

2024 Issue No. 36
21 June 2024

Tax Alert – Canada

2024 federal budget implementation bill no. 1 receives Royal Assent

EY Tax Alerts cover significant tax news, developments and changes in legislation that affect Canadian businesses. They act as technical summaries to keep you on top of the latest tax issues. For more information, please contact your EY advisor or EY Law advisor.

On 20 June 2024, Bill C-69, *Budget Implementation Act, 2024, No. 1*, received Royal Assent and became enacted.

Bill C-69 implements certain tax measures announced in the 2024 federal budget and the 2023 federal fall economic statement, as well as various other previously announced tax measures (such as Canada's global minimum tax legislation). In addition, the bill includes some technical amendments to the carbon capture, utilization and storage (CCUS) investment tax credit (ITC) and the clean technology ITC.

Bill C-69 also includes various technical and consequential amendments to update certain references, correct typographical errors, better align the French and English versions of the *Income Tax Act* and make other minor clarifications.

As previously reported, Bill C-69 does not include the 2024 federal budget income tax measures relating to the increase in the capital gains inclusion rate, the increase in the lifetime capital gains exemption and the reduction of the employee stock option deduction. These measures are instead part of the notice of ways and means motion (NWMM) that was tabled on 10 June 2024 and adopted the next day in the House of Commons. For more information on the 10 June 2024 NWMM, see EY Tax Alert 2024 Issue No. 33, [Government releases legislative details on the proposed changes to the capital gains rules](#).

A summary list of the tax measures contained in Bill C-69 is provided below. For a more detailed description of the various tax measures, refer to the following previously released EY Tax Alerts:

- ▶ EY Tax Alert 2024 Issue No. 27, [2024 budget implementation bill no. 1 introduced in House of Commons](#)
- ▶ EY Tax Alert 2024 Issue No. 24, [Federal budget 2024](#)
- ▶ EY Tax Alert 2023 Issue No. 42, [Federal Fall Economic Statement 2023](#)

Business and international income tax measures

Because of the minority status of the federal government, the business income tax measures contained in Bill C-69 are considered substantively enacted (for financial reporting purposes) on 19 June 2024, when the bill passed third reading in the House of Commons.

Bill C-69 includes the following business and international income tax measures:

- ▶ Introduction of Canada's *Global Minimum Tax Act* (GMTA), generally effective for fiscal years of large multinational enterprises that begin on or after 31 December 2023 (as enacted, the GMTA currently covers the detailed rules for the domestic minimum top-up tax and the income inclusion rule components of the OECD/G20 BEPS pillar two framework; the detailed rules for the undertaxed profits rule are expected to be released at a later date) – see EY Tax Alert 2024 Issue No. 34, [Canada's Global Minimum Tax Act substantively enacted as part of Bill C-69](#).
- ▶ Introduction of the clean hydrogen refundable ITC, applicable for eligible property that is acquired and becomes available for use after 28 March 2023 (for details on the proposed credit, prior to the changes made by Bill C-69, see EY Tax Alert 2024 Issue No. 21, [Canada's proposed clean hydrogen investment tax credit](#))
- ▶ Introduction of the clean technology manufacturing refundable ITC, applicable for eligible property acquired and available for use on or after 1 January 2024 (see EY Tax Alert 2024 Issue No. 9, [Canada's proposed clean technology manufacturing investment tax credit](#))
- ▶ Relieving amendments relating to the treatment of concessional loans as government assistance, effective 1 January 2020 and applicable for loans made after 2019
- ▶ Expansion of the international shipping exemption to include certain Canadian resident companies, applicable to taxation years that begin on or after 31 December 2023
- ▶ Removal of the reportable or notifiable transaction information returns from the scope of the general failure to file penalty under section 238 of the *Income Tax Act* (as a specific failure to file penalty applies instead), effective 22 June 2023 (the same date the enhanced mandatory disclosure rules came into effect)

- ▶ Introduction of a new rental expense denial rule for non-compliant short-term rentals, applicable to all rental expenses incurred after 2023 (see “[New measures to address housing supply shortage and affordability](#)” in the June 2024 edition of TaxMatters@EY)
- ▶ Enhancements to the Canadian journalism labour tax credit (by increasing the cap on labour expenditures per eligible newsroom employee from \$55,000 to \$85,000 and temporarily increasing the tax credit rate from 25% to 35% for a period of four years), applicable to qualifying labour expenditures incurred on or after 1 January 2023
- ▶ Introduction of the Canada carbon rebate for small businesses (a new refundable tax credit to return a portion of fuel charge proceeds to eligible Canadian-controlled private corporations (with fewer than 500 employees) that are operating in a province or territory where the federal backstop fuel charge applies, applicable beginning with the 2019-20 fuel charge year)
- ▶ Introduction of various technical amendments relating to the CCUS and the clean technology ITCs, the eligible dividend regime and the definition of “eligible refundable dividend tax on hand” in subsection 129(4) of the *Income Tax Act*; the employee stock option rules with respect to non-arm’s length relationships between mutual fund trusts and corporations and to the security disposition ordering rules; the foreign accrual property income rules and the recharacterization of income as active business income under clause 95(2)(a)(ii)(D) of the *Income Tax Act*; a new exception from the taxable treatment of mutual fund corporation switch fund share exchanges; the renunciation of Canadian exploration expenses or Canadian development expenses; relief under the replacement property rules as a consequence of the COVID-19 pandemic; and an amendment to ensure an employer does not receive subsidies under both the Temporary Wage Subsidy and the Canada Emergency Wage Subsidy in respect of the same wages paid

Personal and trust income tax measures

Bill C-69 includes the following income tax measures affecting individuals and trusts:

- ▶ Introduction of a temporary \$10 million capital gains exemption on the sale of a business to an employee ownership trust (EOT), applicable for qualifying dispositions of shares to an EOT between 1 January 2024 and 31 December 2026 (the proposed expansion of the exemption to sales of shares made to a worker cooperative, which was announced in the 2024 federal budget, is not part of Bill C-69 and will need to be legislated at a later time) (see EY Tax Alert 2024 Issue No. 29, [Finance releases details on the \\$10m capital gains exemption on sale to employee ownership trust](#))
- ▶ Changes to the alternative minimum tax (AMT), generally applicable to taxation years that begin after 31 December 2023 (the exemption from AMT for certain trusts established for the benefit of Indigenous groups or communities, which was announced in the 2024 federal budget, is not part of Bill C-69 and will need to be legislated at a later time) (see EY Tax Alert 2024 Issue No. 25, [Federal budget 2024 announces further changes to alternative minimum tax](#), and EY Tax Alert 2023 Issue No. 45, [Alternative minimum tax: Significant changes will impact taxpayers in 2024](#))

- ▶ Extension of the mineral exploration tax credit, by one year, for flow-through share agreements entered into on or before 31 March 2025
- ▶ Enhancements to the Home Buyers' Plan (HBP), namely an increase in the HBP withdrawal limit to \$60,000 for withdrawals from an RRSP made after 16 April 2024 and a three-year extension in the grace period before an individual must repay HBP withdrawals that were made from an RRSP between 1 January 2022 and 31 December 2025
- ▶ Extension in the Canada Child Benefit (CCB) (including the child disability benefit) eligibility in respect of a child for six months after the child's death (if the individual would have otherwise been eligible for the CCB in respect of the child), effective for deaths that occur after 2024
- ▶ Increase in the amount used to calculate the tax credits for volunteer firefighters and search and rescue volunteers, for 2024 and later years
- ▶ Amendments to authorize the relevant minister to open and subscribe to a registered education savings plan, applicable on a day to be fixed by order of the Governor in Council
- ▶ Introduction of an income tax exemption for a trust established under the settlement agreement approved by the Federal Court (which is effective as of 19 April 2023) in respect of class actions relating to the First Nations Child and Family Services, Jordan's Principle and Trout Class, effective as of 1 January 2024
- ▶ Various technical amendments relating to the medical expense tax credit, the multigenerational home renovation tax credit, shareholder benefits, qualifying trust annuity, the repayment of certain benefits, registered pension plan annuity contracts, RRSP refunds of premiums, transfers of pension benefits, transfers between RRSPs or RRIFs, retirement compensation arrangements, and interest rate hedging arrangements and unit trusts

Bill C-69 also includes various amendments aimed at combatting tax evasion and financial crimes, including amendments to both the *Income Tax Act* and the *Excise Tax Act* to allow Canada Revenue Agency officials who carry out criminal investigations to apply for a warrant issued under subsection 487.01(1) of the *Criminal Code* (the Code). As well, an authorized person who has seized anything in accordance with a warrant issued under the Code or in the execution of duties under either Act will be required to return the seized property if certain conditions are met.

GST/HST and excise measures

Bill C-69 contains the following GST/HST and excise duty measures:

- ▶ Repeal of the zero-rating of the supply of certain face masks or respirators and certain face shields for GST/HST purposes, effective for supplies made on or after 1 May 2024
- ▶ Amendments to extend the 2% cap on the inflation adjustment for excise duties on beer, spirits and wine for two additional years, beginning on 1 April 2024
- ▶ Additional 50% reduction in the excise duty rates on the first 15,000 hectolitres of beer or malt liquor produced in Canada per year by a licensed brewer, effective from 1 April 2024 to 31 March 2026
- ▶ Increase in the tobacco excise duty rate by \$4 per carton of 200 cigarettes, along with corresponding increases for other tobacco products (i.e., tobacco sticks, manufactured tobacco and cigars), effective as of 17 April 2024, and a corresponding imposition of a cigarette inventory tax for inventories held on that day
- ▶ Amendments to allow the minister to specify which brands of tobacco products (destined for the export market) are exempt from the special excise duty and marking requirement (including the repeal of the *Regulations Relieving Special Duty on Certain Tobacco Products* and the *Regulations Respecting Prescribed Brands of Manufactured Tobacco and Prescribed Cigarettes*), effective 1 July 2024
- ▶ Amendments to increase the federal excise duty to \$1.12 (from \$1) per 2 millilitres or grams (mL/g), or fraction thereof, for the first 10 mL/g of vaping substance in a product and \$1.12 per 10 mL/g for additional volumes, effective as of 1 July 2024 (a matching increase to the additional duty imposed in respect of participating provinces and territories applies as of the same date)
- ▶ Amendments to *the Stamping and Marking of Tobacco, Cannabis and Vaping Products Regulations* to require tobacco prescribed persons to file monthly information returns in relation to the possession and use of tobacco excise stamps issued to them, effective on 1 July 2024

It should be noted that the proposed extension of the enhanced 100% GST rental rebate for new rental units to student housing projects built by universities, colleges and school authorities that operate on a not-for-profit basis, which was announced in the 2024 federal budget, is not included in Bill C-69 and will need to be legislated at a later time.

Other tax measures

- ▶ Amendments to the *Greenhouse Gas Pollution Pricing Act* (the GGPPA) in respect of the sharing of certain information among officials and the public disclosure of certain information relating to the non-compliance of a provincial Crown or a provincial Crown agent with the fuel charge under the GGPPA, effective on 20 June 2024
- ▶ Various amendments to the *Underused Housing Tax Act* and the *Underused Housing Tax Regulations*, which were first announced in the 2023 fall economic statement, to primarily relieve some of the compliance burden related to the underused housing tax (such as amendments to expand the meaning of an excluded owner) and to make certain technical amendments, with various application dates depending on the nature of the amendment (see EY Tax Alert 2023 Issue No. 51, [Proposed amendments to the UHTA provide relief for taxpayers](#))

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