

Editorial Comment on Income Tax Budget Resolutions

That it is expedient to amend the Income Tax Act (“the Act”) and other related legislation as follows:

Lifetime Capital Gains Exemption

1 The Act is modified to give effect to the proposals relating to the Lifetime Capital Gains Exemption as described in the budget documents tabled by the Minister of Finance in the House of Commons on Budget Day.

Dentons Canada LLP Commentary

The amount of the lifetime capital gains exemption (“LCGE”) is \$1,016,836 in 2024 and is indexed to inflation. Budget 2024 proposes to increase the LCGE to \$1,250,000. This measure will apply to dispositions that occur on or after June 25, 2024. Indexing of the LCGE to resume in 2026.

Canadian Entrepreneurs' Incentive

1 The Act is modified to give effect to the proposals relating to the Canadian Entrepreneurs' Incentive as described in the budget documents tabled by the Minister of Finance in the House of Commons on Budget Day.

Dentons Canada LLP Commentary

Budget 2024 introduces the new Canadian Entrepreneurs' Incentive that will allow the disposition of qualifying shares by an eligible individual to qualify for a capital gains inclusion rate that is $\frac{1}{2}$ of the prevailing inclusion rate, up to a maximum of \$2,000,000 in capital gains per individual during their lifetime.

The lifetime limit will have a maximum of \$200,000 beginning on January 1, 2025, with additional \$200,000 increments being added each subsequent year, before ultimately reaching the \$2,000,000 lifetime limit by January 1, 2034.

For a share to be considered a "qualifying share", the following conditions, among others, must be met:

- at the time of sale, the share is a "small business corporation share" owned directly by the claimant;
- throughout the 24-month period immediately before disposing the share, the share was a share of a Canadian-Controlled Private Corporation and, generally, more than 50% of the fair market value of the assets of the corporation was attributable to assets used principally in an active business of the corporation carried on primarily in Canada;
- the claimant was a founding investor when the corporation was initially capitalized;
- the claimant held the share being disposed for a minimum of five years prior to its disposition;
- at all times since the initial share subscription until the time that is immediately before the sale of the shares, the claimant directly owned shares amounting to more than 10 per cent of the fair market value of the issued and outstanding capital stock of the corporation and giving the individual more than 10 per cent of the votes that could be cast at an annual meeting of the shareholders of the corporation;
- throughout the five-year period prior to the disposition, the claimant was actively engaged on a regular, continuous, and substantial basis in the activities of the business;
- the share is not a direct or indirect interest in certain corporations, including a professional corporation and corporations that carry on certain types of business, including operating in the financial, insurance, real estate, food and accommodation, arts, recreation, or entertainment sector or providing consulting or personal care services; and
- the shares were obtained for fair market value consideration.

This measure will apply to dispositions that occur on or after January 1, 2025.

Capital Gains Inclusion Rate

1 The Act is modified to give effect to the proposals relating to the Capital Gains Inclusion Rate as described in the budget documents tabled by the Minister of Finance in the House of Commons on Budget Day.

Dentons Canada LLP Commentary

Budget 2024 proposes to increase the inclusion rate for capital gains realized on or after June 25, 2024.

Budget 2024 proposes that the inclusion rate for capital gains incurred by corporations and trusts will increase from one-half to two-thirds.

Further, in relation to individuals, capital gains that exceed \$250,000 will have an inclusion rate of two-thirds, as opposed to the previous inclusion rate of one-half.

Budget 2024 provides that the \$250,000 threshold for individuals will effectively apply to capital gains realized by an individual, directly or indirectly via a partnership or trust, net of any:

- current-year capital losses;
- capital losses of other years applied to reduce current-year capital gains; and
- capital gains in respect of which the Lifetime Capital Gains Exemption, the proposed Employee Ownership Trust Exemption, or the proposed Canadian Entrepreneurs' Incentive is claimed.

If an individual claims the employee stock option deduction, Budget 2024 proposes a one-third deduction of the taxable benefit to reflect the new increased capital gains inclusion rate, but the individual would be entitled to a deduction of one-half the taxable benefit, up to a combined limit of \$250,000 for both employee stock options and capital gains.

Further, Budget 2024 provides that net capital losses of prior years would continue to be deductible against taxable capital gains in the current year by adjusting their value to reflect the inclusion rate of the capital gains being offset. Effectively, this means that a capital loss prior to the rate change would fully offset an equivalent capital gain realized after the rate change.

Additionally, for tax years that begin before and end on or after June 25, 2024, two different inclusion rates are applicable. Therefore, transitional rules are proposed for this time, in which the annual \$250,000 threshold is not prorated for 2024 and will only apply to net capital gains realized after June 25, 2024.

Budget 2024 notes that other consequential amendments will be added to reflect this new inclusion rate and with additional design details being released in the coming months.

We note that these proposed inclusion rate changes likely disincentivize incorporation, resulting in a degradation of the principles of integration.

The Volunteer Firefighters and Search and Rescue Volunteers Tax Credits

1 (1) The portion of subsection 118.06(2) of the Act before paragraph (a) is replaced by the following:

Volunteer firefighter tax credit

(2) For the purpose of computing the tax payable under this Part for a taxation year by an individual who performs eligible volunteer firefighting services in the year, there may be deducted the amount determined by multiplying \$6,000 by the appropriate percentage for the taxation year if the individual

(2) Subsection (1) applies to the 2024 and subsequent taxation years.

2 (1) The portion of subsection 118.07(2) of the Act before paragraph (a) is replaced by the following:

Search and rescue volunteer tax credit

(2) For the purpose of computing the tax payable under this Part for a taxation year by an individual who performs eligible search and rescue volunteer services in the year, there may be deducted the amount determined by multiplying \$6,000 by the appropriate percentage for the taxation year if the individual

(2) Subsection (1) applies to the 2024 and subsequent taxation years.

Dentons Canada LLP Commentary

Effective for 2024 and following taxation years, the amount used to calculate the 15% Volunteer Firefighters Credit or Search and Rescue Volunteers Credit is increased from \$3,000 to \$6,000, for a maximum tax credit of \$900 instead of \$450. Individual taxpayers must perform a minimum of 200 hours of volunteer service during the year to qualify for the credit.

Mineral Exploration Tax Credit

1 (1) Paragraph (a) of the definition *flow-through mining expenditure* in subsection 127(9) of the Act is replaced by the following:

(a) that is a Canadian exploration expense incurred by a corporation after March 2024 and before 2026 (including, for greater certainty, an expense that is deemed by subsection 66(12.66) to be incurred before 2026) in conducting mining exploration activity from or above the surface of the earth for the purpose of determining the existence, location, extent or quality of a mineral resource described in paragraph (a) or (d) of the definition *mineral resource* in subsection 248(1),

(2) Paragraphs (c) and (d) of the definition *flow-through mining expenditure* in subsection 127(9) of the Act are replaced by the following:

(c) an amount in respect of which is renounced in accordance with subsection 66(12.6) by the corporation to the taxpayer (or a partnership of which the taxpayer is a member) under an agreement described in that subsection and made after March 2024 and before April 2025,

(d) that is not an expense that was renounced under subsection 66(12.6) to the corporation (or a partnership of which the corporation is a member), unless that renunciation was under an agreement described in that subsection and made after March 2024 and before April 2025, and

(3) Subsections (1) and (2) apply in respect of expenses renounced under a flow-through share agreement entered into after March 2024.

Dentons Canada LLP Commentary

Since 2000, a flow-through share individual investors can claim a 15% non-refundable income tax credit (the “**15 % METC**”) with regards to certain mineral grassroots exploration-type expenses incurred in Canada by the issuer and renounced to them. The eligible expenses are generally “Canadian exploration expenses” incurred in conducting mining exploration activity from or above the surface of the earth for the purpose of determining the existence, location, extent or quality of certain “mineral resources”: (a) base or precious metal deposits and (b) mineral deposits in respect of which (i) the Minister of Natural Resources has certified that the principal mineral extracted is an industrial mineral contained in a non-bedded deposit, (ii) the principal mineral extracted is ammonite gemstone, calcium chloride, diamond, gypsum, halite, kaolin or sylvite, **or** (iii) the principal mineral extracted is silica that is extracted from sandstone or quartzite.

The 15% METC was initially introduced as a temporary tax credit, but has been extended on a yearly basis ever since Budget 2006, with the exception of the last extension following Budget 2019, which proposed to extend the 15% METC for an additional five years, more specifically to flow-through share agreements made before April 2024.

In Budget 2024, the Department of Finance Canada proposes to extend eligibility for the 15% METC to flow-through share agreements entered into on or before March 31, 2025. As such, the Department of Finance Canada has reverted back to its customary practice to extend the 15% METC for a period of one year.

Flow-through shares investors cannot claim both the 15% METC and the critical mineral exploration tax credit of 30% announced in Budget 2022 (the “**30 % CMETC**”) nor can they rely on the 15% METC as a “fallback” option. In other words, if an investor claims the 30% CMETC and the claim is subsequently denied by the Canada Revenue Agency, the investor cannot then claim the 15% METC.

Alternative Minimum Tax

1 (1) Subparagraph 120.2(1)(b)(i) of the Act is replaced by the following:

(i) the amount that, but for this section, section 120 and subsection 120.4(2), would be the individual's tax payable under this Part for the particular year if the individual were not entitled to any deduction under section 126

(2) Paragraph 120.2(3)(b) of the Act is replaced by the following:

(b) the amount that, if this Act were read without reference to section 120, would be the individual's tax payable under this Part for the year if the individual were not entitled to any deduction under section 126, and

(3) Subsections (1) and (2) apply to taxation years that begin after December 31, 2023.

2 (1) The description of A in section 127.51 of the Act is replaced by the following:

A is 20.5%;

(2) Paragraph (a) of the description of C in section 127.51 of the Act is replaced by the following:

(a) the first dollar amount for the year referred to in paragraph 117(2)(d), in the case of an individual (other than a trust) or a qualified disability trust (as defined in subsection 122(3)); and

(3) Subsections (1) and (2) apply to taxation years that begin after December 31, 2023.

3 (1) Subparagraph 127.52(1)(d)(i) of the Act is replaced by the following:

(i) the references to the fraction applicable to the individual for the year in each of paragraphs 38(a) and (b) and section 41 were read as a reference to "1/1", and

(2) The formula in subparagraph 127.52(1)(d)(ii) of the Act is replaced by the following:

$$A + B$$

(3) Subsection 127.52(1) of the Act is amended by adding the following after paragraph (d):

(d.1) in respect of a disposition to which paragraph 38(a.1) applies, the portion of that paragraph before subparagraph (i) were read as "a taxpayer's taxable capital gain for a taxation year from the disposition of a property is equal to 3/10 of the taxpayer's capital gain for the year from the disposition of the property if";

(4) The portion of subparagraph 127.52(1)(g)(ii) of the Act before clause (A) is replaced by the following:

(ii) the total of all amounts each of which is

(5) Clause 127.52(1)(g)(ii)(A) of the French version of the Act is replaced by the following:

(A) un montant attribué par la fiducie en application du paragraphe 104(21) pour l'année,

(6) The portion of clause 127.52(1)(g)(ii)(B) of the French version of the Act before subclause (I) is replaced by the following:

(B) la partie d'un gain en capital imposable net de la fiducie qu'il est raisonnable de considérer :

(7) Subparagraphs 127.52(1)(h)(i) to (vi) of the Act are replaced by the following:

(i) the amounts deducted under subsection 110(2),

(ii) 7/5 of the amounts deducted under paragraph 110(1)(d.01) and any of subsections 110.6(2) and (2.1),

(iii) the amount that would be deductible under paragraph 110(1)(f) if the individual deducted 1/2 of the amount the individual deducted for the year under subparagraph 110(1)(f)(v),

(iv) $\frac{1}{2}$ of the amount deducted for the year under subsection 110.7(1), and

(v) the amount deducted under paragraph 110(1)(g);

(8) Clauses 127.52(1)(i)(A) and (B) of the Act before subclause (B)(I) are replaced by the following:

(A) $\frac{1}{2}$ of all amounts deducted for the year under paragraphs 111(1)(a), (c), (d) and (e), and

(B) the total of all amounts that would be deductible under those paragraphs for the year if the amount that would be deductible under paragraphs 111(1)(a), (c), (d) and (e) was $\frac{1}{2}$ of the amount that would otherwise be deductible under those paragraphs and if

(9) Clause 127.52(1)(i)(ii)(A) of the Act is replaced by the following:

(A) the total of all amounts deducted under paragraph 111(1)(b), and

(10) Clause 127.52(1)(i)(ii)(B) of the Act is amended by striking out “and” at the end of subclause (II) and by replacing subclause (III) with the following:

(III) paragraphs (c.1) and (d) of this subsection applied in computing the individual’s net capital loss for any taxation year that ends after 2011 and begins before 2024, and

(IV) paragraph (c.1) of this subsection applied in computing the individual’s net capital loss for any taxation year that begins after 2023; and

(11) Paragraph 127.52(1)(j) of the Act is replaced by the following:

(j) in computing the individual’s income for the year, the individual deducted $\frac{1}{2}$ of the amount deducted for the year under

(i) paragraphs 8(1)(c) to (e), (g) to (l.2) and (p) to (t),

(ii) paragraphs 20(1)(c) to (f) in respect of an amount borrowed to earn income from property for the year, other than an amount described under any of paragraphs (b), (c), (c.2), (c.3) and (e.1),

(iii) paragraphs 60(e), (e.1) and (g),

(iv) subsections 62(1) and (2),

(v) subsections 63(1) and (2.2), and

(vi) section 64.

(12) Subsections (1) to (11) apply to taxation years that begin after December 31, 2023.**4 (1) Paragraphs 127.531(a) and (b) of the Act are replaced by the following:**

(a) $\frac{1}{2}$ of an amount deducted under any of subsections 118(1), (2), (3) and (10), sections 118.01 to 118.07, subsections 118.3(1), (2) and (3) and sections 118.5 to 118.9 in computing the individual’s tax payable for the year under this Part;

(b) $\frac{1}{2}$ of the amount that was claimed under section 118.2 in computing the individual’s tax payable for the year under this Part, determined without reference to this Division, to the extent that the amount claimed does not exceed the maximum amount deductible under that section in computing the individual’s tax payable for the year under this Part, determined without reference to this Division;

(c) $\frac{4}{5}$ of the amount that was claimed under section 118.1 in computing the individual’s tax payable for the year under this Part, determined without reference to this Division, to the extent that the amount claimed does not exceed the maximum amount deductible under that section in computing the individual’s tax payable for the year under this Part, determined without reference to this Division; and

(d) an amount deducted under section 119 or subsection 127(1) in computing the individual’s tax payable for the year under this Part.

(2) Subsection (1) applies to taxation years that begin after December 31, 2023.**5 (1) Paragraph (b) of the definition *foreign income* in subsection 127.54(1) of the Act is replaced by the following:**

(b) the individual’s incomes for the year (as would be determined if paragraph 127.52(1)(d) were applicable) from sources in countries other than Canada in respect of which the individual has paid *non-business-income taxes*, within the meaning assigned by subsection 126(7), to governments of countries other than Canada; (*revenu de source étrangère*)

(2) The description of A in subparagraph 127.54(2)(b)(ii) of the Act is replaced by the following:

A is $\frac{20.5}{100}$, and

(3) Subsections (1) and (2) apply to taxation years that begin after December 31, 2023.**6 (1) Paragraph 127.55(f) of the Act is replaced by the following:**

- (f)** a taxation year of a trust throughout which the trust is
- (i)** a trust referred to in paragraph 150(1.2)(f), (g), (i), (j), (l) or (n),
 - (ii)** an *investment fund* (as defined under subsection 251.2(1)) unless the trust is an investment fund throughout the taxation year as part of a transaction or event or series of transactions or events one of the main purposes of which is to avoid tax under this Division,
 - (iii)** a trust
 - (A)** all of the beneficiaries of which are any combination of
 - (I)** persons exempt from tax under this Division, or
 - (II)** trusts described in this subparagraph,
 - (B)** under which no person (other than a person described in subclause (A)(I) or (II)) can be added as a beneficiary,
 - (C)** in which all interests are *fixed interests* (as defined in subsection 94(1)), and
 - (D)** that is irrevocable,
 - (iv)** a trust that is exempt from tax under this Part,
 - (v)** a trust described in subsection 143(1),
 - (vi)** a unit trust if the total fair market value of the units of the trust that are listed on a designated stock exchange represents all or substantially all of the total fair market value of all the units of the trust,
 - (vii)** an employee ownership trust,
 - (viii)** a trust if
 - (A)** it is established
 - (I)** under a law of Canada or a province and is for the benefit of an Indigenous group, community or people that holds rights recognized and affirmed by section 35 of the *Constitution Act, 1982*, or
 - (II)** under a treaty, or a settlement agreement, between His Majesty in right of Canada, or His Majesty in right of a province, and an Indigenous group, community or people described in subclause (I), and
 - (B)** all or substantially all of the contributions to the trust before the end of the taxation year are amounts paid under the law, treaty or settlement agreement described in subclauses (A)(I) or (II), or are reasonably traceable to those amounts,
 - (ix)** a trust, all of the beneficiaries of which are any combination of
 - (A)** all of the members of an Indigenous group, community or people that holds rights recognized and affirmed by section 35 of the *Constitution Act, 1982*,
 - (B)** a public body performing a function of government in Canada within the meaning of paragraph 149(1)(c) in relation to an Indigenous group, community or people that holds rights recognized and affirmed by section 35 of the *Constitution Act, 1982*,
 - (C)** a person described under paragraph 149(1)(f) or (l) that is organized and operated primarily for health, education, social welfare or community improvement for the benefit of the members of an Indigenous group, community or people that holds rights recognized and affirmed by section 35 of the *Constitution Act, 1982*,
 - (D)** a corporation all of the shares (except directors' qualifying shares) or of the capital of which are owned by a person described in clause (B) or clause (C), a trust described in subparagraph (viii), another corporation that is described in this clause, or a combination of these persons, or
 - (E)** a trust described in subparagraph (viii).

(2) Subsection (1) applies to taxation years that begin after December 31, 2023.

Dentons Canada LLP Commentary

Budget 2024 proposes that the tax treatment of charitable donations be revised to allow individuals to claim 80 per cent (instead of the previously proposed 50 per cent) of the Charitable Donation Tax Credit when calculating AMT. The previously proposed change to provide for a 30% inclusion for AMT purposes on the donation of publicly traded securities (currently 0%) remains in place.

Budget 2024 proposes several additional amendments to the AMT proposals. These amendments would:

- fully allow deductions for the Guaranteed Income Supplement, social assistance, and workers' compensation payments;
- allow individuals to fully claim the federal logging tax credit under the AMT;
- fully exempt Employee Ownership Trusts from the AMT; and
- allow certain disallowed credits under the AMT to be eligible for the AMT carry-forward (i.e., the federal political contribution tax credit, investment tax credits, and labour-sponsored funds tax credit).

Budget 2024 proposes to provide an exemption from the AMT for trusts established under:

- (1) a law of Canada or a province if the trust is for the benefit of an Indigenous group, community, or people that holds rights recognized and affirmed by section 35 of the *Constitution Act, 1982*, or
- (2) a treaty or a settlement agreement between His Majesty in right of Canada, or His Majesty in right of a province, and an Indigenous group, community, or people recognized and affirmed by section 35 of the *Constitution Act, 1982*.

An exemption from the AMT would also be provided for trusts where the beneficiaries are any combination of the following persons or entities:

- (1) all of the members of a recognized Indigenous group, community or people that holds rights recognized and affirmed by section 35 of the *Constitution Act, 1982*;
- (2) a public body performing a function of government in Canada (within the meaning of the *Income Tax Act*) in relation to an Indigenous group, community, or people that holds rights recognized and affirmed by section 35 of the *Constitution Act, 1982*;
- (3) a registered charity or a non-profit organization that is organized and operated primarily for health, education, social welfare, or community improvement for the benefit of the members of an Indigenous group, community, or people that holds rights recognized and affirmed by section 35 of the *Constitution Act, 1982*;

- (4) a corporation, all of the shares or capital of which are owned by any combination of persons or entities described in paragraph (b) or (c) above, a Settlement Trust, or another corporation meeting this definition; or
- (5) a Settlement Trust.

The government is interested in stakeholders' views on these proposed exemptions for Indigenous settlement and community trusts. Interested parties are invited to send written representations to the Department of Finance Canada, Tax Policy Branch at consultation.legislation@fin.gc.ca by June 28, 2024.

These amendments would apply to taxation years that begin on or after January 1, 2024 (i.e., the same day as the broader AMT amendments).

Canada Child Benefit

1 (1) Section 122.62 of the Act is amended by adding the following after subsection (8):

Death of child — qualified dependant

(9) For the purposes of this Subdivision (other than subsection (4)), a person is deemed to be a qualified dependant at the beginning of a month if

- (a) the person died in any of the six preceding months;
- (b) the person's date of birth was not 18 years or more prior to the beginning of the month; and
- (c) the person was a qualified dependant immediately prior to their death.

Death of child — eligible individual

(10) For the purposes of this Subdivision (other than subsection (4)), a person is deemed to be an eligible individual in respect of a qualified dependant at the beginning of a month if

- (a) that qualified dependant is a qualified dependant at the beginning of that month because of subsection (9); and
- (b) the person was an eligible individual in respect of the qualified dependant immediately before the qualified dependant's death.

Death of child

(11) For the purposes of paragraphs (a) and (b) of the description of E in subsection 122.61(1), if a person is deemed to be a qualified dependant at the beginning of a month because of subsection (9), the person is deemed to be the age at the beginning of that month that the person would have been at the beginning of that month had the person not died.

Death of child — disability tax credit

(12) For the purposes of paragraph (a) of the description of N in subsection 122.61(1), if a person died on or after July 1 of a particular taxation year and an amount could have been deducted in respect of that person under section 118.3 for that taxation year, an amount is deemed to be deductible under section 118.3 in respect of that person for the immediately following taxation year.

(2) Subsection (1) applies in respect of the death of a person that occurs after 2024.

Dentons Canada LLP Commentary

In order to avoid the clawing back of Canada Child Benefit (“CCB”) payments due to delays in notification of a child’s death, Budget 2024 extends the eligibility for the CCB for six months after the death of the child (the “extended period”) if the individual would have otherwise been eligible for the CCB for that particular child.

Provided that all eligibility criteria are met, the child’s primary caregiver would be eligible to receive the CCB for each month during the extended period based on the age of the child in that particular month as if the child were still alive. However, CCB overpayments unrelated to child’s would still need to be repaid.

The CCB recipient must still notify the CRA of their child’s death before the end of the month following the month of their child’s death to avoid overpayments after the end of the six months.

For children eligible for the Disability Tax Credit, the extended period also applies to the Child Disability Benefit, which is paid with the CCB.

This measure would be effective for deaths that occur after 2024.

Disability Supports Deduction

1 (1) Subparagraph (ii) of the description of A in paragraph 64(a) of the Act is amended by striking out “and” at the end of clause (P) and by adding the following after clause (Q):

(R) where the taxpayer has a severe and prolonged impairment in physical functions, for the cost of an ergonomic work chair prescribed by a medical practitioner, including related amounts paid for an ergonomic assessment to a person engaged in the business of providing such services,

(S) where the taxpayer has a severe and prolonged impairment in physical functions, for the cost of a bed positioning device prescribed by a medical practitioner, including related amounts paid for an ergonomic assessment to a person engaged in the business of providing such services,

(T) where the taxpayer has a severe and prolonged impairment in physical functions, for the cost of a mobile computer cart prescribed by a medical practitioner,

(U) where the taxpayer has an impairment in physical or mental functions, for the cost of an alternative input device prescribed by a medical practitioner to allow the taxpayer to use a computer,

(V) where the taxpayer has an impairment in physical or mental functions, for the cost of a digital pen device prescribed by a medical practitioner to allow the taxpayer to use a computer,

(W) where the taxpayer has a vision impairment, for the cost of a navigation device for low vision that is prescribed by a medical practitioner,

(X) where the taxpayer has an impairment in mental functions, for the cost of memory or organizational aids that are prescribed by a medical practitioner, and

(Y) where the taxpayer is blind or profoundly deaf or has severe autism, severe diabetes, severe epilepsy, severe mental impairment or a severe and prolonged impairment that markedly restricts the use of the taxpayer’s arms or legs, for the cost of goods, services and expenses described in subparagraphs 118.2(2)(l)(i) to (iv) if the references in those subparagraphs to the “patient” were read as references to the “taxpayer” and the animal described in subparagraph 118.2(2)(l)(i) is prescribed by a medical practitioner,

(2) Subsection (1) applies to the 2024 and subsequent taxation years.

Dentons Canada LLP Commentary

Budget 2024 expands the list of expenses qualifying for the Disability Supports Deduction in certain specified conditions:

- Where an individual has a severe and prolonged impairment in physical functions:
 - the cost of an ergonomic work chair and bed positioning device, including related amounts paid for an ergonomic assessment to a person engaged in the business of providing such services; and
 - the cost of purchasing a mobile computer cart prescribed by a medical practitioner.
- Where an individual has an impairment in physical or mental functions:
 - the cost of purchasing an alternative input device prescribed by a medical practitioner to allow the individual to use a computer; and
 - the cost of purchasing a digital pen device prescribed by a medical practitioner to allow the individual to use a computer.
- Where an individual has a vision impairment, the cost of purchasing a navigation device for low vision prescribed by a medical practitioner.

- Where an individual has an impairment in mental functions, the cost of purchasing memory or organizational aids prescribed by a medical practitioner.

Expenses for service animals under the Medical Expense Tax Credit rules are recognized under the Disability Supports Deduction allowing taxpayers to claim an expense under either the Medical Expense Tax Credit or the Disability Supports Deduction.

This measure would apply to the 2024 and subsequent taxation years.

Employee Ownership Trust Tax Exemption

1 The Act is modified to give effect to the proposals relating to the Employee Ownership Trust Tax Exemption as described in the budget documents tabled by the Minister of Finance in the House of Commons on Budget Day.

Dentons Canada LLP Commentary

Last year's federal budget proposed the creation of employee ownership trusts ("EOTs"). These proposals are in Bill C-59, which is currently before Parliament. The 2023 federal fall economic statement proposed a tax exemption for up to \$10 million in capital gains realized on the sale of a business to an EOT, subject to certain conditions. Budget 2024 provides further details on this proposed exemption.

Qualifying Conditions

The exemption would be available to an individual (other than a trust) on the sale of shares to an EOT where the following conditions are met:

- The individual, a personal trust of which the individual is a beneficiary, or a partnership in which the individual is a member, disposes of shares of a corporation, other than a professional corporation.
- The transaction is a "qualifying business transfer" (as defined in the proposed rules for EOTs) in which the trust acquiring the shares is not already an EOT, or a similar trust with employee beneficiaries.
- Throughout the 24 months immediately prior to the qualifying business transfer:
 - the transferred shares were exclusively owned by the individual claiming the exemption, a related person, or a partnership in which the individual is a member; and
 - over 50 per cent of the fair market value of the corporation's assets were used principally in an active business.
- At any time prior to the qualifying business transfer, the individual (or their spouse or common-law partner) has been actively engaged in the qualifying business on a regular and continuous basis for a minimum period of 24 months.
- Immediately after the qualifying business transfer, at least 90 per cent of the beneficiaries of the EOT are resident in Canada.

If multiple individuals dispose of shares to an EOT as part of a qualifying business transfer and meet the conditions described above, they may each claim the exemption, but the total exemption claimed cannot exceed \$10 million. The individuals will determine how to allocate the exemption between themselves.

Disqualifying Events

If a “disqualifying event” occurs within 36 months after the qualifying business transfer, the exemption will not be available. Where the individual has already claimed the exemption, it would be retroactively denied.

A disqualifying event is where an EOT loses its status as an EOT, or if less than 50 per cent of the fair market value of the qualifying business’ shares is attributable to assets used principally in an active business at the beginning of two consecutive taxation years of the corporation.

If the disqualifying event occurs more than 36 months after a qualifying business transfer, the EOT will be deemed to realize a capital gain equal to the total amount of exempt capital gains.

Worker Cooperatives

Budget 2024 also proposes to expand “qualifying business transfers” to include the sale of shares to a “worker cooperative” corporation, which will allow an individual to claim an exemption on selling a business to a worker cooperative. The worker cooperative would generally need to meet the definition set out under the *Canada Cooperatives Act*.

A qualifying business transfer to a worker cooperative would also be eligible for the 10-year capital gains reserve and the 15-year exception to the shareholder loan and interest benefit rules announced in last year’s federal budget.

Additional details on this aspect of the exemption will be released in the coming months.

Alternative Minimum Tax

For AMT purposes, capital gains exempted will be subject to an inclusion rate of 30%, similar to the treatment for gains eligible for the lifetime capital gains exemption.

Required Liability Election

In order for the exemption to apply, the EOT (and any corporation owned by the EOT that acquired the transferred shares) and the individual claiming the exemption must elect to be jointly and severally, or solidarily, liable for any tax payable by the individual as a result of the exemption being denied due to a disqualifying event within the first 36 months after a qualifying business transfer.

Following the 36-month period, the trust would be solely liable for the tax realized on the deemed capital gain arising on a disqualifying event.

Reassessment Period

The normal reassessment period of an individual for a taxation year in respect of this exemption will be extended by three years.

Coming into Force

This measure will apply to qualifying dispositions of shares that occur between January 1, 2024, and December 31, 2026.

Charities and Qualified Donees

1 (1) Subsection 149.1(1) of the Act is amended by adding the following in alphabetical order:

registered foreign charity means a person described in subparagraph (a)(v) of the definition *qualified donee* in this subsection; (*organisme de bienfaisance étranger enregistré*)

(2) Subsection 149.1(6.3) of the Act is replaced by the following:

Designation as public foundation, etc.

(6.3) The Minister may, by notice sent by registered mail, or electronically if authorized in accordance with subsection 244(14.3), to a registered charity, on the Minister's own initiative or on application made to the Minister in prescribed form, designate the charity to be a charitable organization, private foundation or public foundation and the charity shall be deemed to be registered as a charitable organization, private foundation or public foundation, as the case may be, for taxation years commencing after the day of mailing or sending of the notice unless and until it is otherwise designated under this subsection or its registration is revoked under subsection (2), (3), (4), (4.1) or 168(2).

(3) Section 149.1 of the Act is amended by adding the following after subsection (14.1):

Information returns

(14.2) Every registered foreign charity must, within six months from the end of each taxation year of the charity and without notice or demand, file with the Minister a public information return for the year in prescribed form and containing prescribed information.

(4) Paragraph 149.1(15)(a) of the Act is replaced by the following:

(a) the information contained in a public information return referred to in subsection (14), (14.1) or (14.2), and the filing status of information returns required by that subsection, must be communicated or otherwise made available to the public by the Minister in such manner as the Minister considers appropriate;

(5) Subsection 149.1(22) of the Act is replaced by the following:

Refusal to register

(22) The Minister may by mail, or electronically if authorized in accordance with subsection 244(14.3), give notice to a person that the application of the person for registration as a qualified donee referred to in subparagraph (a)(i) or (iii) or any of paragraphs (b) to (c) of the definition *qualified donee* in subsection (1) is refused.

(6) Subsection 149.1(23) of the Act is replaced by the following:

Annulment of registration

(23) The Minister may by registered mail, or electronically if authorized in accordance with subsection 244(14.3), give notice to a person that the registration of the person as a registered charity is annulled and deemed not to have been so registered, if the person was so registered by the Minister in error or the person has, solely as a result of a change in law, ceased to be a charity.

(7) The portion of subsection 149.1(26) of the Act before paragraph (a) is replaced by the following:

Foreign charities

(26) For the purposes of subparagraph (a)(v) of the definition *qualified donee* in subsection (1), the Minister may register, in consultation with the Minister of Finance, a foreign charity for a 36-month period that includes the time at which His Majesty in right of Canada has made a gift to the foreign charity, if

(8) Subsections (1) and (3) are deemed to have come into force on the day after Budget Day and apply to taxation years that begin after that day.

(9) Subsection (7) applies to registrations after Budget Day.

2 (1) The portion of subsection 168(1) of the Act before paragraph (a) is replaced by the following:

Notice of intention to revoke registration

168 (1) The Minister may by registered mail, or electronically if authorized in accordance with subsection 244(14.3), give notice to a person described in any of paragraphs (a) to (c) of the definition *qualified donee* in subsection 149.1(1) that the Minister proposes to revoke its registration if the person

(2) Paragraph 168(1)(c) of the Act is replaced by the following:

(c) in the case of a registered charity, registered foreign charity, registered Canadian amateur athletic association or registered journalism organization, fails to file an information return as and when required under this Act or a regulation;

(3) Subsection 168(2) of the Act is replaced by the following:**Revocation of registration**

(2) If the Minister gives notice under subsection (1) to a registered charity, a registered Canadian amateur athletic association or a registered journalism organization,

(a) if it has applied to the Minister in writing for the revocation of its registration, the Minister shall, forthwith after the mailing or sending of the notice, publish a copy of the notice on an internet webpage of the Government of Canada, and on that publication of a copy of the notice, the registration is revoked;

(b) in any other case, the Minister may, after the expiration of 30 days from the day of mailing or sending of the notice, or after the expiration of such extended period from the day of mailing or sending of the notice as the Federal Court of Appeal or a judge of that Court, on application made at any time before the determination of any appeal pursuant to subsection 172(3) from the giving of the notice, may fix or allow, publish a copy of the notice on an internet webpage of the Government of Canada, and on that publication of a copy of the notice, the registration is revoked; and

(c) the Minister shall maintain a permanent record of the notice and make the notice available to the public in such manner as the Minister considers appropriate.

(4) The portion of subsection 168(4) of the Act before paragraph (a) is replaced by the following:**Objection to proposal or designation**

(4) A person may, on or before the day that is 90 days after the day on which the notice was mailed or sent, serve on the Minister a written notice of objection in the manner authorized by the Minister, setting out the reasons for the objection and all the relevant facts, and the provisions of subsections 165(1), (1.1) and (3) to (7) and sections 166, 166.1 and 166.2 apply, with any modifications that the circumstances require, as if the notice were a notice of assessment made under section 152, if

3 Subsection 188.1(6) of the Act is replaced by the following:**Failure to file information returns**

(6) Every registered charity, registered foreign charity, registered Canadian amateur athletic association and registered journalism organization that fails to file a return for a taxation year as and when required by subsection 149.1(14), (14.1) or (14.2) is liable to a penalty equal to \$500.

4 (1) The portion of subsection 188.2(1) of the Act before paragraph (a) is replaced by the following:**Notice of suspension with assessment**

188.2 (1) The Minister shall, with an assessment referred to in this subsection, give notice by registered mail, or electronically if authorized in accordance with subsection 244(14.3), to a registered charity, registered Canadian amateur athletic association or registered journalism organization that its authority to issue an official receipt referred to in Part XXXV of the *Income Tax Regulations* is suspended for one year from the day that is seven days after the day on which the notice is mailed or sent, if the Minister has assessed the charity, association or organization for a taxation year for

(2) The portion of subsection 188.2(2) of the Act before paragraph (a) is replaced by the following:**Notice of suspension – general**

(2) The Minister may give notice by registered mail, or electronically if authorized in accordance with subsection 244(14.3), to a person referred to in any of paragraphs (a) to (c) of the definition *qualified donee* in subsection 149.1(1) that the authority of the person to issue an official receipt referred to in Part XXXV of the *Income Tax Regulations* is suspended for one year from the day that is seven days after the day on which the notice is mailed or sent

(3) Subsection 188.2(2.1) of the Act is replaced by the following:**Suspension – failure to report**

(2.1) If a registered charity, a registered foreign charity, a registered Canadian amateur athletic association or a registered journalism organization fails to report information that is required to be included in a return filed under subsection 149.1(14), (14.1) or (14.2) the Minister may give notice by registered mail, or electronically if authorized in accordance with subsection 244(14.3), to the charity, association or organization that its authority to issue an official receipt referred to in Part XXXV of the *Income Tax Regulations* is suspended from the day that is seven days after the day on which the notice is mailed or sent until such time as the Minister notifies the charity, association or organization that the Minister has received the required information in prescribed form.

(4) Paragraph 188.2(3)(a) of the English version of the Act is replaced by the following:

(a) the qualified donee is deemed, in respect of gifts made and property transferred to the qualified donee within the one-year period that begins on the day that is seven days after the day on which the notice is mailed or sent, not to be a qualified donee for the purposes of subsections 110.1(1) and 118.1(1) and Part XXXV of the *Income Tax Regulations*; and

5 Subsection 189(8) of the Act is amended by striking out “and” at the end of paragraph (a) and by replacing paragraph (b) with the following:

(b) the reference in each of subsections 165(2) and 166.1(3) to the expression “Chief of Appeals in a District Office or a Taxation Centre” is to be read as a reference to the expression “Appeals Branch”; and

(c) despite subsections 165(2) and 166.1(3), a person may serve a notice of objection under subsection 165(1) or make an application under subsection 166.1(1) in any manner authorized by the Minister.

6 Section 244 of the Act is amended by adding the following after subsection (14.2):**Electronic notice — qualified donees**

(14.3) Despite subsection (14.2), a notice issued under any of subsections 149.1(6.3), (22) or (23), subsection 168(1) or subsections 188.2(1), (2) or (2.1) that is made available in electronic format such that it can be read or perceived by an individual or a computer system or other similar device, and that refers to the business number, trust account number or registration number of a person, is presumed to be sent to the person and received by the person on the date that it is posted by the Minister in the secure electronic account in respect of a business number, trust account number or registration number of the person, if the person has authorized that notices may be made available in that manner and has not at least 30 days before that date revoked that authorization in a manner specified by the Minister.

7 (1) Paragraph 3501(1)(d) of the Regulations is repealed.

(2) Paragraph 3501(1)(e.1) of the Regulations is amended by adding “and” at the end of subparagraph (i), by removing “and” at the end of subparagraph (ii) and by repealing subparagraph (iii).

(3) Paragraph 3501(1)(g) of the Regulations is replaced by the following:

(g) the name and address of the donor including, in the case of an individual, the individual’s first name;

(4) Paragraph 3501(1)(j) of the Regulations is replaced by the following:

(j) the name and Internet webpage of the Canada Revenue Agency.

(5) Paragraph 3501(1.1)(c) of the Regulations is repealed.

(6) Paragraph 3501(1.1)(e) of the Regulations is amended by adding “and” at the end of subparagraph (i), by removing “and” at the end of subparagraph (ii) and by repealing subparagraph (iii).

(7) Paragraph 3501(1.1)(g) of the Regulations is replaced by the following:

(g) the name and address of the donor including, in the case of an individual, the individual’s first name;

(8) Paragraph 3501(1.1)(j) of the Regulations is replaced by the following:

(j) the name and Internet webpage of the Canada Revenue Agency.

(9) Subsection 3501(2) of the Regulations is replaced by the following:

(2) Except as provided in subsection (3), (3.1) or (3.2), every official receipt shall be signed personally by an individual referred to in paragraph (1)(i) or (1.1)(i).

(10) Section 3501 of the Regulations is amended by adding the following after subsection (3.1):

(3.2) Where an official receipt is electronically issued, it may contain a digital signature if

(a) it has a unique serial number; and

(b) it is issued and sent in a secure and non-editable format.

(11) Subsection 3501(5) of the Regulations is replaced by the following:

(5) A spoiled official receipt form shall be marked “cancelled” or “void” and such form shall be retained by the registered organization or the other recipient of a gift as part of its records.

Dentons Canada LLP Commentary

Budget 2024 includes proposed amendments to the *Income Tax Act* and *Income Tax Regulations* that will have the following key impacts on charities and other qualified donees:

Foreign Charities Registered as Qualified Donees

Currently, a foreign charity that has received a gift from His Majesty in right of Canada and pursues activities relating to urgent humanitarian aid, disaster relief, or activities in the national interest of Canada may register as a qualified donee for a temporary 24-month period. Budget 2024 proposes to extend this temporary period by one additional year to a total of 36 months. This measure would apply to foreign charities registered after Budget Day.

Such foreign charities would also be required to now submit an annual information return, including: (1) the total amount of receipts issued to Canadian donors; (2) the total amount of gifts received from qualified donees; and (3) details regarding how the funds were used. These new reporting requirements would apply to taxation years beginning after Budget Day.

Service and Communication with the CRA

Budget 2024 proposes that where a charity opts to receive information from the CRA by means of electronic communications, the CRA may communicate certain official notices digitally. Currently, revocations of charities or other qualified donees are effective upon publication in the *Canada Gazette*. Budget 2024 proposes that such revocations would become effective upon publication of the official notice on a government webpage. This measure would apply upon royal assent.

Donation Receipts

Budget 2024 proposes to remove the requirement that donation receipts contain:

- The place of issuance of the receipt;
- The name and address of the appraiser, where applicable;
- The middle initial of the donor.

Budget 2024 also proposes to permit charities to issue electronic donation receipts that are issued in secure, non-editable format, with copies maintained by the charity. This measure would apply upon royal assent.

Home Buyers' Plan

1 The Act is modified to give effect to the proposals relating to the Home Buyers' Plan as described in the budget documents tabled by the Minister of Finance in the House of Commons on Budget Day.

Dentons Canada LLP Commentary

Effective for 2024 and subsequent calendar years for withdrawals made under the Home Buyers' Plan after April 16, 2024, the maximum withdrawal limit is increased from \$35,000 to \$60,000. The start of the 15-year repayment period to the RRSP is also temporarily deferred by an additional three years for HBP participants making a first withdrawal between January 1, 2022, and December 31, 2025. In other words, the 15-year repayment period will start the 5th year after the year in which a first HBP withdrawal was made.

Indigenous Child and Family Services Settlement

1 (1) The portion of subparagraph 81(1)(g.3)(i) of the Act before clause (A) is replaced by the following:

(i) the taxpayer is a trust established under

(2) Subparagraph 81(1)(g.3)(i) of the Act is amended by striking out “or” at the end of clause (D), by replacing “and” at the end of clause (E) with “or” and by adding the following after clause (E):

(F) the Settlement Agreement entered into by His Majesty in right of Canada, dated effective as of April 19, 2023, in respect of the class actions relating to the First Nations Child and Family Services, Jordan’s Principle and Trout Class, and

(3) Subsections (1) and (2) are deemed to have come into force on January 1, 2024.

Dentons Canada LLP Commentary

As a result of a recent First Nations Child and Family Services, Jordan’s Principle, and Trout Class Settlement Agreement, Budget 2024 proposes amendments that would exclude from taxation income of trusts established under the agreement. Budget 2024 proposes that payments received by class members as beneficiaries of the trusts would be excluded in computing income for federal income tax purposes. The measure applies to 2024 and subsequent years.

Clean Electricity Investment Tax Credit

1 The Act is modified to give effect to the proposals relating to the Clean Electricity Investment Tax Credit as described in the budget documents tabled by the Minister of Finance in the House of Commons on Budget Day.

Dentons Canada LLP Commentary

Budget 2024 provides details on the design and implementation of the Clean Electricity Investment Tax Credit (“ITC”), which was originally announced in Budget 2023.

The Clean Electricity ITC is a refundable tax credit equal to 15% of the capital cost of eligible property, and will be available only to Canadian corporations that are:

- taxable Canadian corporations;
- provincial and territorial Crown corporations (subject to additional requirements as described below);
- corporations owned by municipalities;
- corporations owned by Indigenous communities; and
- pension investment corporations.

Tax-exempt corporations will be required to agree to be subject to the provisions of the Act related to the Clean Electricity ITC, including provisions related to audit, penalties and collections, and agree not to assert any immunity or exemption in respect of the Clean Electricity ITC.

Where eligible property is owned by a partnership, corporate partners that are eligible for the Clean Electricity ITC may claim their share of the partnership’s Clean Electricity ITC, subject to the same rules applicable to partnerships in respect of the Clean Technology ITC in Bill C-59. Where property is eligible for both the Clean Electricity ITC and the Clean Technology ITC, partners may claim their reasonable share of either credit for which they are qualified (but not both).

Eligible Property

The following types of equipment would be eligible for the Clean Electricity ITC:

- Equipment used to generate electricity from solar, wind or water energy (with no capacity limits for hydroelectric installations);
- Concentrated solar energy equipment used to generate electricity (as defined for the purposes of the Clean Technology ITC, but limited to equipment used to generate electricity);
- Equipment used to generate electricity, or both electricity and heat, from nuclear fission (as defined for the purposes of the Clean Technology ITC, but with no generating capacity limits or a requirement to be comprised

of modules that are factory-assembled and transported pre-built to the installation site);

- Equipment used to generate electricity, or both electricity and heat, solely from geothermal energy (if it is used exclusively for that purpose, but excluding equipment that is part of a system that extracts fossil fuel for sale);
- Equipment that is part of a system used to generate electricity, or both electricity and heat, from specified waste materials;
- Stationary electricity storage equipment and equipment used for pumped hydroelectric energy storage (but excluding equipment that uses any fossil fuel in operation);
- Equipment that is part of an eligible natural gas energy system (as described below); and
- Equipment and structures used for the transmission of electricity between provinces and territories (as described below).

Qualifying expenditures could include capital expenditures to refurbish existing facilities.

Electricity Generation and Cogeneration from Natural Gas with Carbon Capture

Eligible natural gas energy systems will include those that use fuel all or substantially all of which is natural gas solely to generate electricity, or both electricity and heat, and use a carbon capture system to limit emissions. Such systems would be required to attain an emissions intensity no greater than 65 tonnes of CO₂ per gigawatt hour of energy produced (using a modified version of the formula contained in the *Regulations Limiting Carbon Dioxide Emissions from Natural Gas-fired Generation of Electricity* under the *Canadian Environmental Project Act*), and the captured CO₂ would have to be stored appropriately.

When part of an integrated eligible system, eligible property would include:

- Equipment that generates both electrical and heat energy, such as gas turbine generators;
- Heat recovery equipment, such as heat recovery steam generators;
- Electrical generating equipment, such as steam turbine generators;
- Heat generating equipment used primarily for the purpose of producing heat energy to operate the electrical generating equipment, such as steam boilers used to produce steam to operate steam turbine generators; and
- Carbon capture equipment, including equipment that prepares or compresses captured carbon for transportation.

Eligible property would not include buildings or other structures, heat rejection equipment (such as cooling towers), electrical transmission and distribution equipment, fuel handling equipment, or equipment used for CO₂ transportation, storage, or use.

Requirements for dedicated geological storage would be aligned with those proposed for the Carbon Capture, Utilization, and Storage (“CCUS”) ITC and accordingly, the geological formation for storage would need to be located in a jurisdiction with sufficient environmental laws and enforcement to ensure that CO₂ is permanently stored (currently proposed to include Alberta, British Columbia and Saskatchewan).

Natural Resources Canada would review project plans to determine equipment and system eligibility before a Clean Electricity ITC claim could be made. Only eligible property in an integrated system with estimated emissions intensity not exceeding the maximum allowable limit would qualify. Equipment eligibility would also need to be verified by Natural Resources Canada once the expenditures are incurred and before the Clean Electricity ITC is claimed.

Transmission of Electricity Between Provinces and Territories

Eligible interprovincial and territorial electrical transmission property would be property that is used to transmit or manage electrical energy that primarily originates in, or is destined for, another province or territory, including property located exclusively within a province or territory, if the property is used primarily for the purpose of interprovincial transmission. Eligible property would include:

- Electrical transmission equipment, such as cable and switches;
- Electrical transmission structures, such as towers and lattices; and
- Related equipment used for managing traded electricity, such as transformers, electric power conditioning equipment and control equipment.

Eligible property would not include buildings, electrical distribution equipment or electrical transmission equipment rated for voltages less than 69 kilovolts.

Labour Requirements

The labour requirements currently proposed in Bill C-59 for prevailing wages and apprenticeships would need to be met to qualify for the 15% Clean Electricity ITC. Otherwise, the Clean Electricity ITC is available at a rate of 5%.

Compliance and Recovery

Ongoing Compliance with Eligibility Criteria: Properties described in Class 43.1 or 43.2 must meet the conditions for inclusion in the Class on an annual basis, with limited exceptions for property that is part of an eligible system that was previously operated in a qualifying manner. Such property is considered to be operated in the required manner during a period of deficiency, failure or shutdown of the system that is beyond the taxpayer’s control if the taxpayer makes all reasonable efforts to rectify the problem within a reasonable time according to the circumstances. Similar rules would apply to the Clean Electricity ITC with respect to systems that generate electricity, or both electricity and heat, from specified waste material, including systems that generate electricity, or both electricity and heat, from natural gas with carbon capture equipment.

Potential Repayment Obligations: The Clean Electricity ITC would be subject to potential repayment obligations similar to the recapture rules proposed for the Clean Technology ITC when the property has been disposed of, converted to an ineligible use, or exported from Canada.

Special Rules for Eligible Natural Gas Energy Systems: Systems that generate electricity, or both electricity and heat, from natural gas with carbon capture systems would be subject to a one-time verification of emissions intensity, based on a five-year compliance period. Over the five-year period, annual reports on the emissions intensity of the energy that is produced would be required, and compliance would be assessed on the weighted-average emissions intensity over the five-year period (weighted by the electricity and useful heat produced in each year). Third-party emissions intensity verification reports prepared by a Canadian engineering firm would need to be submitted to Natural Resources Canada. An average emissions intensity more than 5% above 65 tonnes of CO₂ per gigawatt hour of energy produced would lead to a full recovery of the Clean Electricity ITC. Following the five-year compliance period, annual emissions intensity reports would be required for an additional 15 years. During this period, an annual emissions intensity above 65 tonnes of CO₂ per gigawatt hour of energy produced would be considered an ineligible use of the system.

Interactions with Other Federal Tax Credits

Eligible corporations may claim only one of the Clean Electricity ITC, the Clean Technology ITC, the CCUS ITC, the Clean Hydrogen ITC, the Clean Technology Manufacturing ITC and the Electric Vehicle Supply Chain ITC if a particular expenditure is eligible for more than one of those ITCs. Multiple ITCs could be available for the same project to the extent that the project includes expenditures eligible for different ITCs. For systems that generate electricity, or both electricity and heat, from natural gas with carbon capture, a project could not claim the Clean Electricity ITC on the energy generation equipment and the CCUS ITC on the carbon capture equipment. Eligible corporations would be able to fully benefit from both the Clean Electricity ITC and the Atlantic ITC with respect to the same expenditure (if eligible for both).

Proposed Application to Provincial and Territorial Crown Corporations

The Clean Electricity ITC would be available to provincial and territorial Crown corporations only for investments made in eligible property situated in designated jurisdictions. The federal Minister of Finance (the “Minister”) would designate a province or territory provided that the Minister is satisfied that the provincial or territorial government has:

- Publicly committed to: (i) work towards a net-zero electricity grid by 2035; and (ii) provincial and territorial Crown corporations passing through the value of the Clean Electricity ITC to electricity ratepayers in their province or territory to reduce ratepayers’ bills.
- Directed provincial and territorial Crown corporations claiming the tax credit to publicly report annually on how the tax credit has improved ratepayers’ bills (or be subject to a penalty).

A provincial or territorial government would need to demonstrate that it has satisfied all of the above conditions in order for provincial and territorial Crown corporations investment in that jurisdiction to gain access to the Clean Electricity ITC.

Coming into Force

The Clean Electricity ITC would apply to eligible property that is:

- Acquired and becomes available for use on or after Budget Day and before 2035, provided it has not been used for any purpose before its acquisition; and
- Not part of a project that began construction before March 28, 2023 (not including obtaining permits or regulatory approval, or conducting environmental assessments, community consultations or impact assessment studies or similar activities).

For eligible property acquired by provincial and territorial Crown corporations, the following modifications apply:

- If a provincial or territorial government has satisfied all the conditions by March 31, 2025, and has been designated by the Minister, then provincial and territorial Crown corporations investing in that jurisdiction would be able to access the Clean Electricity ITC for property that is acquired and becomes available for use on or after Budget Day for projects that did not begin construction before March 28, 2023.
- If the conditions are not satisfied by March 31, 2025, then the Clean Electricity ITC is not accessible until the province or territory is designated by the Minister. The Clean Electricity ITC would apply to property that is acquired and becomes available for use from the date when the province or territory is designated by the Minister for projects that did not begin construction before March 28, 2023.

Polymetallic Extraction and Processing

1 The Act is modified to give effect to the proposals relating to the Polymetallic Extraction and Processing as described in the budget documents tabled by the Minister of Finance in the House of Commons on Budget Day.

Dentons Canada LLP Commentary

A Clean Technology Manufacturing investment tax credit was proposed in Budget 2023 and draft proposals were released in December 2023. This measure proposed to provide for a refundable tax credit equal to 30% of the cost of certain investments used in “eligible activities”. For these purposes, eligible activities included “qualifying mineral activities” with respect to “qualifying materials” (copper, nickel, cobalt, lithium, graphite, and rare earth elements).

Budget 2024 proposes adjustments to the Clean Technology Manufacturing investment tax credit to take into account that production of qualifying materials may occur at projects engaged in the production of multiple metals (referred to as polymetallic projects).

Specifically, Budget 2024 proposes to expand the credit to cover investments in eligible property used in qualifying mineral activities that are expected to produce “primarily” qualifying materials at mine or well sites, including tailing ponds and mills located at such sites. To meet the “primarily” requirement, at least 50% of the financial value of the output must come from qualifying materials.

The Budget 2024 proposals also contain rules to account for changes in the relative value of qualifying materials as compared to non-qualifying materials.

These changes to the Clean Technology Manufacturing investment tax credit apply to property that is acquired and becomes available for use on or after January 1, 2024.

Accelerated Capital Cost Allowance for Productivity – Enhancing Assets

1 The Act is modified to give effect to the proposals relating to the Accelerated Capital Cost Allowance for Productivity – Enhancing Assets as described in the budget documents tabled by the Minister of Finance in the House of Commons on Budget Day.

Dentons Canada LLP Commentary

Budget 2024 proposes to provide immediate expensing for new additions of property in respect of Class 44 (patents or the rights to use patented information for a limited or unlimited period), Class 46 (data network infrastructure equipment and related systems software), and Class 50 (general-purpose electronic data-processing equipment and systems software) if the property is acquired on or after Budget Day and becomes available for use before January 1, 2027.

The enhanced capital cost allowance (“CCA”) would provide a 100-per-cent first-year deduction and would be available only for the year in which the property becomes available for use. Property that becomes available for use after 2026 and before 2028 would continue to benefit from the Accelerated Investment Incentive.

Property that has been used, or acquired for use, for any purpose before it is acquired by the taxpayer would be eligible for the accelerated CCA only if both of the following conditions are met:

- neither the taxpayer nor a non-arm’s-length person previously owned the property; and
- the property has not been transferred to the taxpayer on a tax-deferred “rollover” basis.

Finally, where a taxpayer has a short taxation year, the amount of CCA that can be claimed in a taxation year must generally be prorated based on the length of the year relative to a 12-month period (commonly referred to as the short taxation year rule). When this rule applies, the accelerated CCA would apply in respect of an eligible property on the same prorated basis and the accelerated CCA would not be available in the following taxation year in respect of the property. Care should be taken to avoid acquiring these classes of property in a short taxation year, where possible.

Accelerated Capital Cost Allowance for Purpose-Built Rental Housing

1 The Act is modified to give effect to the proposals relating to the Accelerated Capital Cost Allowance for Purpose-Built Rental Housing as described in the budget documents tabled by the Minister of Finance in the House of Commons on Budget Day.

Dentons Canada LLP Commentary

Currently, purpose-built rental buildings are eligible for capital cost allowance (“CCA”) at a rate of 4% under Class 1. Budget 2024 proposes an accelerated CCA of 10% for new eligible purpose-built rental projects that begin construction on or after Budget Day and before January 1, 2031, and are available for use before January 1, 2036.

Eligible purpose-built rental projects will be the same as those eligible for the Goods and Services Tax (“GST”) New Residential Rental Property Rebate. This is provided to be a new purpose-built rental housing that is a residential complex with at least four private apartment units (each with a private kitchen, bathroom and living areas), or 10 private rooms or suites; and in which at least 90% of the residential units are held for long-term rental.

Projects that convert existing non-residential real estate, into a residential complex would be eligible if the conditions above are met. While renovations of existing residential complexes would not be eligible, the cost of a new addition to an existing structure would be eligible.

Investments eligible for this measure would continue to benefit from the Accelerated Investment Incentive, which currently suspends the half-year rule, providing a CCA deduction at the full rate for eligible property put in use before 2028. After 2027, the half-year rule would apply, which limits the CCA allowance in the year an asset is acquired to one-half of the full CCA deduction.

Budget 2024 was silent on how this proposed rule would interact with the *Income Tax Regulations* which restrict the amount of CCA that can be claimed in excess of the aggregate rental income for the year for taxpayers which are not either principal business corporations or partnerships, all of the members of which are principal business corporations. We are hopeful this will be addressed when the proposed amendments to the *Income Tax Act* and *Income Tax Regulations* relating to this proposal are released.

If the accelerated CCA can be claimed, there may be an advantage to individuals owning eligible property directly rather than through a corporation. The additional CCA will reduce taxable income and the additional cash flow that results would be available to the individual without further taxation.

Canada Carbon Rebate for Small Businesses

1 The Act is modified to give effect to the proposals relating to the Canada Carbon Rebate for Small Businesses as described in the budget documents tabled by the Minister of Finance in the House of Commons on Budget Day.

Dentons Canada LLP Commentary

In respect of the government's commitment to small and medium-sized businesses, Budget 2024 proposes the Canada Carbon Rebate for Small Businesses. The Canada Carbon Rebate for Small Businesses is an automatic, refundable tax credit directly for eligible businesses, sized in proportion to the number of employees in a province. This will return a portion of fuel charge proceeds from a province to eligible businesses. Currently, the federal fuel charge applies in Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Nova Scotia, Prince Edward Island, and Newfoundland and Labrador.

The tax credit will be available to a Canadian-controlled private corporation that files a tax return for its 2023 taxation year by July 15, 2024. The tax credit is with respect to the 2019-20 to 2023-24 fuel charge years, and to be eligible for a credit in an applicable fuel charge year, the corporation will need to have had no more than 499 employees throughout Canada in the calendar year in which the fuel charge year began. For example, eligibility in respect of the 2022-2023 fuel charge year is based on whether a Canadian-controlled private corporation had no more than 499 employees throughout Canada for the 2022 calendar year.

The amount of the tax credit that an eligible corporation will receive is equal to the number of employees of an eligible corporation in a province in a calendar year, multiplied by a payment rate for that province for the corresponding fuel charge year. The payment rates for the 2019-2020 to 2023-2024 fuel charge years will be specified by the Minister of Finance once sufficient information is available from the 2023 taxation year. The tax credit will return proceeds for future fuel charge years in a similar manner.

Eligible corporations will not have to apply for this tax credit, as the Canada Revenue Agency will automatically determine the tax credit amount for an eligible corporation and pay the amount through the new Canada Carbon Rebate for Small Businesses.

Interest Deductibility Limits — Purpose-Built Rental Housing

1 The Act is modified to give effect to the proposals relating to the Interest Deductibility Limits — Purpose-Built Rental Housing as described in the budget documents tabled by the Minister of Finance in the House of Commons on Budget Day.

Dentons Canada LLP Commentary

Budget 2021 introduced the excessive interest and financing expenses limitation (“EIFEL”) rules which essentially limit the net interest and financing expenses that may be deducted by certain taxpayers in computing taxable income. Generally, the EIFEL rules apply to all corporations and trusts, unless they are an excluded entity. Excluded entities include Canadian-controlled private corporations (“CCPCs”) whose taxable capital employed in Canada (together with any associated CCPCs) is less than \$50 million; groups of corporations or trusts with net group interest expenses in Canada equal to or less than \$1 million; or certain groups that carry on “all or substantially all” of their business, their undertakings and activities, in Canada, if certain additional conditions are met. Even where a taxpayer would be subject to the EIFEL rules, the interest incurred in respect of certain public-private partnership infrastructure projects will be exempted from the rules. These rules have not yet been enacted and are currently before Parliament in Bill C-59.

Budget 2024 proposes expanding the current exemptions to also include an election exemption for certain interest and financing expenses incurred before January 1, 2036, in respect of arm’s length financing used to build or acquire eligible purpose-built rental housing in Canada. What constitutes eligible purpose-built rental housing will be consistent with eligibility under the temporary enhancement to the Goods and Services Tax New Residential Rental Property Rebate and the proposed Accelerated Capital Cost Allowance for Purpose-Built Housing measure introduced in Budget 2024, discussed above.

Non-Compliance with Information Requests

1 (1) The portion of subsection 231.1(1) of the Act before paragraph (a) is replaced by the following:

Information gathering

231.1 (1) An authorized person may, at all reasonable times, for any purpose related to the administration or enforcement of this Act (including the collection of any amount payable under this Act by any person), of a listed international agreement or, for greater certainty, of a tax treaty with another country,

(2) Subsection 231.1(1) of the Act is amended by striking out “and” at the end of paragraph (d), by adding “and” at the end of paragraph (e) and by adding the following after paragraph (e):

(f) subject to subsection (4), require a taxpayer or any other person to provide and deliver, in a reasonable manner, within a reasonable period of time and without cost to His Majesty in right of Canada,

(i) any information or additional information, including a return of income or a supplementary return, or

(ii) any document.

(3) Section 231.1 of the Act is amended by adding the following after subsection (3):

Not applicable to unnamed persons

(4) An authorized person shall not impose on a taxpayer or any other person a requirement under paragraph (1)(f) to provide information or any document relating to one or more unnamed persons for which an application under subsection 231.2(3) would be required if the information or document was sought under a notice of requirement under section 231.2.

2 (1) The portion of subsection 231.2(1) of the Act before paragraph (a) is replaced by the following:

Requirement to provide documents or information

231.2 (1) Notwithstanding any other provision of this Act, the Minister may, subject to subsection (2), for any purpose related to the administration or enforcement of this Act (including the collection of any amount payable under this Act by any person), of a listed international agreement or, for greater certainty, of a tax treaty with another country, by notice sent or served in accordance with subsection (1.1), require that any person provide, within such reasonable time and in such reasonable manner as is stipulated in the notice, without cost to His Majesty in right of Canada,

(2) Paragraph 231.2(3)(b) of the Act is replaced by the following:

(b) the requirement is made to verify compliance by the person or persons in the group with any duty or obligation under this Act, a listed international agreement or, for greater certainty, a tax treaty with another country.

3 The Act is amended by adding the following after section 231.4:

Documents and information — oath or affirmation

231.41 A requirement or notice sent or served on a person under section 231.1, 231.2 or 231.6 may require that the person provide any answers to questions, information or documents sought by the Minister under those sections orally, under oath or affirmation, or by affidavit.

4 Section 231.5 of the Act is replaced by the following:

Copies

231.5 If any document is seized, inspected, audited, examined or provided under any of sections 231.1 to 231.4 and 231.6, the person by whom it is seized, inspected, audited or examined or to whom it is provided or any officer of the Canada Revenue Agency may make, or cause to be made, one or more copies thereof and, in the case of an electronic document, make or cause to be made, a print-out of the electronic document, and any document purporting to be certified by the Minister or an authorized person to be a copy of the document, or to be a print-out of an electronic document, made pursuant to this section is evidence of the nature and content of the original document and has the same probative force as the original document would have if it were proven in the ordinary way.

Compliance

231.51 No person shall, physically or otherwise, interfere with, hinder or molest an official (in this section having the meaning assigned by subsection 241(10)) doing anything that the official is authorized to do under this Act or attempt to interfere with, hinder or molest any official doing or prevent or attempt to prevent an official from doing, anything that the official is authorized to do under this Act, and every person shall, unless the person is unable to do so, do everything that the person is required to do by or under sections 231.1 to 231.6.

5 (1) Subsections 231.6(1) and (2) of the Act are replaced by the following:**Definition of foreign-based information or document**

231.6 (1) For the purposes of this section, *foreign-based information or document* means any information or document that is available or located outside Canada and that may be relevant to the administration or enforcement of this Act, of a listed international agreement or, for greater certainty, of a tax treaty with another country, including the collection of any amount payable under this Act by any person.

Requirement to provide foreign-based information

(2) Notwithstanding any other provision of this Act, the Minister may, by notice sent or served in accordance with subsection (3.1), require that a person resident in Canada or a non-resident person carrying on business in Canada provide and deliver, within such reasonable time and in such reasonable manner as is stipulated in the notice, without cost to His Majesty in right of Canada, any foreign-based information or document.

(2) Paragraph 231.6(3)(a) of the Act is replaced by the following:

(a) a reasonable period of time of not less than 90 days after the notice is sent or served for the production of the information or document;

(3) Subsection 231.6(5) of the Act is amended by adding “or” at the end of paragraph (a) and by replacing paragraphs (b) and (c) with the following:

(b) vary or set aside the requirement if the judge determines that the requirement is unreasonable.

(4) Subsection 231.6(8) of the Act is replaced by the following:**Consequence of failure**

(8) If a person fails to comply substantially with a notice sent or served under subsection (2) and if the notice is not set aside by a judge pursuant to subsection (5), any court having jurisdiction in a civil proceeding relating to the administration or enforcement of this Act, of a listed international agreement or, for greater certainty, of a tax treaty with another country, shall, on motion of the Minister, prohibit the introduction by that person of any foreign-based information or document covered by that notice.

6 (1) Subsection 231.7(1) of the Act is replaced by the following:**Compliance order**

231.7 (1) On summary application by the Minister, a judge may, notwithstanding subsection 238(2), order a person to provide any access, assistance, information or document sought by the Minister under section 231.1, 231.2 or 231.6, and answer all questions either orally or in writing as required by paragraph 231.1(1)(d), if the judge is satisfied that

(a) the person was required under

- (i)** section 231.1, 231.2 or 231.6 to provide the access, assistance, information or document and did not do so, or
- (ii)** paragraph 231.1(1)(d) to answer questions orally or in writing and the person did not do so; and

(b) in the case of information, a document or an answer to a question, the information, document or answer is not protected from disclosure by solicitor-client privilege.

(2) Section 231.7 of the Act is amended by adding the following after subsection (5):**Penalties**

(6) If an order under subsection (1) is issued in respect of a taxpayer's failure to comply, the taxpayer is, in addition to any penalty otherwise provided, liable to a penalty of 10% of the aggregate amount of tax payable by the taxpayer under this Act for each taxation year of the taxpayer in respect of which the order relates.

Threshold amount of tax

(7) Subsection (6) does not apply if the amount of tax payable by the taxpayer under this Act for each taxation year in respect of which the order under subsection (1) relates is less than \$50,000.

Make application at any time

(8) The Minister may apply for a compliance order under subsection (1) before or after sending a notice described under subsection 231.9(1).

Assessment

(9) The Minister may at any time assess any amount payable under subsection (6) by any person and, if the Minister makes such an assessment, the provisions of Divisions I and J apply, with such modifications as the circumstances require, in respect of the assessment as though it had been made under section 152.

7 Section 231.8 of the Act is replaced by the following:**Time period not to count**

231.8 (1) The following periods of time shall not be counted in the computation of the period of time within which an assessment may be made for a taxation year of a taxpayer under subsection 152(4):

- (a) if the taxpayer, or a person that does not deal at arm's length with the taxpayer, is sent or served with a requirement under subsection 231.1(1), the period of time between the day on which an application for judicial review in respect of the requirement is made and the day on which the application is finally disposed of;
- (b) if the taxpayer, or a person that does not deal at arm's length with the taxpayer, is sent or served with a notice of a requirement under subsection 231.2(1), the period of time between the day on which an application for judicial review in respect of the requirement is made and the day on which the application is finally disposed of;
- (c) if the taxpayer, or a person that does not deal at arm's length with the taxpayer, is sent or served with a notice of requirement under subsection 231.6(2), the period of time between the day on which the taxpayer or the non-arm's length person applies to a judge for review under subsection 231.6(4) and the day on which the application is finally disposed of;
- (d) if an application is commenced by the Minister under subsection 231.7(1) to order the taxpayer, or a person that does not deal at arm's length with the taxpayer, to provide any access, assistance, information or document, the period of time between the day on which the taxpayer or the non-arm's length person files a notice of appearance, or otherwise opposes the application, and the day on which the application is finally disposed of;
- (e) if the taxpayer, or a person that does not deal at arm's length with the taxpayer, is sent or served with a notice of non-compliance under subsection 231.9(1), the period of time that the notice of non-compliance is outstanding; and
- (f) if, under subsection 231.9(7), a judge has vacated a notice of non-compliance sent to, or served on, the taxpayer, or a person that does not deal at arm's length with the taxpayer, the period of time between the day on which the taxpayer or the non-arm's length person applies to a judge for review under subsection 231.9(6) and the day on which the application is finally disposed of.

When finally disposed of

(2) For the purposes of subsection (1), an application is finally disposed of when the application is disposed of and the time to appeal the application has expired and, in the case of an appeal, when the appeal and any further appeal is disposed of or the time for filing any further appeal has expired.

Notice of non-compliance

231.9 (1) The Minister may, at any time, send to a person or serve a person with a notice of non-compliance if the Minister determines that the person has not complied in full or in part with

- (a) a requirement under paragraph 231.1(1)(d) or (f);
- (b) a requirement under paragraph 231.1(1)(e) to provide an authorized person with all reasonable assistance necessary to allow the authorized person to do anything the authorized person is authorized to do under paragraphs 231.1(1)(a) to (c); or
- (c) a notice sent or served under subsection 231.2(1) or 231.6(2).

Contents of notice of non-compliance

(2) A notice of non-compliance under subsection (1) shall set out, in respect of each taxation year of the taxpayer under review, the manner in which the person that has been sent or served with the notice of non-compliance has failed to comply with a requirement or notice described in any of paragraphs (1)(a) to (c).

Notice

(3) A notice of non-compliance referred to in subsection (1) may be

- (a) served personally;
- (b) sent by registered or certified mail; or
- (c) sent electronically to a bank or credit union that has provided written consent to receive notices of non-compliance under subsection (1) electronically.

Request for review

(4) A person who is sent or served with a notice of non-compliance under subsection (1) may, within 90 days after the day on which the notice of non-compliance is sent or served, request in writing to the Minister that the notice of non-compliance be reviewed and make a representation or submission to the Minister in that regard.

Minister's review

(5) Within 180 days from the date of receipt by the Minister of a request by a person under subsection (4), the Minister shall

- (a) confirm, vary or vacate the notice of non-compliance sent or served under subsection (1); and
- (b) notify the person in writing of the Minister's decision.

When required to set aside

(6) A notice of non-compliance shall be vacated under subsection (5) if the Minister determines that it was unreasonable to issue the notice of non-compliance, or that the person had, prior to the issuance of the notice of non-compliance, done everything reasonably necessary to comply with each requirement or notice in respect of which the notice of non-compliance was issued.

Application for review of decision

(7) A person may, within 90 days after the day on which the person is notified of the Minister's decision under subsection (5), apply to a judge for a review of that decision.

Powers on review

(8) On hearing an application under subsection (7) in respect of a decision by the Minister, a judge may

- (a) confirm the decision; or
- (b) vary or vacate the notice of non-compliance if the judge determines that the Minister's decision was not reasonable.

When notice vacated

(9) If a notice of non-compliance is vacated under subsection (5) or (8), it is deemed to have never been sent or served.

When notice outstanding

(10) For the purposes of subsection (11) and paragraph 231.8(1)(e), a notice of non-compliance is outstanding from the day that it is sent to, or served on, a person until the day on which the person has, to the satisfaction of the Minister, complied, or demonstrated that they have done everything reasonably necessary to comply, with each requirement or notice in respect of which the notice of non-compliance was issued.

Penalty

(11) A person sent or served a notice of non-compliance under subsection (1) is liable to a penalty of \$50 for each day the notice of non-compliance is outstanding, to a maximum of \$25,000.

Assessment

(12) The Minister may at any time assess any amount payable under subsection (11) by any person and, if the Minister makes such an assessment, the provisions of Divisions I and J apply, with such modifications as the circumstances require, in respect of the assessment as though it had been made under section 152.

Dentons Canada LLP Commentary

Budget 2024 proposes several amendments to the information gathering provisions in the *Income Tax Act*. The amendments are intended to enhance the efficiency and effectiveness of tax audits, facilitate the collection of tax revenues on a timelier basis and, in the case of certain technical amendments, ensure that the rules meet their policy objectives.

The various amendments contained in Budget 2024 to the information gathering provisions include the following:

Notice of Non-Compliance

Budget 2024 proposes the creation of a new type of notice (a "notice of non-compliance") that CRA may issue to a person that has not complied with a requirement or notice to provide assistance or information issued by the CRA. This notice would be reviewable by the CRA on request of the person receiving

the notice, who may vacate the notice in certain circumstances, and by a Federal Court judge through a further statutory right of review. If a notice of non-compliance related to a taxpayer is issued to that taxpayer or a non-arm's length person, the normal reassessment period for taxation years applicable to the notice would be extended so long as the notice is outstanding. A person that has been issued a notice of non-compliance would face a penalty of \$50 for each day that the notice is outstanding, to a maximum of \$25,000, unless the notice of non-compliance is otherwise vacated.

Questioning Under Oath

Budget 2024 proposes to allow the CRA to include in a requirement or notice the requirement that any required oral information, written information, or documents be provided under oath or affirmation.

Compliance Orders

In order to improve the effectiveness of compliance orders in compelling compliance by taxpayers with CRA requests for information or assistance, Budget 2024 proposes to impose a penalty when the CRA obtains a compliance order against a taxpayer. The penalty would be applied alongside the compliance order if the tax owing in respect of one of the taxation years to which the compliance order relates exceeds \$50,000. If applied, the penalty would be equal to 10% of the aggregate tax payable by the taxpayer in respect of the taxation year(s) to which the compliance order relates.

Budget 2024 further proposes an amendment to allow the CRA to seek a compliance order for failure to comply with a requirement to provide foreign-based information or documents.

Stopping the Reassessment Limitation Clock

Currently under the *Income Tax Act*, a taxpayer may seek judicial review of a CRA requirement or notice issued to the taxpayer and the reassessment period is extended by the amount of time it takes to dispose of the judicial review. An analogous rule applies in respect of a compliance order. These rules are referred to as "stop the clock" rules and currently do not apply to all situations where a taxpayer does not comply with a CRA requirement or notice.

Budget 2024 proposes to amend the stop the clock rules to provide that they apply when judicial review is sought of any requirement or notice issued by the CRA to a taxpayer or non-arm's length person in relation to the taxpayer's audit and enforcement process, or during any period that a notice of non-compliance is outstanding.

Other Technical Amendments

There are also a number of amendments to compliance and enforcement provisions (e.g., sections 231.1, 231.2, 231.6) that specify the application of the information-gathering rules to the enforcement of listed international agreements, including tax treaties.

Analogous Amendments to Other Tax Statutes

Analogous amendments are proposed to other federal tax statutes administered by the CRA that have similar provisions. These statutes include the *Excise Tax Act* (e.g., GST/HST, fuel excise tax), the *Air Travellers Security Charge Act*, the *Excise Act, 2001* (e.g., alcohol, tobacco, cannabis, and vaping duties), the *Select Luxury Items Tax Act*, and the *Underused Housing Tax Act*.

Coming into Force

These amendments would come into force on royal assent of the enacting legislation.

Avoidance of Tax Debts

1 (1) The portion of subsection 160(5) of the Act before paragraph (a) is replaced by the following:

Anti-avoidance rules

(5) For the purposes of this section, if a person (referred to in this section as the “transferor”) has transferred property either directly or indirectly, by means of a trust or by any other means whatever to another person (referred to in this section as the “transferee”) in a transaction or as part of a series of transactions

(2) Section 160 of the Act is amended by adding the following after subsection (5):

Deemed transfer - conditions

(6) Subsection (7) applies in respect of a transaction or series of transactions if, as part of the transaction or series of transactions,

(a) a person (in this subsection referred to as the “planner”) has transferred property, either directly or indirectly, by means of a trust or by any other means whatever, to a person (in this subsection referred to as the “transferee”) or a person not dealing at arm’s length with the transferee, pursuant to the direction of, or with the concurrence of the transferee;

(b) another person (in this subsection referred to as the “transferor”) has transferred a property (in this subsection referred to as the “particular property”), either directly or indirectly, by means of a trust or by any other means whatever, to the planner or any other person; and

(c) it is reasonable to conclude that one of the purposes for undertaking or arranging the transaction or series of transactions is to avoid joint and several, or solidary, liability of the transferee and transferor for an amount payable under this Act.

Deemed transfer

(7) If this subsection applies in respect of a transaction or series of transactions, for the purposes of this section, the transferor (within the meaning of subsection (6)) is deemed to have transferred the particular property to the transferee (within the meaning of subsection (6)) as part of the transaction or series of transactions.

(8) If a transaction or series of transactions is a *section 160 avoidance transaction* (as defined in subsection 160.01(1)), in determining the amount the transferee and transferor are jointly and severally, or solidarily, liable to pay under this section, the fair market value of the consideration given, if any, by the transferee for any transferred property is deemed to be nil if

(a) the transaction or series of transactions is described in paragraph (a) or (c) of the definition *section 160 avoidance transaction* in subsection 160.01(1); or

(b) it is reasonable to conclude that one of the purposes for undertaking or arranging the transaction or series of transactions is to avoid joint or several, or solidary, liability of the transferee and transferor for an amount payable under this Act.

(3) Subsections (1) and (2) apply in respect of a transaction or series of transactions that occurs on or after Budget Day.

2 (1) The definition “section 160 avoidance transaction” in subsection 160.01(1) of the Act is amended by striking out “or” at the end of paragraph (a), by adding “or” at the end of paragraph (b) and by adding the following after paragraph (b):

(c) subsection 160(7) deems there to have been a transfer of property from the transferor to the transferee.

(2) The definition *transferee* in subsection 160.01(1) of the Act is replaced by the following:

transferee has the meaning assigned by subsections 160(1), (5) and (7). (*bénéficiaire du transfert*)

(3) The definition *transferor* in subsection 160.01(1) of the Act is replaced by the following:

transferor has the meaning assigned by subsections 160(1), (5) and (7). (*auteur du transfert*)

(4) Subsections (1) to (3) apply in respect of a transaction or series of transactions that occurs on or after Budget Day.

Dentons Canada LLP Commentary

The *Income Tax Act* currently has a provision designed to prevent taxpayers from avoiding paying their tax liabilities by transferring property to non-arm’s length persons. This rule makes the transferee jointly and severally, or solidarily, liable with the transferor for the transferor’s tax liability. The *Income Tax Act* also has rules designed to prevent the circumvention of this rule, as well as penalties

for those who engage in, participate in, assent to, or acquiesce in activities that are tax debt avoidance planning.

Budget 2024 proposes to introduce a supplementary rule to strengthen the tax debt anti-avoidance rule. This new rule will apply in circumstances where:

- there has been a transfer of property from a tax debtor to another person;
- as part of the same transaction or series of transactions, there has been a separate transfer of property from a person other than the tax debtor to a transferee that does not deal at arm's length with that tax debtor; and
- one of the purposes of the transaction or series is to avoid joint and several, or solidary, liability.

If these conditions are met, then the property transferred by the tax debtor would be deemed to have been transferred to the transferee for the purposes of the tax debt avoidance rule.

Budget 2024 also proposes to extend penalties for tax debt avoidance planning to transactions that fall under the supplementary rule. The penalty is equal to the lesser of:

- 50 per cent of the tax that is attempted to be avoided; and
- \$100,000 plus any amount the person, or a related person, is entitled to receive or obtain in respect of the planning activity.

Budget 2024 further proposes that taxpayers who participate in tax debt avoidance planning be jointly and severally, or solidarily, liable for the full amount of the avoided tax debt, including any portion that has effectively been retained by a planner as a fee.

Similar amendments are also being proposed to comparable provisions in other federal statutes (e.g., the *Excise Tax Act*, the *Excise Act, 2001*, the *Select Luxury Items Tax Act*, and the *Underused Housing Tax Act*).

These measures would apply to transactions or series of transactions that occur on or after Budget Day.

Reportable and Notifiable Transactions Penalty

1 (1) The portion of subsection 238(1) of the Act before paragraph (a) is replaced by the following:

Offences and punishment

238 (1) Every person who has failed to file or make a return — other than a return under section 237.3 or 237.4 — as and when required by or under this Act or a regulation or who has failed to comply with subsection 116(3), 127(3.1) or (3.2), 147.1(7) or 153(1), any of sections 230 to 232, 244.7 and 267 or a regulation made under subsection 147.1(18) or with an order made under subsection (2) is guilty of an offence and, in addition to any penalty otherwise provided, is liable on summary conviction to

(2) Subsection (1) is deemed to have come into force on June 22, 2023.

Dentons Canada LLP Commentary

Budget 2024 proposes to remove the application of the general penalty for a person who fails to file or make a return or certain specified rules (up to \$25,000 and imprisonment up to a year) from the failure to file an information return in respect of a reportable or notifiable transaction under the mandatory disclosure rules. This is due to the fact that there are already specific penalties that apply under the mandatory disclosure rules under the *Income Tax Act*.

This amendment would be deemed to have come into force on June 22, 2023.

Mutual Fund Corporations

1 (1) The portion of subsection 131(8) of the Act before paragraph (a) is replaced by the following:

Meaning of mutual fund corporation

(8) Subject to subsections 131(8.1) to (8.3), a corporation is, for the purposes of this section, a mutual fund corporation at any time in a taxation year if, at that time, it was a prescribed labour-sponsored venture capital corporation or

(2) Section 131 of the Act is amended by adding the following after subsection (8.1):

Substantial interest

(8.2) A corporation (other than a prescribed labour-sponsored venture capital corporation) is deemed not to be a mutual fund corporation after a particular time if, at that time,

(a) a person or partnership, or any combination of persons or partnerships that do not deal with each other at arm's length (in either case, referred to in this subsection and subsection (8.3) as "specified persons") own, in the aggregate, shares of the capital stock of the corporation having a fair market value of more than 10% of the fair market value of all of the issued and outstanding shares of the capital stock of the corporation; and

(b) the corporation is controlled by or for the benefit of one or more specified persons.

Exception

(8.3) Subsection (8.2) does not apply to a corporation if, at the particular time referred to in subsection (8.2),

(a) the corporation was incorporated not more than two years before the particular time; and

(b) the aggregate fair market value of the shares of the capital stock of the corporation owned by specified persons does not exceed \$5,000,000.

(3) Subsections (1) and (2) apply to taxation years that begin after 2024.

Dentons Canada LLP Commentary

A mutual fund is a type of investment vehicle that allows investors to pool their money and invest in a portfolio of investments without purchasing the investments directly. A mutual fund corporation is a mutual fund organized as a corporation that meets certain conditions set out in the *Income Tax Act*. The *Income Tax Act* includes special rules for mutual fund corporations that facilitate conduit treatment for investors (shareholders).

A corporation can qualify as a mutual fund corporation under the *Income Tax Act*, if, among other conditions, a class of its shares is listed on a designated stock exchange in Canada, even if all other shares of the corporation are held by a corporate group and those shares represent all or substantially all of the fair market value of the issued shares of the corporation. This could allow a corporate group to use a mutual fund corporation to benefit from the special rules available to these corporations (e.g., the capital gains refund mechanism) in an unintended manner.

Budget 2024 proposes amendments to the *Income Tax Act* to preclude a corporation from qualifying as a mutual fund corporation where it is controlled by or for the benefit of a corporate group (including a corporate group that consists of any combination of corporations, individuals, trusts, and partnerships that do not deal with each other at arm's length). Exceptions would be provided to ensure that the measure does not adversely affect mutual fund corporations that are widely held pooled investment vehicles.

This measure would apply to taxation years that begin after 2024.

Synthetic Equity Arrangements

1 The Act is modified to give effect to the proposals relating to the Synthetic Equity Arrangements as described in the budget documents tabled by the Minister of Finance in the House of Commons on Budget Day.

Dentons Canada LLP Commentary

The *Income Tax Act* generally allows a corporation to deduct the amount of any dividends received on a share of a corporation resident in Canada, subject to certain limitations.

One of these limitations is an anti-avoidance rule that denies the dividend received deduction in respect of dividends received as part of a “dividend rental arrangement”, which is defined in the *Income Tax Act* to include a “synthetic equity arrangement”. A “synthetic equity arrangement” is generally an agreement where one of the main reasons for entering into the arrangement is to provide all or substantially all of the risk of loss and opportunity for gain or profit (the “economic exposure”) in respect of a share to another person other than the dividend recipient (e.g., a total return swap).

The anti-avoidance rule as currently drafted incorporates certain exceptions, including where the taxpayer establishes that no tax-indifferent investor has all or substantially all of the economic exposure in respect of the share. An associated exception is also available for synthetic equity arrangements traded on a derivatives exchange (i.e., the exchange traded exception).

Budget 2024 proposes to remove the tax-indifferent investor exception (including the exchange traded exception) to the anti-avoidance rule.

This measure would apply to dividends received on or after January 1, 2025.

Manipulation of Bankrupt Status

1 (1) Paragraph (i) of the description of B of the definition *forgiven amount* in subsection 80(1) of the Act is replaced by the following:

(i) if the debtor is an individual who is a bankrupt at that time, the principal amount of the obligation,

(2) Subsection (1) applies in respect of bankruptcy proceedings that are commenced on or after Budget Day.

2 (1) Subsection 128(1) of the Act is amended by adding “and” at the end of subparagraph (e)(ii), by striking out “and” at the end of paragraph (f) and by repealing paragraph (g).

(2) Subsection (1) applies in respect of bankruptcy proceedings that are commenced on or after Budget Day.

Dentons Canada LLP Commentary

The *Income Tax Act* currently provides for two complementary sets of rules relating to insolvent corporations.

First, the debt forgiveness rules in section 80 provide for a reduction of beneficial tax attributes, such as losses, where a commercial debt is settled for less than its principal amount. The debts of a bankrupt taxpayer are not included in the determination of the “forgiven amount” for purposes of the debt forgiveness rules.

Second, section 128 provides for specific tax treatment of bankrupt corporations, including a loss restriction event on the absolute discharge from bankruptcy.

By manipulating the status of a corporation as bankrupt or not, a corporation can potentially benefit from the exclusion from the debt forgiveness rules (by having the status of a bankrupt at the time of forgiveness), while also avoiding the loss restriction event (by exiting bankruptcy without obtaining an absolute discharge).

Budget 2024 proposes to address this manipulation of bankruptcy status in two ways:

First, the exclusion from the definition of “forgiven amount” is narrowed, to only exclude amounts forgiven on the bankruptcy of an individual. A debt of a corporation forgiven on bankruptcy will now form part of the “forgiven amount” for debt forgiveness purposes.

Second, as the debt forgiveness rules will now apply to reduce the tax attributes of a bankrupt corporation, the loss restriction event in section 128 is unnecessary and is deleted.

These amendments take effect for corporations that commence bankruptcy proceedings on or after Budget Day. Corporations that have entered bankruptcy prior to Budget Day are not affected.

It should be noted that the type of arrangement described above had already been designated by the Minister of National Revenue as a “notifiable transaction”.

Crypto-Asset Reporting Framework and the Common Reporting Standard

1 The Act is modified to give effect to the proposals relating to the Crypto-Asset Reporting Framework and the Common Reporting Standard as described in the budget documents tabled by the Minister of Finance in the House of Commons on Budget Day.

Dentons Canada LLP Commentary

The Organisation for Economic Co-operation and Development (the “OECD”) delivered the Common Reporting Standard (the “CRS”) in 2014. The CRS aims to promote tax transparency regarding financial accounts held abroad. A review by the OECD, the G20 and other interested parties of the CRS resulted in the development of the Crypto-Asset Reporting Framework (the “CARF”).

Budget 2024 provides for the modification of the *Income Tax Act* to give effect to the proposals to implement the CARF and amendments to the CRS.

The CARF is a tax transparency framework which will, if implemented by the Parliament of Canada, standardize the automatic exchange of information when it comes to transactions concerning crypto-assets. The CARF has multiple parts, including a set of rules which can be transposed in the domestic law of a jurisdiction and which will generate reporting obligation on concerned reporting individuals/entities that have a sufficient nexus with the jurisdiction that has implemented the CARF. Pursuant to the CARF, crypto-asset service providers, regardless of whether they are individuals or entities, will be held to report certain crypto-asset transactions. The measures proposed in Budget 2024 provides that these crypto-asset service providers must be resident in Canada or carry on a business in Canada and must engage in business services relating to exchange transactions in crypto-assets. These criteria appear to establish the nexus required for a services provider to be the subject of CARF, which is discussed in the OECD papers.

According to Budget 2024, a reporting obligation will be imposed on each crypto-asset service provider, with respect to each of its customers and each crypto-asset, when any of the transactions described in Budget 2024 takes place. The CARF will also require crypto-asset service providers to collect and report identifying information about their customers.

It is to be noted that central bank digital currencies are not reportable crypto-assets pursuant to the CARF, but Budget 2024 proposes broadening the application of the CRS to include electronic money products and central bank digital currencies.

Two other amendments are proposed with regards to the CRS. The first one targets Labour-Sponsored Venture Capital corporations and the second one is the addition of a purpose test to the anti-avoidance provision of the CRS.

The proposals to implement the CARF and amendments to the CRS are not yet available. The measures discussed herein are scheduled to apply to 2026 and following calendar years.

Withholding for Non-Resident Service Providers

1 (1) Section 153 of the Act is amended by adding the following after subsection (7):

Non-resident service providers

(8) The Minister may

(a) waive the requirement under subsection (1) to deduct or withhold amounts from payments described in paragraph (1)(g) to a non-resident during a period of time specified by the Minister if the Minister is satisfied that

(i) the payments

(A) are income of a treaty-protected business of the non-resident, or

(B) would not be included in computing the income of the non-resident because of paragraph 81(1)(c), and

(ii) the conditions established by the Minister are met; and

(b) revoke a waiver made under paragraph (a) if the Minister is no longer satisfied that the conditions referred to in paragraph (a) are met.

Dentons Canada LLP Commentary

The existing income tax regime provides for a 15 per cent withholding and remittance regime on payments made to a non-resident on fees, commissions or other amounts for services rendered in Canada, which is ultimately a payment on account of the non-resident's potential liability under Part I of the *Income Tax Act*.

Currently, in cases where non-residents are exempt from Canadian tax (e.g., due to lack of permanent establishment in Canada pursuant to a tax treaty), the non-resident can either submit an application to obtain an advance waiver of the withholding requirements or file a Canadian income tax return to obtain a refund of the amount withheld and remitted.

Budget 2024 proposes that CRA be granted the authority to waive the requirement to withhold amounts required, for a specific period, for payments to a non-resident service provider if either of the following conditions are met:

- (1) the non-resident would not be subject to Canadian income tax in respect of the payments because of a tax treaty between its country of residence and Canada; or
- (2) the income from providing the services is exempt income from international shipping or from operating an aircraft in international traffic.

The proposal allows the CRA to issue a single waiver to the non-resident of Canada receiving a fee, commission or other amount for services rendered in Canada for multiple transactions and eliminates the burdensome process of applying for a waiver on every written agreement or signed contract for the calendar year. This simplified waiver application process has the potential to encourage more non-residents to render services in Canada.

This proposal is subject to conditions to be established by the Minister of National Revenue. The conditions have not been provided in Budget 2024 and are expected to be made public at a later time.

This proposal will come into force on Royal Assent.

Editorial Comment on GST/HST and Excise Budget Resolutions

That it is expedient to amend the *Excise Tax Act* and other legislation as follows:

GST/HST on Face Masks and Face Shields

1 (1) Sections 2 to 5 of Part II.1 of Schedule VI to the *Excise Tax Act* are repealed.

(2) Subsection (1) applies to supplies made after April 2024.

Dentons Canada LLP Commentary

Budget 2024 proposes to amend the *Excise Tax Act* to repeal the temporary zero-rating of certain face masks or respirators and certain face shields under the GST/HST. The temporary relief announced in the 2020 Fall Economic Statement was proposed to be in effect until the use of face coverings was no longer broadly recommended by public health officials for the COVID-19 pandemic.

This measure would apply to supplies made on or after May 1, 2024.

Non-Compliance with Information Requests

2 The *Excise Tax Act* is modified to give effect to the proposals relating to Non-Compliance with Information Requests described in the budget documents tabled by the Minister of Finance in the House of Commons on Budget Day.

3 The *Air Travellers Security Charge Act* is modified to give effect to the proposals relating to Non-Compliance with Information Requests described in the budget documents tabled by the Minister of Finance in the House of Commons on Budget Day.

4 The *Excise Act, 2001* is modified to give effect to the proposals relating to Non-Compliance with Information Requests described in the budget documents tabled by the Minister of Finance in the House of Commons on Budget Day.

5 The *Select Luxury Items Tax Act* is modified to give effect to the proposals relating to Non-Compliance with Information Requests described in the budget documents tabled by the Minister of Finance in the House of Commons on Budget Day.

6 The *Underused Housing Tax Act* is modified to give effect to the proposals relating to Non-Compliance with Information Requests described in the budget documents tabled by the Minister of Finance in the House of Commons on Budget Day.

Dentons Canada LLP Commentary

Budget 2024 proposes several amendments to the information gathering provisions in the *Income Tax Act*. These proposed amendments are intended to enhance the efficiency and effectiveness of tax audits and facilitate the collection of tax revenues on a timelier basis. It introduces a new notice of non-compliance that can be issued when a person fails to meet CRA requirements. The proposals also allow the CRA to request information under oath or affirmation. Additionally, penalties are suggested for non-compliance with compliance orders, with incentives for compliance. Budget 2024 also proposes extending the reassessment period in cases of judicial review or non-compliance.

Budget 2024 proposes that other tax statutes administered by the CRA, which have provisions similar to the *Income Tax Act*, also be amended, as needed, to address the issues discussed above. Those statutes include the *Excise Tax Act* (e.g., GST/HST, fuel excise tax), *Air Travellers Security Charge Act*, *Excise Act, 2001* (alcohol, tobacco, cannabis, and vaping duties), the *Underused Housing Tax Act*, and the *Select Luxury Items Tax Act*.

Refer to the Non-Compliance with Information Requests measure under the Business Income Tax Measures section for more information.

Avoidance of Tax Debts

7 The *Excise Tax Act* is modified to give effect to the proposals relating to Avoidance of Tax Debts described in the budget documents tabled by the Minister of Finance in the House of Commons on Budget Day.

8 The *Excise Act, 2001* is modified to give effect to the proposals relating to Avoidance of Tax Debts described in the budget documents tabled by the Minister of Finance in the House of Commons on Budget Day.

9 The *Select Luxury Items Tax Act* is modified to give effect to the proposals relating to Avoidance of Tax Debts described in the budget documents tabled by the Minister of Finance in the House of Commons on Budget Day.

10 The *Underused Housing Tax Act* is modified to give effect to the proposals relating to Avoidance of Tax Debts described in the budget documents tabled by the Minister of Finance in the House of Commons on Budget Day.

Dentons Canada LLP Commentary

Budget 2024 introduces three tax debt avoidance provisions which will apply to the *Excise Tax Act*, the *Excise Act, 2001*, the *Select Luxury Items Tax Act*, and the *Underused Housing Tax Act*, as well as to the *Income Tax Act*. These are:

- A new tax back-to-back supplementary debt anti-avoidance rule which will deem property transferred by the tax debtor to the transferee for the purposes of the tax debt avoidance rule where:
 - there has been a transfer of property from a tax debtor to another person;
 - as part of the same transaction or series of transactions, there has been a separate transfer of property from a person other than the tax debtor to a transferee that does not deal at arm's length with the tax debtor; and
 - one of the purposes of the transaction or series is to avoid joint and several, or solidary, liability.
- The extension of the *Income Tax Act* penalty for those who engage in, participate in, assent to, or acquiesce in planning activity that they know, or would reasonably be expected to know, is tax debt avoidance planning to the new back-to-back supplementary rule.
- Joint and several, or solidary, liability for taxpayers who participate in tax debt avoidance planning with planners facilitating such planning for the full amount of the avoided tax debt, including any portion that has effectively been retained by the planner.

See also the income tax commentary titled *Avoidance of Tax Debts* which discusses this measure in further detail.

Notice of Ways and Means Motion to amend the Excise Act, 2001 and Other Related Texts

That it is expedient to amend the *Excise Act, 2001* and other related texts as follows:

Tobacco and Vaping Product Taxation

1 (1) Subsection 38(3) of the *Excise Act, 2001* is replaced by the following:

Exception for specified manufactured tobacco brands

(3) A container of manufactured tobacco does not require tobacco markings to be printed on or affixed to it if the brand of the tobacco is not commonly sold in Canada and is specified by the Minister.

(2) Paragraph 38(4)(a) of the Act is replaced by the following:

(a) cigarettes of the particular type or formulation exported under that brand are cigarettes specified by the Minister; and

(3) Subsections (1) and (2) come into force on the first day of the month following the month that includes the day on which the Act enacting those subsections receives royal assent.

2 (1) Paragraph 58(1)(a) of the Act is replaced by the following:

(a) the tobacco product of that brand is specified by the Minister;

(2) Paragraph 58(2)(a) of the Act is replaced by the following:

(a) cigarettes of the particular type or formulation exported under that brand are cigarettes specified by the Minister; and

(3) Subsections (1) and (2) come into force on the first day of the month following the month that includes the day on which the Act enacting those subsections receives royal assent.

3 (1) The definition *adjustment day* in section 58.1 of the Act is amended by striking out “or” at the end of paragraph (a.2) and by adding the following after that paragraph:

(a.3) the day after Budget Day; or

(2) Subsection (1) is deemed to have come into force on the day after Budget Day.

4 (1) Section 58.2 of the Act is amended by adding the following after subsection (1.2):

Imposition of tax — 2024 increase

(1.3) Subject to section 58.3, every person shall pay to His Majesty a tax on all taxed cigarettes of the person held at the beginning of the day after Budget Day at the rate of \$0.02 per cigarette.

(2) Subsection (1) is deemed to have come into force on the day after Budget Day.

5 (1) Subsection 58.5(1) of the Act is amended by striking out “or” at the end of paragraph (a.2) and by adding the following after that paragraph:

(a.3) in the case of the tax imposed under subsection 58.2(1.3), June 30, 2024; or

(2) Subsection (1) is deemed to have come into force on the day after Budget Day.

6 (1) Subsection 58.6(1) of the Act is amended by striking out “or” at the end of paragraph (a.2) and by adding the following after that paragraph:

(a.3) in the case of the tax imposed under subsection 58.2(1.3), June 30, 2024; or

(2) Subsection (1) is deemed to have come into force on the day after Budget Day.

7 Subparagraph 211(6)(e)(x) of the Act is replaced by the following:

(x) to an official solely for the administration or enforcement of the *Tobacco and Vaping Products Act* or the *Cannabis Act*,

8 (1) Paragraph 1(a) of Schedule 1 to the Act is replaced by the following:

(a) \$0.92883; or

(2) Subsection (1) is deemed to have come into force on the day after Budget Day.

9 (1) Paragraph 2(a) of Schedule 1 to the Act is replaced by the following:

(a) \$0.18576; or

(2) Subsection (1) is deemed to have come into force on the day after Budget Day.

10 (1) Paragraph 3(a) of Schedule 1 to the Act is replaced by the following:

(a) \$11.61031; or

(2) Subsection (1) is deemed to have come into force on the day after Budget Day.

11 (1) Paragraph 4(a) of Schedule 1 to the Act is replaced by the following:

(a) \$40.43121; or

(2) Subsection (1) is deemed to have come into force on the day after Budget Day.

12 (1) Subparagraph (a)(i) of Schedule 2 to the Act is replaced by the following:

(i) \$0.14533, or

(2) Subsection (1) is deemed to have come into force on the day after Budget Day.

13 (1) Subparagraphs 1(a)(i) and (ii) of Schedule 8 to the Act are replaced by the following:

(i) for the first 10 millilitres of vaping substance in the vaping device or immediate container, \$1.12 per 2 millilitres of vaping substance or fraction thereof, and

(ii) for any additional amount of vaping substance in the vaping device or immediate container, \$1.12 per 10 millilitres of vaping substance or fraction thereof; and

(2) Subparagraphs 1(b)(i) and (ii) of Schedule 8 to the Act are replaced by the following:

(i) for the first 10 grams of vaping substance in the vaping device or immediate container, \$1.12 per 2 grams of vaping substance or fraction thereof, and

(ii) for any additional amount of vaping substance in the vaping device or immediate container, \$1.12 per 10 grams of vaping substance or fraction thereof.

(3) Subsections (1) and (2) come into force or are deemed to have come into force on July 1, 2024.

14 (1) Subparagraphs 2(a)(i) and (ii) of Schedule 8 to the Act are replaced by the following:

(i) for the first 10 millilitres of vaping substance, \$1.12 per 2 millilitres of vaping substance or fraction thereof, and

(ii) for any additional amount of vaping substance, \$1.12 per 10 millilitres of vaping substance or fraction thereof; and

(2) Subparagraphs 2(b)(i) and (ii) of Schedule 8 to the Act are replaced by the following:

(i) for the first 10 grams of vaping substance, \$1.12 per 2 grams of vaping substance or fraction thereof, and

(ii) for any additional amount of vaping substance, \$1.12 per 10 grams of vaping substance or fraction thereof.

(3) Subsections (1) and (2) come into force or are deemed to have come into force on July 1, 2024.

Amendments to Various Regulations

Regulations Relieving Special Duty on Certain Tobacco Products

15 (1) The *Regulations Relieving Special Duty on Certain Tobacco Products* are repealed.

(2) Subsection (1) comes into force on the first day of the month following the month that includes the day on which that subsection is enacted or made.

Regulations Respecting Prescribed Brands of Manufactured Tobacco and Prescribed Cigarettes

16 (1) The *Regulations Respecting Prescribed Brands of Manufactured Tobacco and Prescribed Cigarettes* are repealed.

(2) Subsection (1) comes into force on the first day of the month following the month that includes the day on which that subsection is enacted or made.

Stamping and Marking of Tobacco, Cannabis and Vaping Products Regulations

17 (1) Paragraph 2(a) of the *Stamping and Marking of Tobacco, Cannabis and Vaping Products Regulations* is replaced by the following:

- (a) raw leaf tobacco is packaged in a prescribed package when it is packaged
 - (i) in a package that contains no more than 500 g of raw leaf tobacco, and
 - (ii) in the smallest package — including any outer wrapper, package, box or other container — in which it is sold to the consumer;

(2) Paragraph 2(c) of the French version of the Regulations is replaced by the following:

- c) dans le cas d'un produit du cannabis ou d'un produit de vapotage, le plus petit emballage, y compris l'enveloppe extérieure, l'emballage, la boîte ou autre contenant, dans lequel il est vendu au consommateur.

(3) Subsection (1) comes into force on the first day of the month following the month that includes the day on which that subsection is enacted or made.

18 (1) Section 4.01 of the Regulations is amended by renumbering subsection (2) as subsection (3) and by adding the following after subsection (1):

(2) If the Minister holds, at any time in a calendar month, security that a person has provided under subsection 25.1(3) of the Act and if the person is not a tobacco licensee throughout the calendar month, the person must file with the Minister an information return for the calendar month in respect of the possession and use of any tobacco excise stamps issued to the person.

(2) Subsection (1) comes into force on the first day of the month following the month that includes the day on which that subsection is enacted or made.

19 (1) Subsection 5(2) of the Regulations is amended by striking out “or” at the end of paragraph (c), by adding “or” at the end of paragraph (d) and by adding the following after paragraph (d):

- (e) 500 g of packaged raw leaf tobacco.

(2) Subsection (1) comes into force on the first day of the month following the month that includes the day on which that subsection is enacted or made.

Dentons Canada LLP Commentary

Budget 2024 announces the Government's intention to increase the tobacco excise duty rate by \$4 per carton of 200 cigarettes (i.e., for a total of \$5.49 including the automatic inflationary adjustment of \$1.49 per carton of 200 cigarettes that took effect on April 1, 2024), along with corresponding increases to the excise duty rates for other tobacco products outlined in the table below.

Inventories of cigarettes held by certain manufacturers, importers, wholesalers and retailers at the beginning of the day after Budget Day would be subject to an inventory tax of \$0.02 per cigarette (subject to certain exemptions) to account for the \$4 increase. Taxpayers would have until June 30, 2024 to file a return and pay the cigarette inventory tax.

This measure would come into force on the day after Budget Day.

Tobacco Excise Duty Rate Structure

Products	Current Excise Duty Rates (Effective April 1, 2024)	Proposed Excise Duty Rates after Budget Day
Cigarettes (per five cigarettes or fraction thereof)	\$0.82883	\$0.92883

Tobacco Excise Duty Rate Structure		
Products	Current Excise Duty Rates (Effective April 1, 2024)	Proposed Excise Duty Rates after Budget Day
Tobacco Sticks (per stick)	\$0.16576	\$0.18576
Manufactured Tobacco (per 50 grams or fraction thereof)	\$10.36032	\$11.61031
Cigars	\$36.07829 per 1,000 cigars plus the greater of \$0.12968 per cigar and 88% of the sale price or duty-paid value.	\$40.43121 per 1,000 cigars plus the greater of \$0.14533 per cigar and 88% of the sale price or duty-paid value.

Importation Limit for Packaged Raw Leaf Tobacco for Personal Use

Currently under the *Excise Act, 2001*, no one is allowed to possess or import unstamped tobacco products unless an exemption applies. One of the exemptions is that the products are imported for personal use in quantities not in excess of prescribed limits (e.g., five cartons of cigarettes). There is currently no limit on importation of packaged raw leaf tobacco for personal use.

Budget 2024 proposes to provide a new prescribed limit of up to 2500 grams of packaged raw leaf tobacco for importation for personal use. Consequential to the imposition of the new importation limit, Budget 2024 also proposes to amend the definition of “packaged” for raw leaf tobacco to ensure the proper enforcement of the new limit for importation, and to better reflect current business practices.

This measure would come into force on the first day of the month following Royal Assent to the enabling legislation.

Process for Prescribing Tobacco Products

Brands of tobacco products that are destined for the export market must be prescribed by regulation before the products can be exported without markings and the imposition of a special excise duty. Applications need to be made to the Canada Revenue Agency for eligibility assessments, and the Canada Revenue Agency would in turn recommend qualifying brands for prescription through the regulatory process.

To improve the administration of the current process, Budget 2024 proposes to replace the prescription through the regulatory process with an authorization for the Minister of National Revenue to specify the brands of tobacco products for export that are exempted from the special excise duty and marking requirement.

This measure would come into force on the first day of the month following Royal Assent to the enabling legislation.

Requiring Information Returns from Tobacco Prescribed Persons

Persons that are prescribed by regulation (i.e., “prescribed persons”) may be issued excise stamps for either tobacco products or vaping products, stamps they may then provide to overseas manufacturers of those products to allow the eventual importation of stamped products into Canada. Generally, prescribed persons do not manufacture tobacco or vaping products in Canada, and excise duties are paid once the products are imported into Canada.

Prescribed persons that are issued vaping excise stamps are currently required to file information returns each month, but the same requirement does not apply to prescribed persons that are issued tobacco excise stamps.

To improve controls and accountability for tobacco excise stamps, Budget 2024 proposes to require tobacco prescribed persons to file information returns for tobacco excise stamps. This measure would come into force on the first day of the month following Royal Assent to the enabling legislation.

Excise Duty on Vaping Products

Budget 2024 announces the Government’s intention to increase the vaping product excise duty rate as outlined in the table below.

This proposed increase would also apply to the additional duty imposed in respect of participating jurisdictions under the coordinated vaping product taxation framework. This measure would come into force on July 1, 2024; i.e., the same day as the effective date for the introduction of the coordinated vaping product taxation regime for Ontario, Quebec, the Northwest Territories, and Nunavut.

Vaping Product Excise Duty Rate Structure		
Jurisdictions	Current Excise Duty Rates	Proposed Excise Duty Rates on July 1, 2024
Non-Participating Jurisdictions		\$1.12 per 2 mL or fraction thereof for the first 10 mL of vaping substance in the vaping device or immediate container.
	\$1 per 2 mL or fraction thereof for the first 10 mL of vaping substance in the vaping device or immediate container.	\$1.12 per 10 mL or fraction thereof for amounts over the first 10 mL.
Participating Jurisdictions	\$1 per 10 mL or fraction thereof for amounts over the first 10 mL.	\$2.24 per 2 mL or fraction thereof for the first 10 mL of vaping substance in the vaping device or immediate container.
		\$2.24 per 10 mL or fraction thereof for amounts over the first 10 mL.

Sharing of Confidential Information

Currently, under the *Excise Act, 2001*, the Canada Revenue Agency is allowed to share confidential information for the purposes of administration or enforcement of the *Cannabis Act*.

To enhance collaboration between the Canada Revenue Agency and Health Canada in their respective responsibilities with regard to tobacco and vaping products, Budget 2024 proposes to amend the *Excise Act, 2001* to allow the Canada Revenue Agency to share confidential information for the purposes of the administration or enforcement of the *Tobacco and Vaping Products Act*.

This measure would come into force upon Royal Assent to the enabling legislation.

Other Measures and Previously Announced Measures

Fuel, Alcohol, Cannabis, and Tobacco Sales Tax Framework

Budget 2024 proposes to amend the First Nations Goods and Services Tax to enable Indigenous governments to enact a value-added sales tax, under their own laws, on fuel, alcohol, cannabis, tobacco, and vaping (“FACT”) products within their reserves or settlement lands. The FACT sales tax would be analogous to the FNGST, including applying at the same five per cent GST rate, but would be limited to fuel, alcohol, cannabis, tobacco, and vaping products. Indigenous governments would have the choice to levy FACT sales taxes and would have the flexibility to choose which FACT product(s) to tax. FACT sales taxes would apply to all persons buying the taxed FACT products sold on the lands of an opt-in Indigenous government. On products for which an Indigenous FACT sales tax applies, the federal GST, or federal component of HST, would not apply.

Deduction for Tradespeople’s Travel Expenses

Budget 2024 announces that the government will consider bringing forward amendments to the *Income Tax Act* to provide for a single, harmonized deduction for tradespeople’s travel that respects the intent of Bill C-241, which sought to enact an alternative deduction for certain travel expenses of tradespeople in the construction industry, with no cap on expenses, retroactive to the 2022 taxation year.

Qualified Investments for Registered Plans

Budget 2024 invites stakeholders to provide suggestions on how the qualified investment rules could be modernized on a prospective basis to improve the clarity and coherence of the registered plans regime. Specific issues under consideration include:

- Whether and how the rules relating to investments in small businesses could be harmonized to apply consistently to all registered savings plans.
- Whether annuities that are qualified investments only for RRSPs, RRIFs, and RDSPs should continue to be qualified investments.
- Whether the conditions that certain pooled investment products must meet to be a qualified investment are appropriate, including the ongoing value of maintaining a formal registration process for registered investments.
- Whether and how qualified investment rules could promote an increase in Canadian-based investments.
- Whether crypto-backed assets are appropriate as qualified investments for registered savings plans.

Stakeholders are invited to submit comments to QI-consultation-PA@fin.gc.ca by July 15, 2024.

Launching the Canada Disability Benefit

In Budget 2024, the government proposes to introduce legislative amendments to the *Tax Court of Canada Act*, the *Department of Employment and Social Development Act*, and the *Federal Courts Act* to set up an appeal mechanism for the upcoming Canada Disability Benefit.

Protecting Canadians from Financial Crimes

In Budget 2024, the government proposes to introduce amendments to the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (“PCMLTFA”), the *Criminal Code*, the *Income Tax Act*, and the *Excise Tax Act*, with consequential and coordinating amendments to other statutes to strengthen the supervision, enforcement, and information-sharing tools of Canada’s Anti-Money Laundering and Anti-Terrorist Financing framework. The *Income Tax Act* and *Excise Tax Act* amendments proposed will ensure that Canada Revenue Agency officials who carry out criminal investigations are authorized to seek general warrants through court applications, thereby modernizing and simplifying evidence gathering processes and helping to fight tax evasion and other financial crimes.

Amending the Tax Court of Canada Act to Grant Leave to “Self-Represent”

In Budget 2024, the government proposes to introduce amendments to the *Tax Court of Canada Act* to allow the Court to grant leave in special circumstances to a corporation, or other unincorporated association or entity, to be represented by a director, officer, employee, member, or partner. Currently, corporations can only be represented by counsel at the Tax Court of Canada (except in appeals governed by the Informal Procedure).

Taxing Vacant Lands to Incentivize Construction

Budget 2024 announces that the government will consider introducing a new tax on residentially zoned vacant land. The government will launch consultations later this year.

A New EV Supply Chain Investment Tax Credit

Budget 2024 announces the government’s intention to introduce a new 10 per cent Electric Vehicle Supply Chain investment tax credit on the cost of buildings used in key segments of the electric vehicle supply chain, for businesses that invest in Canada across three supply chain segments: electric vehicle assembly, electric vehicle battery production, and cathode active material production. The EV Supply Chain investment tax credit would apply to property that is acquired and becomes available for use on or after January 1, 2024. The credit would be reduced to 5 per cent for 2033 and 2034, and would no longer be in effect after 2034.

Automatic Tax Filing for Low-Income Canadians

Budget 2024 announces that, in summer 2024, the CRA will pilot new automatic filing services, SimpleFile Digital and SimpleFile by Paper, to help more Canadians who do not currently file their taxes receive their benefits.

More Judges for Faster Access to Justice

Budget 2024 announces the government's intention to launch consultations on repealing the residency requirements for Federal Court and Tax Court judges. Eliminating residency requirements would allow for a wider and more diverse pool of applicants.

Extending GST Relief to Student Residences

Budget 2024 announces that the eligibility conditions for the removal of GST on new student residences will be relaxed for not-for-profit universities, public colleges, and school authorities. The relaxed rebate conditions would allow these entities to claim the 100-per-cent rebate in respect of any new student residence that they acquire or construct provided it is primarily for the purpose of providing a place of residence for their students. That is, it would no longer be necessary that the first use of a unit in the student housing project be as a primary place of residence of an individual under a lease for a period of at least 12 months. The relaxed eligibility will apply to new student residences that begin construction on or after September 14, 2023, and before 2031, and that complete construction before 2036. Private institutions will not be eligible for this support.

Previously Announced Measures

Budget 2024 confirms the government's intention to proceed with the following previously announced tax and related measures, as modified to take into account consultations, deliberations, and legislative developments since their release.

- Legislative proposals released on March 9, 2024, to extend by two years the two per cent cap on the inflation adjustment on beer, spirit, and wine excise duties, and to cut by half for two years the excise duty rate on the first 15,000 hectolitres of beer brewed in Canada.
- Legislative proposals released on December 20, 2023, including with respect to the following measures:
 - The Clean Hydrogen investment tax credit;
 - The Clean Technology Manufacturing investment tax credit;
 - Concessional Loans;
 - Short-Term Rentals;
 - Vaping Excise Duties; and
 - International Shipping.
- Legislative and regulatory proposals announced in the *2023 Fall Economic Statement*, including with respect to the following measures:

- The Canadian journalism labour tax credit;
- Proposed expansion of eligibility for the Clean Technology and Clean Electricity investments tax credits to support generation of electricity and heat from waste biomass;
- The addition of psychotherapists and counselling therapists to the list of health care practitioners whose professional services rendered to individuals are exempt from the Goods and Services Tax/Harmonized Sales Tax (“GST/HST”);
- Proposals relating to the GST/HST joint venture election rules;
- The application of the enhanced (100-per-cent) GST Rental Rebate to qualifying co-operative housing corporations; and
- Proposals relating to the Underused Housing Tax.
- Regulatory proposals released on November 3, 2023, to temporarily pause the federal fuel charge on deliveries of heating oil.
- Legislative and regulatory amendments to implement the enhanced (100-per-cent) GST Rental Rebate for purpose-built rental housing announced on September 14, 2023.
- Legislative proposals released on August 4, 2023, including with respect to the following measures:
 - The Carbon Capture, Utilization, and Storage investment tax credit;
 - The Clean Technology investment tax credit;
 - Labour Requirements Related to Certain investment tax credits;
 - Enhancing the Reduced Tax Rates for Zero-Emission Technology Manufacturers;
 - Flow-Through Shares and the Critical Mineral Exploration Tax Credit – Lithium from Brines;
 - Employee Ownership Trusts;
 - Retirement Compensation Arrangements;
 - Strengthening the Intergenerational Business Transfer Framework;
 - The Income Tax and GST/HST Treatment of Credit Unions;
 - The Alternative Minimum Tax for High-Income Individuals;
 - A Tax on Repurchases of Equity;
 - Modernizing the General Anti-Avoidance Rule;
 - Global Minimum Tax (Pillar Two);
 - Digital Services Tax;
 - Technical amendments to GST/HST rules for financial institutions;
 - Providing relief in relation to the GST/HST treatment of payment card clearing services;

- Enhancements to the vaping product taxation framework;
- Tax-exempt sales of motive fuels for export;
- Excessive Interest and Financing Expenses Limitations;
- Extending the quarterly duty remittance option to all licensed cannabis producers;
- Revised Luxury Tax draft regulations to provide greater clarity on the tax treatment of luxury items; and
- Technical tax amendments to the *Income Tax Act* and the *Income Tax Regulations*.
- Legislative amendments to implement changes discussed in the transfer pricing consultation paper released on June 6, 2023.
- Tax measures announced in Budget 2023, including the Dividend Received Deduction by Financial Institutions.
- Legislative proposals released on August 9, 2022, including with respect to the following measures:
 - Substantive Canadian-Controlled Private Corporations;
 - Technical amendments to the *Income Tax Act* and *Income Tax Regulations*; and
 - Remaining legislative and regulatory proposals relating to the GST/HST, excise levies and other taxes and charges announced in the August 9, 2022 release.
- Legislative amendments to implement the Hybrid Mismatch Arrangements rules announced in Budget 2021.
- Legislative proposals released in Budget 2021 with respect to the Rebate of Excise Tax for Goods Purchased by Provinces.
- Regulatory proposals released in Budget 2021 related to information requirements to support input tax credit claims under the GST/HST.
- The income tax measure announced on December 20, 2019, to extend the maturation period of amateur athlete trusts maturing in 2019 by one year, from eight years to nine years.

Budget 2024 also reaffirms the government's commitment to move forward as required with other technical amendments to improve the certainty and integrity of the tax system.

Budget 2024 Table of Effective Dates

Notice of Ways and Means Motion to amend the *Income Tax Act* and the *Income Tax Regulations*

Individuals

Resolution 1	Lifetime Capital Gains Exemption	June 25, 2024
Resolution 1	Canadian Entrepreneurs' Incentive	January 1, 2025
Resolution 1	Capital Gains Inclusion Rate	June 25, 2024
Resolutions 1-2	The Volunteer Firefighters and Search and Rescue Volunteers Tax Credits	2024 and subsequent taxation years
Resolution 1	Mineral Exploration Tax Credit	Expenses renounced under a flow-through share agreement entered into after March 2024
Resolutions 1-6	Alternative Minimum Tax	Taxation years begin after December 31, 2023
Resolution 1	Canada Child Benefit	Death of a person occurs after 2024
Resolution 1	Disability Supports Deduction	2024 and subsequent taxation years
Resolution 1	Employee Ownership Trust Tax Exemption	See Bill C-59
Resolutions 1-7	Charities and Qualified Donees	Various dates
Resolution 1	Home Buyers' Plan	Various dates
Resolution 1	Indigenous Child and Family Services Settlement	January 1, 2024
Business		
Resolution 1	Clean Electricity Investment Tax Credit	Various dates

Resolution 1	Polymetallic Extraction and Processing	Property acquired and became available for use on or after January 1, 2024
Resolution 1	Accelerated Capital Cost Allowance for Productivity – Enhancing Assets	After 2026 and before 2028
Resolution 1	Accelerated Capital Cost Allowance for Purpose-Built Rental Housing	After April 16, 2024 and before January 1, 2031, and are available for use before January 1, 2036
Resolution 1	Canada Carbon Rebate for Small Businesses	2023-2024 fuel charge year, with retroactive payments going back to the 2019-2020 benefit year
Resolution 1	Interest Deductibility Limits – Purpose-Built Rental Housing	Taxation years begin on or after October 1, 2023
Resolutions 1-7	Non-Compliance with Information Requests	Royal Assent
Resolutions 1-2	Avoidance of Tax Debts	Transaction or series of transactions that occurs on or after April 16, 2024
Resolution 1	Reportable and Notifiable Transactions Penalty	June 22, 2023
Resolution 1	Mutual Fund Corporations	Taxation years begin after 2024
Resolution 1	Synthetic Equity Arrangements	January 1, 2025
Resolutions 1-2	Manipulation of Bankrupt Status	Bankruptcy proceedings commenced on or after April 16, 2024
Resolution 1	Crypto-Asset Reporting Framework and the Common Reporting Standard	2026 and subsequent calendar years
Resolution 1	Withholding for Non-Resident Service Providers	Royal Assent
Notice of Ways and Means Motion to amend the <i>Excise Tax Act</i> and Other Legislation		
Resolution 1	GST/HST on Face Masks and Face Shield	On or after May 1, 2024
Non-Compliance with Information Requests		
Resolution 2	<i>Excise Tax Act</i>	Royal assent
Resolution 3	<i>Air Travellers Security Charge Act</i>	Royal assent

Resolution 4	<i>Excise Act, 2001</i>	Royal assent
Resolution 5	<i>Select Luxury Items Tax Act</i>	Royal assent
Resolution 6	<i>Underused Housing Tax Act</i>	Royal assent
Avoidance of Tax Debts		
Resolution 7	<i>Excise Tax Act</i>	Transactions or series of transactions occur on or after April 16, 2024
Resolution 8	<i>Excise Act, 2001</i>	Transactions or series of transactions occur on or after April 16, 2024
Resolution 9	<i>Select Luxury Items Tax Act</i>	Transactions or series of transactions occur on or after April 16, 2024
Resolution 10	<i>Underused Housing Tax Act</i>	Transactions or series of transactions occur on or after April 16, 2024

Notice of Ways and Means Motion to amend the *Excise Act, 2001*

Resolutions 1-14	Tobacco and Vaping Product Taxation	Various dates
Resolutions 15-19	Amendments to Various Regulations	First day of the month following the month that includes the day on which the bill is enacted or made

Department of Finance News Release

Government of Canada releases Budget 2024

April 16, 2024 - Ottawa, Ontario - Department of Finance Canada

Today, the Honourable Chrystia Freeland, Deputy Prime Minister and Minister of Finance, released *Budget 2024: Fairness for Every Generation*.

It is a plan to build a Canada that works better for every generation, where younger generations can get ahead, where their hard work pays off, and where they can buy or rent their own home—where everyone has a fair chance at a good middle class life.

First, Budget 2024 takes bold action to build more homes. Because the best way to make home prices and rents more affordable is to increase supply—and quickly. Budget 2024 lays out a strategy to unlock 3.87 million new homes by 2031. Key measures include launching a new *Public Lands for Homes Plan* and a new Canada Rental Protection Fund, enhancing the Canadian Mortgage Charter, and creating a new Canadian Renters’ Bill of Rights.

Second, Budget 2024 will help make life cost less. Building on the government’s transformative expansion of Canada’s social safety net—from \$10-a-day child care, to dental care for uninsured Canadians, to the first phase of national universal pharmacare—Budget 2024 advances the government’s work to lower everyday costs for Canadians. This includes helping to stabilize the cost of groceries, cracking down on junk fees to make prices fairer, and lowering the costs of banking. Budget 2024 makes transformative new investments, including the launch of a new National School Food Program and the new Canada Disability Benefit.

Third, Budget 2024 will grow the economy in a way that’s shared by all. It is a plan that will attract and increase investment, enhance productivity, and encourage the kind of game-changing innovation that will create good-paying and meaningful jobs and keep Canada at the economic forefront. It will also deliver new support to empower more of our best entrepreneurs and innovators to put their ideas to work here in Canada. This includes attracting more investment in the net-zero economy by expanding and delivering the major economic investment tax credits, securing Canada’s advantage as a leader in artificial intelligence, and investing in enhanced research grants that will provide younger generations with good jobs and new opportunities. And it means ensuring Indigenous Peoples share in this growth in a way that works for them.

Budget 2024 will make Canada’s tax system more fair by asking the very wealthiest to pay their fair share—so that we can make investments in prosperity for every generation, and because it would be irresponsible and unfair to pass on more debt to the next generations by ignoring our fiscal anchor. Budget 2024

is a responsible economic plan that upholds the fiscal objectives outlined in the 2023 Fall Economic Statement, and sees Canada maintain the lowest deficit- and net debt-to-GDP ratios in the G7.

Quotes

“Our government first came to office with a vow to strengthen and expand the middle class. We delivered on that pledge by reducing poverty, especially for children and seniors, and creating millions of good jobs for Canadians. Our work isn’t done. Budget 2024 renews our focus on unlocking the door to the middle class for millions of younger Canadians. We’ll build more housing and help make life cost less. We will drive our economy toward growth that lifts everyone up. That is fairness for every generation.”

*The Honourable Chrystia Freeland,
Deputy Prime Minister and Minister of Finance*

Media may contact:

Adrienne Vaupshas

Press Secretary

Office of the Deputy Prime Minister and
Minister of Finance

Adrienne.Vaupshas@fin.gc.ca

Media Relations

Department of Finance Canada

mediare@fin.gc.ca

613-369-4000

General Enquiries

Phone: 1-833-712-2292

TTY: 613-369-3230

E-mail: financepublic-financepublique@fin.gc.ca