficiently ready to do the tax part of my job, I'll mention these points:

s.21(1)(b)

- [REDACTED]

- [REDACTED]

- [REDACTED]



Like my other email to Rahel, this is mostly to get ahead of big issues. Things to keep in mind / teach me about, not something to deliver per se.

s.18(d)(iii)

s.21(1)(b)

Mike

From: Milligan, Kevin <Kevin.Milligan@pco-bcp.gc.ca>

Sent: Thursday, February 4, 2021 11:53 AM

To: Marsland, Andrew (FIN) <andrew.marsland@canada.ca>; Jovanovic, Miodrag (FIN) <miodrag.jovanovic@canada.ca>; Greene, James (FIN) <james.greene@canada.ca>; Meredith, Tyler (FIN) <tyler.meredith@canada.ca>; Church, Leslie (FIN) <leslie.church@canada.ca>; Sabia, Michael (FIN) <michael.sabia@canada.ca>

s.19(1)

Cc: Garrard, Michael <Michael.Garrard@pco-bcp.gc.ca>; Brunelle-Côté, Antoine <Antoine.Brunelle-Cote@pco-bcp.gc.ca>; Hamel, Judith <Judith.Hamel@pco-bcp.gc.ca>; Jennings, Philip <Philip.Jennings@pco-bcp.gc.ca>; [REDACTED] <[\[REDACTED\]@pmo-cpm.gc.ca](mailto:[REDACTED]@pmo-cpm.gc.ca)>; [REDACTED] <[\[REDACTED\]@pmo-cpm.gc.ca](mailto:[REDACTED]@pmo-cpm.gc.ca)>

Subject: Tax Tools for Wealth Inequality note

Dear FIN and PCO colleagues,

Please find attached a note on tax measures to address wealth inequality. I hope you will find it complementary to your own analysis and recommendations. I'm happy to discuss or help out with any analysis on this front.

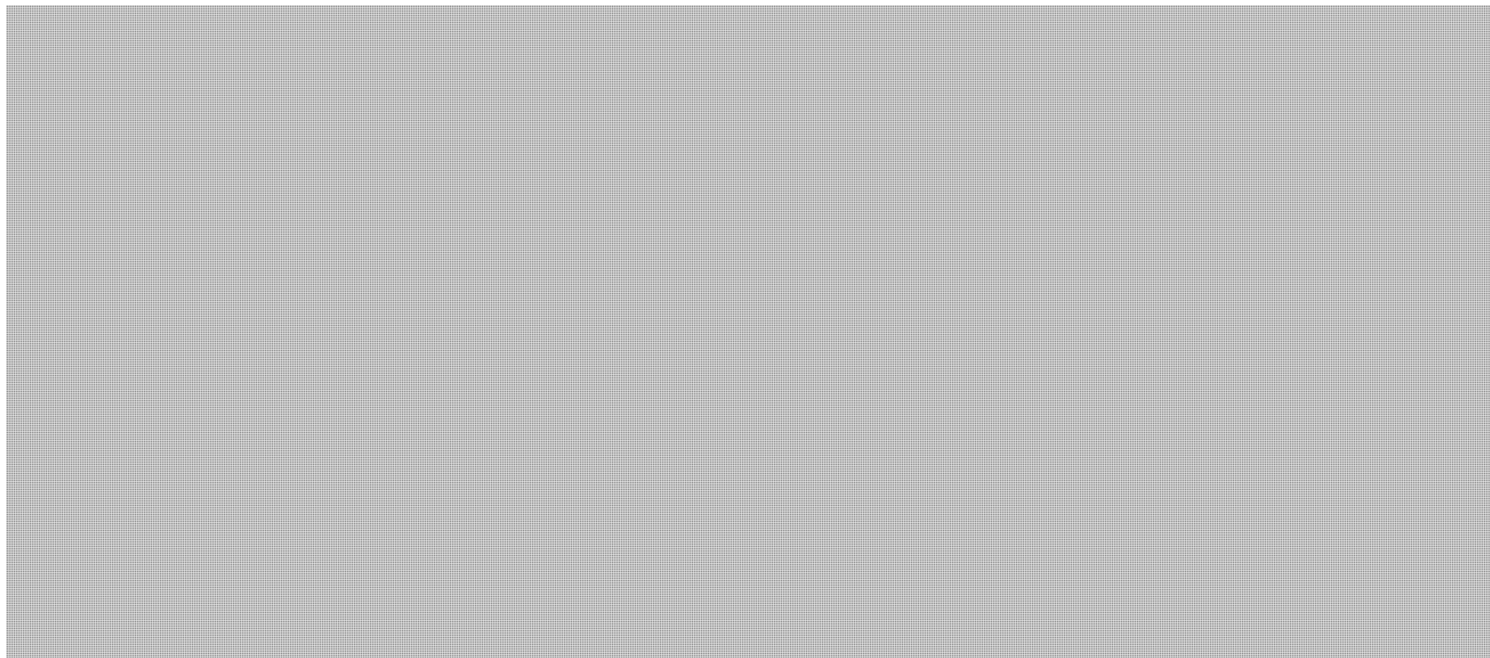
I've pasted the summary below.

Thanks, Kevin

s.18(d)(iii)

s.21(1)(b)

Summary:



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18(d)(iii), 21(1)(b)

**of the Access to Information Act
de la Accès à l'information**

s.16(2)

Kevin Milligan

Special Advisor (Economic Recovery) | Conseiller spécial (Relance économique)

Privy Council Office | Bureau du Conseil privé

Provencher, Jessica

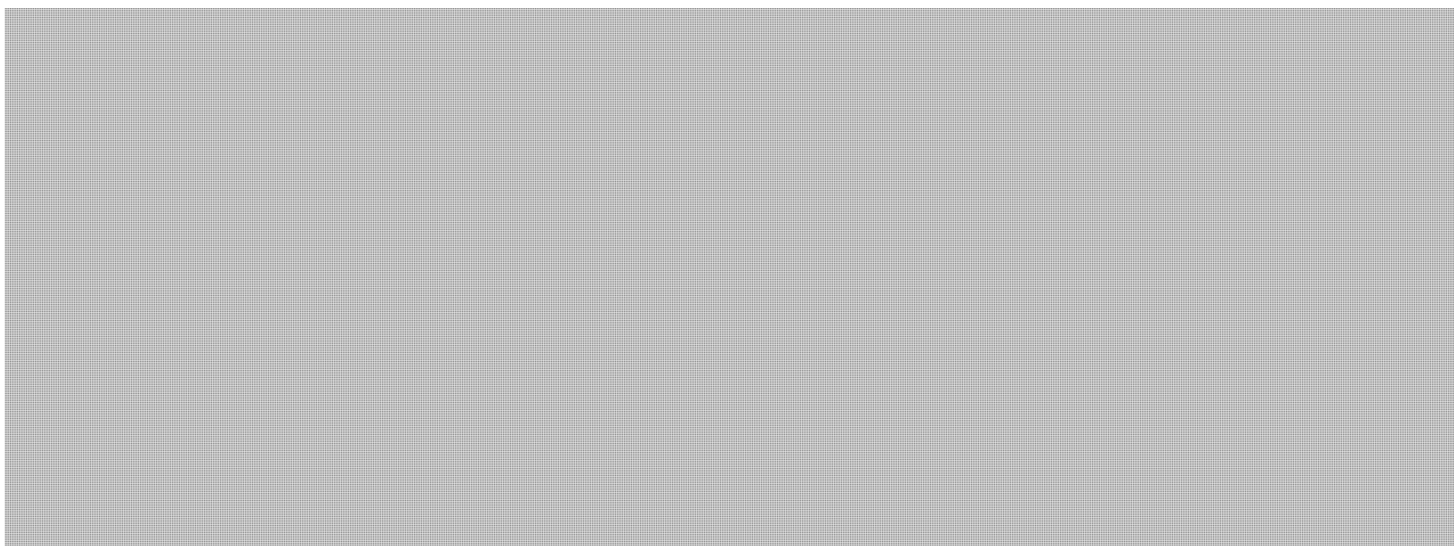
From: Baddeley, Shane
Sent: February 15, 2021 3:12 PM
To: Bourély, Julien
Subject: RE: tax system - when you have time

Hi Julien – this is awesome, I really like what you've done and think it will be helpful in conceptualizing how a wealth tax may work. In the very broad strokes, I think the basic flow of income, wealth and taxes look correct.

s.18(d)(iii)

I have a few comments:

s.21(1)(b)



Happy to chat if you want to discuss further!

Shane

From: Bourély, Julien <Julien.Bourelly@pco-bcp.gc.ca>
Sent: Monday, February 15, 2021 2:19 PM
To: Baddeley, Shane <Shane.Baddeley@pco-bcp.gc.ca>
Subject: tax system - when you have time

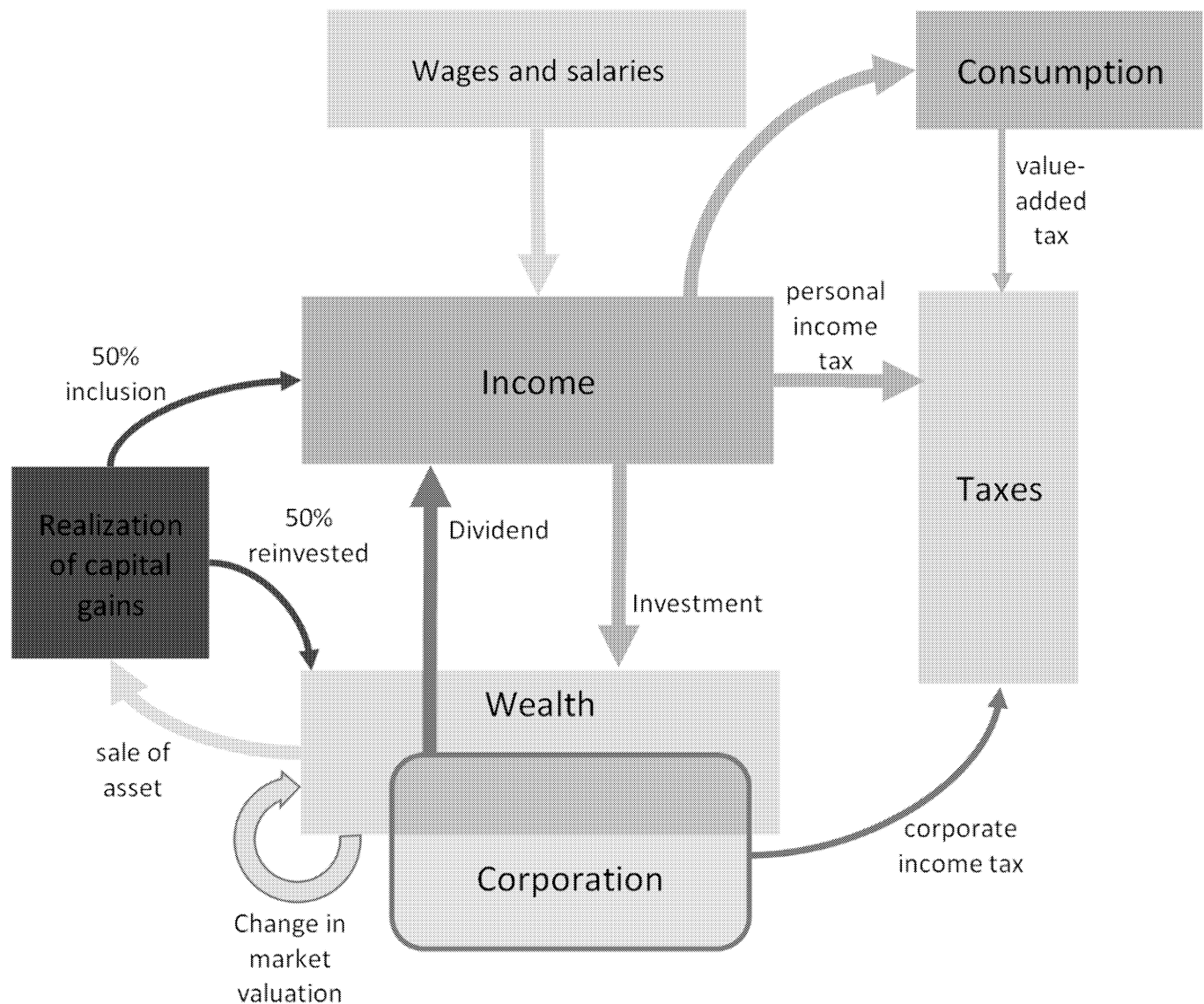
Hi Shane,

To help my own thinking on tax issues, I produced the following chart, which attempts to map out main taxes and their respective flows from the point of view of an individual.

I wanted to have a sense of the overall tax system before commenting on wealth taxation in particular.

I have not seen any such charts on the web so let me know if you think this is a good or bad idea, or if you think there is something I am completely missing.

This is not urgent but perhaps we can discuss briefly when you have time.



Julien Bourély
Liaison Secretariat for Macroeconomic Policy
Privy Council Office /
Secrétariat de liaison de politique macroéconomique
Bureau du Conseil privé
Cell: [REDACTED]

Background on and consideration for potential revenue raising policy

s.18(d)(iii)

1. Introduction

As the health and economic situation shifts from emergency to recovery, the Government may shift focus towards longer-term objectives, including further progress on an ambitious social agenda, addressing inequality, and pursuing fiscal repair. [REDACTED]

[REDACTED]

s.18(d)(iii)

2. Context on Canada's public revenue [could blow this up a bit: bases, FPT, inequality, social spending]

- **Public revenue in Canada:** Canada's general government revenue as share of GDP is flat since the 1980s, and substantially lower than Western European peers, suggesting there is space for higher revenue (Fig.1a/1b). However, Canada's public revenue is by no means an outlier among advanced countries, and is generally higher than in Anglo countries.

Fig 1a. General government revenue in Canada
1965 to 2019; OECD data; % of GDP

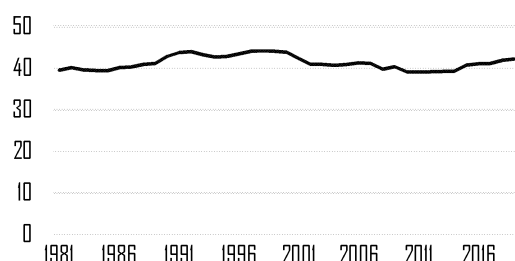
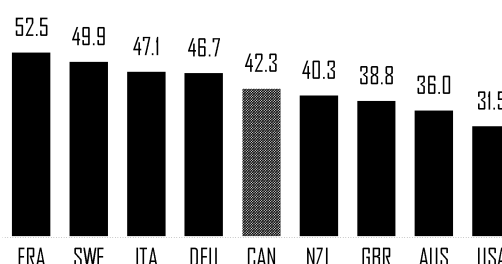


Fig 1b. General government revenue, by country
2019 or latest; OECD data; % of GDP



3. Objectives for raising revenue

A.

Canada allocates a smaller share of GDP towards public social spending compared to peer countries, and this share has been generally flat since the 1980s, suggesting there is space to catch-up (Fig.2a/2b). Canada is more middle-of-pack in terms of social spending when considering net-social spending, which includes tax measures and private spending for social purposes.

Fig 2a. Public social spending in Canada
Canada; 1980 to 2018; OECD data; % of GDP

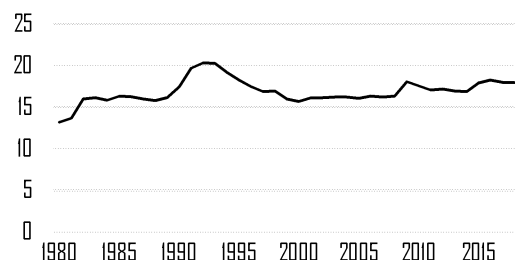
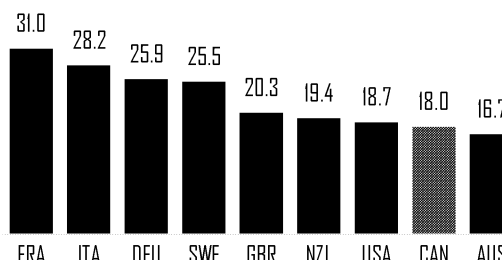


Fig 2b. Public social spending by country

Selected countries; 2019 or latest; OECD data; % of GDP



B. Increase progressivity:

Fig 3a. GINI in Canada, over time
Canada; 2004 to 2018; OECD data

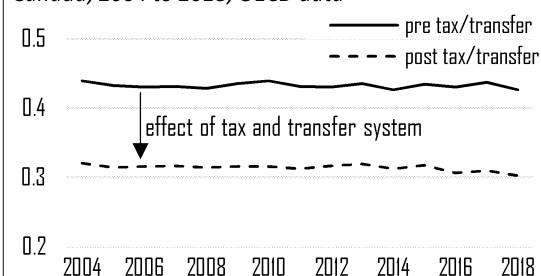
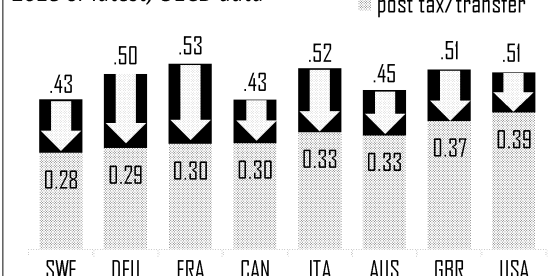


Fig 3b. GINI, by country
2018 or latest; OECD data

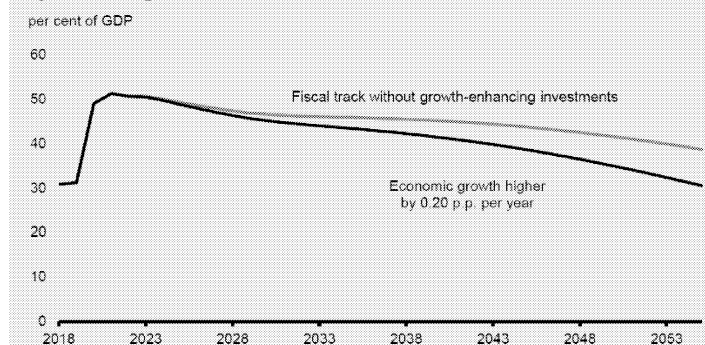


C.

D.

Fig.4: Budget 2021 fiscal projection

Impact of Higher Economic Growth Scenarios on Federal Debt



4. Overview of options

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18(d)(iii)

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Provencher, Jessica

From: Brunelle-Côté, Antoine
Sent: July 15, 2021 4:21 PM
To: [REDACTED]
Cc: [REDACTED] Baddeley, Shane
Subject: RE: PBO Report: One-time tax on extreme wealth (M-68)

Follow Up Flag: Flag for follow up
Flag Status: Flagged

Will do.

From: [REDACTED]@pmo-cpm.gc.ca>
Sent: Thursday, July 15, 2021 4:21 PM
To: Brunelle-Côté, Antoine <Antoine.Brunelle-Cote@pco-bcp.gc.ca>
Cc: [REDACTED]@pmo-cpm.gc.ca>
Subject: PBO Report: One-time tax on extreme wealth (M-68)

Antoine,

The PBO released a report to estimate the revenues from implementing a one-time tax on extreme wealth, outlined in Motion M-68. During his briefing the PM requested a note synthesizing the PBO analysis and get comments from PCO on the merit of the policy.

Is it possible to get a return for early next week please.

[REDACTED]

Provencher, Jessica

From: Brunelle-Côté, Antoine
Sent: July 15, 2021 10:03 PM
To: Muir, Alexandra
Subject: Re: Ops

Forgot to mention that PMO wants a note on PBO Report on one-time tax on extreme wealth. I aim for early next week.

Sent from my iPhone

> On Jul 15, 2021, at 9:53 PM, Muir, Alexandra <Alexandra.Muir@pco-bcp.gc.ca> wrote:

> Thank you

>

>> On Jul 15, 2021, at 9:52 PM, Brunelle-Côté, Antoine <Antoine.Brunelle-Cote@pco-bcp.gc.ca> wrote:

>>

s.21(1)(b)

>>

>> Note on OECD employment report ... not sure it will be ready but we will try.

s.69(1)(g)re: (a)

>>

>> Note on NS inquiry will move up as soon as Matt provides me with

>> I expect it tomorrow as

>>

>> I

>>

>>

>>

>> Sent from my iPhone

>>

>>> On Jul 15, 2021, at 8:14 PM, Muir, Alexandra <Alexandra.Muir@pco-bcp.gc.ca> wrote:

>>> Hi.

>>> Ops is tomorrow at 8:30 - so if you could let me know of anything fairly early, that would be great.

>>> Thanks

>>> Alex

Provencher, Jessica

From: Garrard, Michael
Sent: July 20, 2021 1:54 PM
To: Baddeley, Shane
Subject: RE: Info Note on PBO Report - One-time Wealth Tax

s.21(1)(b)

Sorry for the delay. Kept having to jump in and out.

[REDACTED] Some initial thoughts in link. It's probably safest if we send to Antoine after this cut while acknowledging to him that we/I would fill as much time as he is prepared to give us to sharpen our brief!

From: Baddeley, Shane <Shane.Baddeley@pco-bcp.gc.ca>
Sent: Monday, July 19, 2021 4:51 PM
To: Garrard, Michael <Michael.Garrard@pco-bcp.gc.ca>
Subject: Info Note on PBO Report - One-time Wealth Tax

Hi Mike,

For review, linked below is the PM info note on a one-time wealth tax. Also attached is the PBO report and incoming request from PMO.

PM Info Note - One-time Wealth Tax.docx

s.16(2)

<https://gcdocs.gc.ca/> [REDACTED]

Shane

Provencher, Jessica

Subject: FW: FOR REVIEW: Info Note - PBO Report - One-time Tax on Extreme Wealth
Attachments: PBO Report - One-Time Wealth Tax.pdf; PM_INFO_One-Time Tax on Extreme Wealth_July 2021_SB.docx; TS Tax on Extreme Wealth July 2021_SB.pdf

From: Begbie, Chrystal <Chrystal.Begbie@pco-bcp.gc.ca>
Sent: Thursday, July 22, 2021 10:46 AM
To: Muir, Alexandra <Alexandra.Muir@pco-bcp.gc.ca>
Cc: Baddeley, Shane <Shane.Baddeley@pco-bcp.gc.ca>; Brunelle-Côté, Antoine <Antoine.Brunelle-Cote@pco-bcp.gc.ca>; Garrard, Michael <Michael.Garrard@pco-bcp.gc.ca>
Subject: FOR REVIEW: Info Note - PBO Report - One-time Tax on Extreme Wealth

Hi Alex,

Note for Phil's review: One-Time Wealth Tax on Extreme Wealth that was requested by PMO for this week.

Also attached is PBO report and Transmittal.

PW: [REDACTED] s.16(2)

Chrystal Begbie

(c) [REDACTED]



Secret

Confidence of the Queen's Privy Council

Transmittal Note / Bordereau de transmission

To / Pour :		Date :	
Prime Minister		July 22, 2021	
Subject / Objet:			
PBO REPORT ON ONE-TIME TAX ON EXTREME WEALTH			
From / De :		Via:	
<input type="checkbox"/> Name / Nom	<input type="checkbox"/> Office / Bureau	<input type="checkbox"/> Name / Nom	<input type="checkbox"/> Office / Bureau
<input type="checkbox"/> Antoine Brunelle-Cote	LSMP	<input type="checkbox"/>	
<input type="checkbox"/> Michael Garrard	LSMP	<input type="checkbox"/>	
Approved By / Approuvé par :		Drafting Officer / Rédacteur : Shane Baddeley	
<input type="checkbox"/> Name / Nom	<input type="checkbox"/> Office / Bureau	Admin typist	
<input type="checkbox"/> Philip Jennings	Plans and Consultations		

Action Requested / Mesure de suivi :

- ☐ Your Signature / Votre signature ☐ Your Comments / Vos commentaires ☐ Your Meeting / Votre réunion
☐ Your Decision / Votre décision ☒ Your Information / À titre d'information

For the attention of / A l'attention du:

- ☒ Prime Minister / Premier Ministre ☐ Clerk / Greffier ☐ Minister / Ministre

Remarks / Observations :

Reference Numbers / Numéros de référence :

WEBCIMS # 2021-LSMP-00094

GCDocs Transmittal Note / Bordereau de transmission

GCDocs Briefing Note / Note de breffage

GCDocs Other Numbers / Autres numéros

In consultation with / En consultation avec :

- | | | | | |
|--|--------------------------------------|---|---|--|
| <input type="checkbox"/> SD / PDS | <input type="checkbox"/> ERDP / PDER | <input type="checkbox"/> P&P / PP | <input type="checkbox"/> LSMP / SLPM | <input type="checkbox"/> COMMS / COMMS |
| <input type="checkbox"/> IGA / AI | <input type="checkbox"/> MOG / AG | <input type="checkbox"/> Leg. Couns. / CJ | <input type="checkbox"/> Parl Affairs / LPP | <input type="checkbox"/> F & DP / PED |
| <input type="checkbox"/> S&I / SR | <input type="checkbox"/> IAS / LDR | <input type="checkbox"/> SPS / PS | <input type="checkbox"/> PSR / RFP | <input type="checkbox"/> RDU / RL |
| <input type="checkbox"/> NSIA / CSNRA | <input type="checkbox"/> Corp / SM | <input type="checkbox"/> COVID COMMS | | |
| <input type="checkbox"/> Other / Autre : | | | | |

Distribution after signature / Distribution après signature :

- | | | | |
|--|--|---------------------------------------|---|
| <input type="checkbox"/> David Morrison | <input type="checkbox"/> Ken MacKillop | <input type="checkbox"/> Thao Pham | <input type="checkbox"/> Janine Sherman |
| <input type="checkbox"/> Vincent Rigby | <input type="checkbox"/> Isabelle Mondou | <input type="checkbox"/> Matthew Shea | <input type="checkbox"/> Christyne Tremblay |
| <input type="checkbox"/> Philip Jennings | <input type="checkbox"/> Jodie van Dieen | <input type="checkbox"/> Ian McCowan | |
| <input type="checkbox"/> Other / Autre : | | | |

SECRET

Confidence of the Queen's
Privy Council

MEMORANDUM FOR THE PRIME MINISTER

PBO REPORT ON ONE-TIME TAX ON EXTREME WEALTH

(For Information)

SUMMARY

- This note provides a summary of the recent Parliamentary Budget Officer (PBO) report estimating the potential revenues associated with implementing a one-time tax on extreme wealth (report is attached). This report was produced at the request of Liberal MP Nathaniel Erskine-Smith (Beaches-East York) to model a tax based on the one proposed in Motion M-68 (wealth inequality), which was placed on notice on February 11, 2021. As requested by your office, this note also provides a brief analysis of the merits of this policy approach. However, this is a complex issue and the views expressed in this memo are preliminary. Any further consideration/analysis of such a policy would require the involvement of the Department of Finance and Canada Revenue Agency (CRA)

s.69(1)(g)re: (e)

—

- The PBO report presents revenue estimates from imposing a one-time tax on net wealth accumulated up to the end of April 2021 by Canadian resident economic families. The proposed tax rate under M-68 is 3% on net wealth over \$10 million and 5% on net wealth over \$20 million, where net wealth is defined as financial and non-financial assets minus liabilities (with no exemption for specific assets). The tax liability is proposed to be paid over a period of five years.
- This report presents two estimates of the potential revenue gains from the proposed one-time tax on net wealth, which differ in the degree of behavioural response from taxpayers seeking to avoid paying the tax. One of the estimates uses the same behavioural response assumed in previously published PBO reports where there is a 35% reduction of reported wealth due to the imposition of an ongoing 1% annual wealth tax. The second estimate uses a newly modeled

s.18(d)(iii)

s.21(1)(a)

behavioural response to account for the fact the proposed tax only targets already accumulated wealth and would apply once based on assets as of April 2021 (i.e., no future dynamic effects to consider, only evasion of the current tax liability). This approach suggests that for families facing a 3% tax, 15% of their wealth is likely to be evaded. For those facing a 5% tax rate, the share of wealth evaded is predicted to be roughly 20%.

- Under the first behavioural assumption (i.e., used in previous PBO reports), the total estimated net revenue is \$44 billion over 5 years. Using the updated behavioural model consistent with a one-time tax on already accumulated wealth, net revenue is estimated to be \$60.7 billion over five years. For completeness, if no behavioural response was elicited, the estimated net revenue is \$82.5 billion over 5 years. The PBO assumes administrative costs to be 2% of the gross revenues collected under all scenarios. In addition to the behavioural response, the PBO acknowledges a number of factors contributing to significant uncertainty in the revenue estimate, including the absence of robust information on assets and liabilities and the distribution of wealth above \$10 million.

PCO Comment

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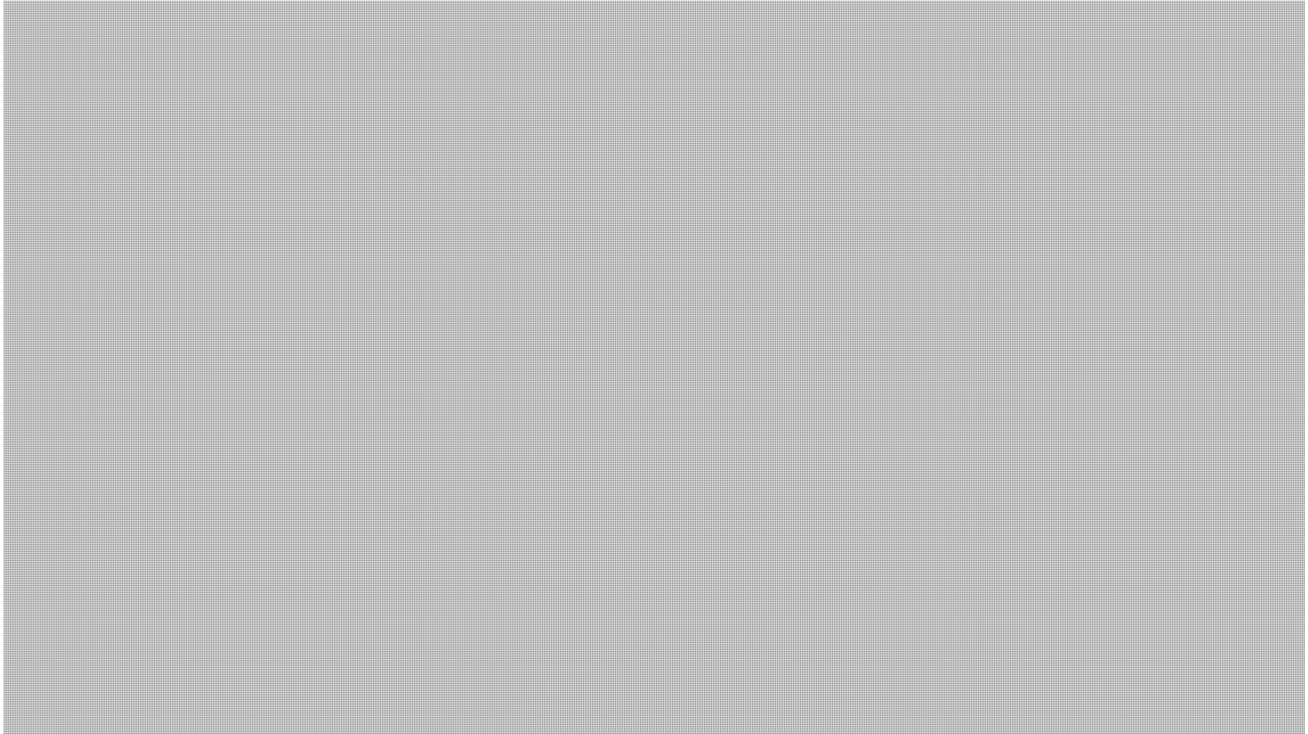
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de la Accès à l'information**

s.18(d)(iii)

s.21(1)(a)



Janice Charette

Baddeley/Garrard/Brunelle-Côté

Provencher, Jessica

From: Baddeley, Shane
Sent: July 22, 2021 10:25 AM
To: Begbie, Chrystal
Subject: RE: Info Note on PBO Report - One-time Wealth Tax
Attachments: PBO Report - One-Time Wealth Tax.pdf

Hi Chrystal – as per below, this can go to Alex for Phil's review. Please accept track changes and delete comments.

This is a PM info note on a one-time wealth tax that was requested by PMO for this week. Please also attach the PBO report (attached here).

Thanks!
Shane

From: Brunelle-Côté, Antoine <Antoine.Brunelle-Cote@pco-bcp.gc.ca>
Sent: Thursday, July 22, 2021 10:21 AM
To: Garrard, Michael <Michael.Garrard@pco-bcp.gc.ca>; Baddeley, Shane <Shane.Baddeley@pco-bcp.gc.ca>; Begbie, Chrystal <Chrystal.Begbie@pco-bcp.gc.ca>
Subject: RE: Info Note on PBO Report - One-time Wealth Tax

Fire to Alex and Phil. Good note. Thanks

From: Garrard, Michael <Michael.Garrard@pco-bcp.gc.ca>
Sent: Thursday, July 22, 2021 9:23 AM
To: Baddeley, Shane <Shane.Baddeley@pco-bcp.gc.ca>; Brunelle-Côté, Antoine <Antoine.Brunelle-Cote@pco-bcp.gc.ca>; Begbie, Chrystal <Chrystal.Begbie@pco-bcp.gc.ca>
Subject: RE: Info Note on PBO Report - One-time Wealth Tax

Sorry for losing this in my inbox. Over to ABC.

From: Baddeley, Shane <Shane.Baddeley@pco-bcp.gc.ca>
Sent: Wednesday, July 21, 2021 1:01 PM
To: Garrard, Michael <Michael.Garrard@pco-bcp.gc.ca>
Subject: RE: Info Note on PBO Report - One-time Wealth Tax

Over to you – revised based on Antoine's comments

From: Brunelle-Côté, Antoine <Antoine.Brunelle-Cote@pco-bcp.gc.ca>
Sent: Wednesday, July 21, 2021 11:22 AM
To: Garrard, Michael <Michael.Garrard@pco-bcp.gc.ca>; Baddeley, Shane <Shane.Baddeley@pco-bcp.gc.ca>
Cc: Begbie, Chrystal <Chrystal.Begbie@pco-bcp.gc.ca>
Subject: RE: Info Note on PBO Report - One-time Wealth Tax

Still blocked but it is ok because I do not really have many comments.

My only suggestion would be to add upfront a sentence or two to explain this is a complex issue, that views expressed in this memo are preliminary and that any consideration/further analysis of such policy would require the involvement the Department of Finance and CRA.

I am also wondering if the part that you have about work by Fin on wealth tax at the end of the memo should not be brought at the beginning of it (at least the first half of the bullet).

Note that the MP that has presented M-68 is Liberal (although I hope they know this 😊).

From: Garrard, Michael <Michael.Garrard@pco-bcp.gc.ca>
Sent: Wednesday, July 21, 2021 10:30 A
To: Brunelle-Côté, Antoine <Antoine.Brunelle-Cote@pco-bcp.gc.ca>; Baddeley, Shane <Shane.Baddeley@pco-bcp.gc.ca>
Cc: Begbie, Chrystal <Chrystal.Begbie@pco-bcp.gc.ca>
Subject: RE: Info Note on PBO Report - One-time Wealth Tax

Strange. Wasn't in it... closed everything. Okay now?

From: Brunelle-Côté, Antoine <Antoine.Brunelle-Cote@pco-bcp.gc.ca>
Sent: Wednesday, July 21, 2021 10:24 AM
To: Baddeley, Shane <Shane.Baddeley@pco-bcp.gc.ca>
Cc: Garrard, Michael <Michael.Garrard@pco-bcp.gc.ca>; Begbie, Chrystal <Chrystal.Begbie@pco-bcp.gc.ca>
Subject: RE: Info Note on PBO Report - One-time Wealth Tax

Michael – can you please get out of this note?

From: Baddeley, Shane <Shane.Baddeley@pco-bcp.gc.ca>
Sent: Tuesday, July 20, 2021 8:03 PM
To: Brunelle-Côté, Antoine <Antoine.Brunelle-Cote@pco-bcp.gc.ca>
Cc: Garrard, Michael <Michael.Garrard@pco-bcp.gc.ca>; Begbie, Chrystal <Chrystal.Begbie@pco-bcp.gc.ca>
Subject: Info Note on PBO Report - One-time Wealth Tax

Antoine,

For review, linked below is the PM info note on a one-time wealth tax. Also attached is the PBO report. This is a hot topic and Mike and I could probably sharpen away at this brief for some time, but recognize PMO is looking for something early in the week.

<https://gcdocs.gc.ca/> [REDACTED]

s.16(2)

Shane

Provencher, Jessica

From: Garrard, Michael
Sent: October 25, 2021 3:21 PM
To: Begbie, Chrystal
Subject: FW: Info Note on PBO Report - One-time Wealth Tax

From: Baddeley, Shane <Shane.Baddeley@pco-bcp.gc.ca>
Sent: Thursday, July 22, 2021 9:04 AM
To: Garrard, Michael <Michael.Garrard@pco-bcp.gc.ca>
Subject: RE: Info Note on PBO Report - One-time Wealth Tax

You must have missed it, I sent it back to you yesterday afternoon – it's ready for review

From: Garrard, Michael <Michael.Garrard@pco-bcp.gc.ca>
Sent: Thursday, July 22, 2021 8:57 AM
To: Baddeley, Shane <Shane.Baddeley@pco-bcp.gc.ca>
Subject: FW: Info Note on PBO Report - One-time Wealth Tax

(how's this coming)

From: Brunelle-Côté, Antoine <Antoine.Brunelle-Cote@pco-bcp.gc.ca>
Sent: Wednesday, July 21, 2021 11:22 AM
To: Garrard, Michael <Michael.Garrard@pco-bcp.gc.ca>; Baddeley, Shane <Shane.Baddeley@pco-bcp.gc.ca>
Cc: Begbie, Chrystal <Chrystal.Begbie@pco-bcp.gc.ca>
Subject: RE: Info Note on PBO Report - One-time Wealth Tax

Still blocked but it is ok because I do not really have many comments.

My only suggestion would be to add upfront a sentence or two to explain this is a complex issue, that views expressed in this memo are preliminary and that any consideration/further analysis of such policy would require the involvement the Department of Finance and CRA.

I am also wondering if the part that you have about work by Fin on wealth tax at the end of the memo should not be brought at the beginning of it (at least the first half of the bullet).

Note that the MP that has presented M-68 is Liberal (although I hope they know this 😊).

From: Garrard, Michael <Michael.Garrard@pco-bcp.gc.ca>
Sent: Wednesday, July 21, 2021 10:30 A
To: Brunelle-Côté, Antoine <Antoine.Brunelle-Cote@pco-bcp.gc.ca>; Baddeley, Shane <Shane.Baddeley@pco-bcp.gc.ca>
Cc: Begbie, Chrystal <Chrystal.Begbie@pco-bcp.gc.ca>
Subject: RE: Info Note on PBO Report - One-time Wealth Tax

Strange. Wasn't in it... closed everything. Okay now?

From: Brunelle-Côté, Antoine <Antoine.Brunelle-Cote@pco-bcp.gc.ca>
Sent: Wednesday, July 21, 2021 10:24 AM
To: Baddeley, Shane <Shane.Baddeley@pco-bcp.gc.ca>
Cc: Garrard, Michael <Michael.Garrard@pco-bcp.gc.ca>; Begbie, Chrystal <Chrystal.Begbie@pco-bcp.gc.ca>
Subject: RE: Info Note on PBO Report - One-time Wealth Tax

Michael – can you please get out of this note?

From: Baddeley, Shane <Shane.Baddeley@pco-bcp.gc.ca>
Sent: Tuesday, July 20, 2021 8:03 PM
To: Brunelle-Côté, Antoine <Antoine.Brunelle-Cote@pco-bcp.gc.ca>
Cc: Garrard, Michael <Michael.Garrard@pco-bcp.gc.ca>; Begbie, Chrystal <Chrystal.Begbie@pco-bcp.gc.ca>
Subject: Info Note on PBO Report - One-time Wealth Tax

Antoine,

For review, linked below is the PM info note on a one-time wealth tax. Also attached is the PBO report. This is a hot topic and Mike and I could probably sharpen away at this brief for some time, but recognize PMO is looking for something early in the week.

<https://gcdocs.gc.ca/> 

s.16(2)

Shane

Provencher, Jessica

From: Brunelle-Côté, Antoine
Sent: October 25, 2021 2:34 PM
To: Begbie, Chrystal
Subject: FW: FOR REVIEW: Info Note - PBO Report - One-time Tax on Extreme Wealth

From: Brunelle-Côté, Antoine
Sent: Thursday, July 22, 2021 3:37 PM
To: Muir, Alexandra <Alexandra.Muir@pco-bcp.gc.ca>; Begbie, Chrystal <Chrystal.Begbie@pco-bcp.gc.ca>
Cc: Baddeley, Shane <Shane.Baddeley@pco-bcp.gc.ca>; Garrard, Michael <Michael.Garrard@pco-bcp.gc.ca>
Subject: RE: FOR REVIEW: Info Note - PBO Report - One-time Tax on Extreme Wealth

All fine.

From: Muir, Alexandra <Alexandra.Muir@pco-bcp.gc.ca>
Sent: Thursday, July 22, 2021 3:35 PM
To: Begbie, Chrystal <Chrystal.Begbie@pco-bcp.gc.ca>
Cc: Baddeley, Shane <Shane.Baddeley@pco-bcp.gc.ca>; Brunelle-Côté, Antoine <Antoine.Brunelle-Cote@pco-bcp.gc.ca>; Garrard, Michael <Michael.Garrard@pco-bcp.gc.ca>
Subject: RE: FOR REVIEW: Info Note - PBO Report - One-time Tax on Extreme Wealth

Hi Chrystal,

See edits / suggestion from Phil. Assume everyone is OK on the second point? If so, I will adjust.

Thanks,

Alex

- Spacing (too many) in first PCO comment bullet
- In same bullet, perhaps "offset" as opposed to "address" budget deficits
- World War 2 (all hard spaces)... should it be II or 2 (do not care)
- April 2021 (hard space) at top of page 2

From: Begbie, Chrystal <Chrystal.Begbie@pco-bcp.gc.ca>
Sent: July 22, 2021 10:46 AM
To: Muir, Alexandra <Alexandra.Muir@pco-bcp.gc.ca>
Cc: Baddeley, Shane <Shane.Baddeley@pco-bcp.gc.ca>; Brunelle-Côté, Antoine <Antoine.Brunelle-Cote@pco-bcp.gc.ca>; Garrard, Michael <Michael.Garrard@pco-bcp.gc.ca>
Subject: FOR REVIEW: Info Note - PBO Report - One-time Tax on Extreme Wealth

Hi Alex,

Note for Phil's review: One-Time Wealth Tax on Extreme Wealth that was requested by PMO for this week.

s.16(2)

Also attached is PBO report and Transmittal.

PW: [REDACTED]

Chrystal Begbie

(c) [REDACTED]

Provencher, Jessica

Subject: FW: PM Note (Information): Parliamentary Budget Officer Report on One-Time Tax on Extreme Wealth
Attachments: PBO Report - One-Time Wealth Tax.pdf; PMBN - I - Parliamentary Budget Officer Report on One-Time Tax on Extreme Wealth.pdf

From: Muir, Alexandra <Alexandra.Muir@pco-bcp.gc.ca>
Sent: Wednesday, July 28, 2021 5:28 PM
To: Baddeley, Shane <Shane.Baddeley@pco-bcp.gc.ca>; Garrard, Michael <Michael.Garrard@pco-bcp.gc.ca>
Cc: Jennings, Philip <Philip.Jennings@pco-bcp.gc.ca>; Dawson, Cindy <Cindy.Dawson@pco-bcp.gc.ca>
Subject: FW: PM Note (Information): Parliamentary Budget Officer Report on One-Time Tax on Extreme Wealth

Went to PMO on Monday.....

From: Fung, Jennifer <Jennifer.Fung@pco-bcp.gc.ca>
Sent: July 28, 2021 5:25 PM
To: Muir, Alexandra <Alexandra.Muir@pco-bcp.gc.ca>
Subject: FW: PM Note (Information): Parliamentary Budget Officer Report on One-Time Tax on Extreme Wealth

From: Fee, Stuart <Stuart.Fee@pco-bcp.gc.ca>
Sent: Monday, July 26, 2021 11:37 AM s.19(1)
To: 
Cc: Perreault, Claudie <Claudie.Perreault@pco-bcp.gc.ca>
Subject: PM Note (Information): Parliamentary Budget Officer Report on One-Time Tax on Extreme Wealth

Please find attached a note to the PM regarding the Parliamentary Budget Officer Report on One-Time Tax on Extreme Wealth.

PW:  s.16(2)

Stuart

Stuart Fee
Chief of Staff | Chef de Cabinet
Office of the Deputy Clerk and Deputy Minister of Intergovernmental Affairs | Bureau de la Sous-greffière du Conseil privé et sous-ministre des Affaires intergouvernementales
Privy Council Office | Bureau du Conseil privé

Clerk of the Privy Council and
Secretary to the Cabinet



Greffier du Conseil privé et
Secrétaire du Cabinet

Ottawa, Canada
K1A 0A3

SECRET

Confidence of the Queen's
Privy Council

MEMORANDUM FOR THE PRIME MINISTER

JUL 26 2021

**PARLIAMENTARY BUDGET OFFICER REPORT
ON ONE-TIME TAX ON EXTREME WEALTH**

(For Information)

SUMMARY

- This note provides a summary of the recent Parliamentary Budget Officer (PBO) report (**TAB A**) estimating the potential revenues associated with implementing a one-time tax on extreme wealth. This report was produced at the request of Liberal Member of Parliament Nathaniel Erskine-Smith (Beaches–East York) to model a tax based on the one proposed in Motion M-68 (wealth inequality), which was placed on notice on February 11, 2021. As requested by your office, this note also provides a brief analysis of the merits of this policy approach. However, this is a complex issue and the views expressed in this memo are preliminary. Any further consideration/analysis of such a policy would require the involvement of the Department of Finance and the Canada Revenue Agency (CRA)

s.69(1)(g)re: (e)

- The PBO report presents revenue estimates from imposing a one-time tax on net wealth accumulated up to the end of April 2021 by Canadian resident economic families. The proposed tax rate under M-68 is 3% on net wealth over \$10 million and 5% on net wealth over \$20 million, where net wealth is defined as financial and non-financial assets minus liabilities (with no exemption for specific assets). The tax liability is proposed to be paid over a period of five years.
- This report presents two estimates of the potential revenue gains from the proposed one-time tax on net wealth, which differ in the degree of behavioural response from taxpayers seeking to avoid paying the tax. One of the estimates uses the same behavioural response assumed in previously published PBO reports where there is a 35% reduction of reported wealth due to the imposition of

s.18(d)(iii)

s.21(1)(a)

an ongoing 1% annual wealth tax. The second estimate uses a newly modelled behavioural response to account for the fact that the proposed tax only targets already accumulated wealth and would apply once, based on assets as of April 2021 (i.e. no future dynamic effects to consider, only evasion of the current tax liability). This approach suggests that for families facing a 3% tax, 15% of their wealth is likely to be evaded. For those facing a 5% tax rate, the share of wealth evaded is predicted to be roughly 20%.

- Under the first behavioural assumption (i.e. used in previous PBO reports), the total estimated net revenue is \$44 billion over five years. Using the updated behavioural model consistent with a one-time tax on already accumulated wealth, net revenue is estimated to be \$60.7 billion over five years. For completeness, if no behavioural response was elicited, the estimated net revenue is \$82.5 billion over five years. The PBO assumes administrative costs to be 2% of the gross revenues collected under all scenarios. In addition to the behavioural response, the PBO acknowledges a number of factors contributing to significant uncertainty in the revenue estimate, including the absence of robust information on assets and liabilities and the distribution of wealth above \$10 million.

PCO Comment

Page 109

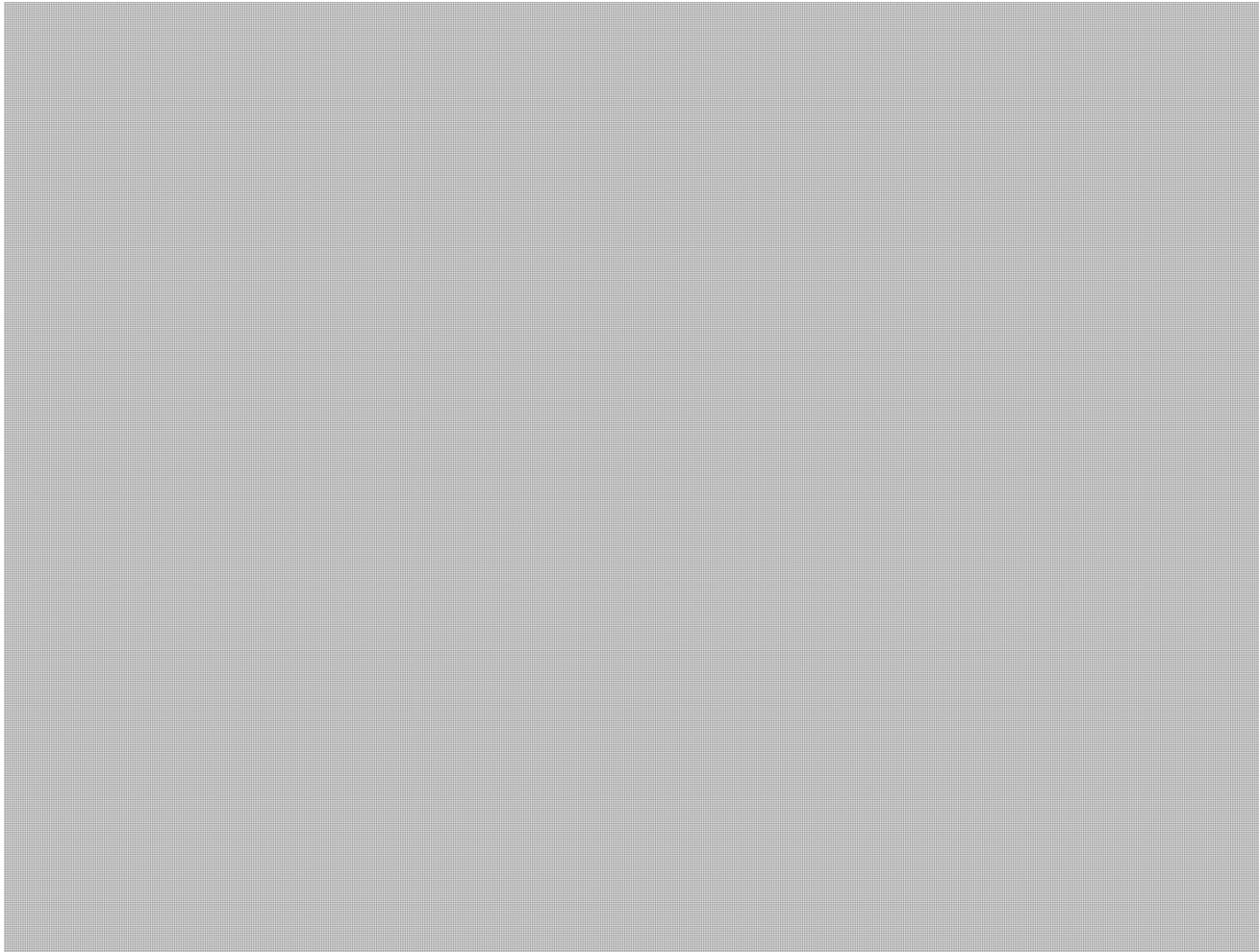
**is withheld pursuant to sections
est retenue en vertu des articles**

18(d)(iii), 21(1)(a)


**of the Access to Information Act
de la Accès à l'information**

s.18(d)(iii)

s.21(1)(a)



Baddeley/Garrard/Brunelle-Côté


Janice Charette



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

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The Parliamentary Budget Officer (PBO) supports Parliament by providing economic and financial analysis for the purposes of raising the quality of parliamentary debate and promoting greater budget transparency and accountability.

Lead Analyst:
Louis Perrault, Advisor-Analyst

This report was prepared under the direction of:
Xiaoyi Yan, Director, Budgetary Analysis

Nancy Beauchamp, Carol Faucher and Rémy Vanherweghem assisted with the preparation of the report for publication.

For further information, please contact pbo-dpb@parl.gc.ca

Yves Giroux
Parliamentary Budget Officer

RP-2122-012-M_e

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Executive Summary

This report is in response to a request by Member of Parliament Nathaniel Erskine-Smith (Beaches–East York) to estimate the revenues from implementing a one-time tax on extreme wealth outlined in Motion M-68 placed on notice on February 11, 2021.¹

Specifically, it presents PBO's revenue estimates for imposing a one-time tax on net wealth accumulated up to the end of April 2021 by Canadian resident economic families. The proposed tax rate is 3% on net wealth over \$10 million and 5% on net wealth over \$20 million. The tax liability is to be paid over a period of five years.

Summary Table 1 presents the estimated net revenues (gross revenues minus administrative costs) of the proposed one-time tax on net wealth. The table includes estimated revenues under different behavioural assumptions. The first estimate in Summary Table 1 uses the consistent assumption of behavioural response to annual wealth taxes in PBO's previously published reports.² Under this assumption, the total estimated net revenues is \$44 billion over 5 years. The second estimate introduces new behavioural assumptions considering the proposed measure would be a one-time tax on wealth already accumulated. Using this model, PBO finds that the total estimated net revenues is \$60.7 billion over five years.

Summary Table 1 Estimated net revenues of the one-time wealth tax, by fiscal years and behavioural assumptions.

\$ Billions	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
35 per cent net wealth reduction						
Net revenues	8.8	8.8	8.8	8.8	8.8	44.0
New behavioural assumption (15 and 20 per cent net wealth reduction)						
Net revenues	12.1	12.1	12.1	12.1	12.1	60.7

Sources: PBO calculations; PBO High-net-worth Family Database

Note: Totals may not add due to rounding.

1. Introduction

This report is in response to a request by Member of Parliament Nathaniel Erskine-Smith (Beaches-East York) to estimate the revenues from implementing a one-time tax on extreme wealth outlined in Motion M-68 placed on notice on February 11, 2021.³ The proposed tax has the following features:

- A 3% tax on net wealth over \$10 million and a 5% on net wealth over \$20 million that has been accumulated up to the end of April 2021 by Canadian resident economic families;
- Net wealth is defined as financial and non-financial assets minus total liabilities;
- There are no exemptions for specific assets; and
- The amount of tax owed is to be paid in five equal payments over a period of 5 years with no interest.

This report describes the PBO's estimation of the tax revenues. First, the PBO's *High-net-worth Family Database* (HFD) is updated to reflect the latest information available. The behavioural response to annual wealth taxes used in the previously published reports is considered; in addition, a model is developed to derive the behavioural response to the one-time wealth tax. The tax revenues are then estimated incorporating the behavioural responses and divided equally over a period of 5 fiscal years.

2. Revenue Estimates

2.1. Updating the High-net-worth Family Database

To construct the tax base for the proposed tax on accumulated net wealth, the PBO's HFD had to be projected to April 2021. PBO proceeded with the projection in the same way as in the previous wealth tax reports, but modified how it grows the top tail of the wealth distribution. The small change in methodology, made to account for recent increases of wealth at the very top, incorporated information from the Forbes World's Billionaires List.⁴

The net wealth of individuals/families found in both the 2016's Canadian Business Rich List (CB) and in the Forbes lists was updated using the growth

in net wealth in Forbes from 2017 and 2021.⁵ For the entries that are not in both publications, the average growth of net wealth from Canadian residents present in the both lists was used. The final adjustment made to the top tail is to incorporate new entrants from the Forbes 2021 list. The net wealth of the new top tail is then divided in its components of financial assets, non-financial assets, and total liabilities as in the original construction of the HFD.

The rest of the wealth distribution is updated by increasing the population using growth rates from Statistics Canada's Quarterly Demographic Estimates up to Q1 2021, adjusted for the number of families in the top tail. Financial assets, non-financial assets, and liabilities of each family were increased proportionally and brought in line with the growth rates of their aggregate totals in (a) the National Balance Sheet Accounts up to Q4 2020 and (b) PBO's Economic Model for Q1 2021. Adjustments are made to exclude the growth stemming from the top tail of the distribution to avoid double counting.

2.2. Deriving a behavioural response

Previous PBO evaluations of a wealth tax were based on the assumption that families would reduce their reported wealth by 35% in response to the imposition of a 1% annual tax on wealth, including future wealth. The proposed tax measure considered in this report, by contrast, targets already accumulated wealth and applies only once (even if it is to be paid over 5 years). Any future dynamic effects resulting from the imposition of the tax will not affect its revenues. The only behavioural impact on tax revenues is avoidance and evasion. This distinction required a change to the previously used behavioural assumption that included dynamic considerations.

To capture the main behavioural responses to the one-time wealth tax, PBO used a stylized model of wealth tax avoidance and evasion.⁶ Informed by the observed avoidance/evasion behaviour with respect to the US estate tax and the stylized model, PBO obtained a behavioural response that is a function of the tax rate. The results of this back-of-the-envelope calculation implies that for families facing a 3% tax rate, 15% of their wealth is likely to be avoided/evaded. For those facing a 5% tax rate, the share of wealth avoided/evaded will be 19.8%.⁷ For families with net wealth between \$23.5 million and \$24.9 million, just enough will be avoided/evaded to stay at the \$20 million threshold. The details of the stylized model and how the PBO derived the key parameter of the model can be found in Appendix A.

2.3. Results

This report presents two estimates of the revenues from the proposed one-time tax on net wealth. One of the estimates uses the same behavioural response assumed in previously published reports where there is a 35% reduction of reported wealth due to the imposition of the tax; the second estimate uses the modeled behavioural response as highlighted above. Note that we present the scenario of no behavioural response as a benchmark to highlight the importance of the behavioural response of families, but is not considered to be plausible.

To complete the estimates, administrative costs of collecting the tax must be considered. PBO assumes administrative costs to be 2% of the gross revenues collected.⁸

Estimates shown in Table 2-1 are the revenues that will be collected over five years as well the number of families that will face the wealth tax. These estimates are broken down by gross revenues and administrative costs as well as by behavioural assumptions.

Table 2-1 **Estimated Revenues of one-time wealth tax, under different behavioural responses**

	Behavioural response assumptions		
	No behavioural response	35% net wealth reduction	New modeled behavioural response
Number of families	87,149	46,805	68,686
Tax base (\$ Billions)	1,892	1,008	1,403
Gross tax revenues (A) (\$ Billions)	84.2	44.9	62.0
Administrative costs (B) (\$ Billions)	1.7	0.9	1.2
Net revenues (A-B) (\$ Billions)	82.5	44.0	60.7

Sources: PBO calculations; PBO High-net-worth Family Database

Note: Totals may not add due to rounding.

Table 2-1 also illustrates the change to the tax base, i.e. net wealth above \$10 million, based on different behavioural response assumptions. Note that due to the high wealth threshold and the unequal nature of the wealth distribution, the reduction in reported wealth will lead to an even greater reduction in the tax base.

M-68 proposes that the tax obligations be paid over 5 years. The annual profile of revenues and administrative costs are assumed to be equally divided over 5 fiscal years from 2021-2022 to 2025-2026.

2.4. Sources of Uncertainty

This report includes two sets of estimates of the revenues from the proposed one-time tax on accumulated net wealth, using two different modelling approaches to behavioural responses. This highlights the high uncertainty about the true response to the imposition of this tax. Supplementary details of the policy design and the enforcement of tax compliance will be crucial in determining the true response of families facing the wealth tax. The absence of robust information on assets and liabilities of taxpayers by the Canada Revenue Agency is an additional source of uncertainty with respect to the estimate, as it would complicate compliance and enforcement. Furthermore, the asset valuation techniques prescribed by the legislation and the related administrative cost can increase the uncertainty of the estimation.

In addition to behavioural responses, the true distribution of wealth above \$10 million remains uncertain. Caveats that applied to the creation of the HFD remain valid, but how most of the database is brought forward from 2016 to 2021 may lead to an overstatement of wealth concentration. At the same time, updating the very top of the net wealth distribution using Forbes adds further uncertainty. As was the case in 2016, the Forbes list may be undercounting the number of wealthy Canadian families, which would reduce the amount of wealth at the top. However, there is substantial volatility in the valuation of wealth at the top. The use of an average growth rate for the missing entries in the Forbes 2021 found in Canadian Business Rich list of 2016 may overestimate the wealth at the top.

Finally, the collection of the tax revenues may be constrained by liquidity issues. For families with high levels of wealth, much of this wealth tends to be tied to business ownerships that can't easily be sold to pay wealth tax liabilities. Although the payment of tax owed is spread over five years, it may not solve all issues stemming from liquidity constraints. Further provisions may be necessary to fully address this problem. These considerations are not taken into account in this report and may lead to further uncertainty with respect to revenues raised by the tax.

Appendix A: Wealth tax avoidance model

A.1 Basic model

Because a one-time tax on wealth would tax already accumulated wealth, PBO considers a model where wealth W is taken as given and the only decision made by the individual is the amount of wealth A being avoided/evaded in response to the tax rate τ . Let the problem of the individual be

$$\max_{A \leq W} W - \tau[(W - A) - \widehat{W}] - C(A, W),$$

where $W - A$ is reported wealth and \widehat{W} is the wealth threshold for which wealth starts being taxed. The cost function $C(A, W)$ measures the cost of avoiding taxes, and for simplicity we use the following iso-elastic functional form

$$C(A, W) = \left(\frac{A}{W}\right)^{\frac{1}{\gamma}} \cdot \frac{A}{1 + \frac{1}{\gamma}},$$

where γ is parameter that can represent cost of tax planning, penalties, fines or other costs related to avoidance and evasion. The interior solution to the problem is

$$A^* = \tau^\gamma \cdot W,$$

which leads to reported wealth $W - A^* = (1 - \tau^\gamma) \cdot W$, and the share of avoided taxes on wealth to be

$$s \equiv \frac{A^*}{W} = \tau^\gamma. \text{ }^{910}$$

A.2 Back-of-the envelope calculation

It is possible to infer the parameter γ from observed reactions to wealth taxes by using the assumed share of missing wealth s and the level of taxation. Using the above derivations, with some manipulation it is possible to obtain

$$\hat{\gamma} = \frac{\ln s}{\ln \tau}$$

where $\hat{\gamma}$ is the inferred behavioural parameter.

For the US estate tax, there are important deductions that can lower the effective tax rate payed on the estate at death. To take this into consideration in a simple manner, it is possible to modify the model by introducing a constant α in front of reported wealth in the above problem. This constant keeps the problem similar but now the tax rate is applied to the net-of-deduction wealth. The share of the wealth being deducted is taken as given. Solving the individual's problem yields $s = (\alpha\tau)^\gamma$.

The PBO used Saez and Zucman's (2019) estimate of 33% avoidance/evasion rate of the US estate tax at the top of the wealth distribution, the maximum tax rate of 40% and total deductions of 67.9% of the net estate for gross estates above \$50 million to obtained parameter $\hat{\gamma}$.¹¹

The inferred behavioural parameter of wealth avoidance is

$$\hat{\gamma} = \ln 0.33 / \ln[(1 - 0.679) \times 0.40] \approx 0.54.$$

This implies that for a tax rate of 5% the reduction in reported wealth will be $s = 19.8\%$ ($s = 15\%$ for a tax rate of 3%).

References

Saez, E., and G. Zucman. 2019. "Progressive wealth taxation". BPEA Conference Draft, Fall.

Seim, D. 2017. "Behavioural Responses to Wealth Taxes: Evidence from Sweden". American Economic Journal: Economic Policy, 395-421.

Slemrod, J. 2001 "A General Model of the Behavioral Response to Taxation". International Tax and Finance, 8:119-128.

Notes

1. Motion M-68. Retrieved from:
[https://www.ourcommons.ca/members/en/nathaniel-erskine-smith\(88687\)/motions/11102201](https://www.ourcommons.ca/members/en/nathaniel-erskine-smith(88687)/motions/11102201)
2. For information on the previous methodology see PBO costing note: Net wealth tax on Canadian resident families. <https://pbo-dpb.gc.ca/en/blog/news/RP-2021-017-M--net-wealth-tax-canadian-resident-economic-families--impot-patrimoine-net-familles-economiques-resident-au-canada>
3. Ibid, Note 1.
4. Ibid, Note 2.
5. This assumes that the valuation from CB is the correct valuation and that if there is a difference in the valuation between the two publications, the error is proportional and stays the same.
6. The simple model of tax avoidance was proposed by Slemrod (2001) and was applied to wealth taxation evasion in Seim (2017). For PBO's purposes the model captures both avoidance, a variety of tax planning activities whose goal is to directly reduce tax liability, and evasion responses in a reduced-form manner.
7. Note that some families will evade enough such that they will not be paying any wealth taxes.
8. Inspectorate General of Finances. 2014. "Relatif à la rationalisation du coût de gestion des prélèvements obligatoires." Retrieved from <http://www.igf.finances.gouv.fr/files/live/sites/igf/files/contributed/IGF%20internet/2.RapportsPublics/2014/2014-M-021.pdf>. [in French only]
9. For those close to threshold \widehat{W} , the interior solution may lead to more avoidance than needed. Therefore, many individuals would choose a level of avoidance A just enough to reduce their wealth such that it is no longer taxed. If the wealth tax also features different rates, then you will see similar "bunching" behaviour around the thresholds.
10. Note that γ is the elasticity with respect to the tax rate, i.e.

$$\frac{\partial s}{\partial \tau} \frac{\tau}{s} = \gamma$$

and that the elasticity of taxable wealth is

$$\frac{\partial(W - A)}{\partial(1 - \tau)} \frac{1 - \tau}{W - A} = \gamma \frac{\tau^{\gamma-1}(1 - \tau)}{1 - \tau^{\gamma}}.$$

Revenue Estimates of M-68: One-time Tax on Extreme Wealth

11. The avoidance/evasion rate from the US estate tax incorporates dynamic considerations, so the inferred parameter maybe considered as an upper bound.