Cassels

2022 Federal Budget Tax Highlights

Zahra Nurmohamed, Douglas Richardson, Kurtis Bond, Andrew M. Reback, Tera Li Parizeau, Ashley Jung

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INTRODUCTION

On April 7, 2022, The Honourable Chrystia Freeland, Deputy Prime Minister and Finance Minister, delivered the 2022 federal budget titled, “A Plan to Grow Our Economy and Make Life More Affordable” (Budget 2022).

Budget 2022 contained a number of significant business income tax proposals, including:

- additional taxes on banks and life insurers;
- a refundable investment tax credit for eligible carbon capture, utilization, and storage expenses;
- a new critical mineral exploration tax credit for investors in certain eligible minerals with respect to flow-through shares;
- the elimination of the flow-through share regime for oil, gas, and coal activities;
- an extension of the small business deduction to companies with taxable capital employed in Canada of up to $50 million;
- the denial of the intercorporate dividend deduction to certain taxpayers in financial institution groups that engage in specified hedging/short-selling transactions;
- the expansion of the general anti-avoidance rule (the GAAR) to apply to transactions that affect tax attributes that have not yet been utilized; and
- rules aimed at preventing corporations from “manipulating” their status as Canadian-controlled private corporations (CCPCs) to reduce tax on passive income.

Budget 2022 also contained international tax proposals, including:

- a commitment to advancing legislation for a digital services tax;
- the implementation of Pillar Two and a domestic minimum top-up tax;
- the launch of a public consultation on Canada’s implementation of Pillar Two;
- the adoption of rules for reporting by digital platform operators; and
- an amendment of the interest withholding tax rules to ensure total withholding tax paid on interest under an interest coupon stripping arrangement is the same as if the interest had been paid to the non-resident lender.

It is also notable that Budget 2022 did not include measures providing for a change to the capital gains inclusion rate, an increase in general corporate tax rates, or changes to the existing lifetime capital gains exemption.

The following is a summary of the income tax measures introduced in Budget 2022 that are most relevant to businesses.

BUSINESS INCOME MEASURES

Most of the business income tax measures are introduced in Chapter 9 of Budget 2022, titled “Tax Fairness and Effective Government”. After spending over $350 billion in response to COVID-19 over the last two years, it seems the Government of Canada (the Government) now seeks to have certain businesses pay their “fair share” of Canadian taxes. In contrast, the Government has introduced measures to help combat climate change which will reduce federal tax revenues.

Tax Measures Affecting Financial Institutions

Canada Recovery Dividend and Additional Tax on Banks and Life Insurers

Budget 2022 proposes to introduce a temporary “Canada Recovery Dividend,” under which bank and life insurer groups (as determined under Part VI of the *Income Tax Act* (the Tax Act)) will pay a one-time 15% tax on taxable income above $1 billion for the 2021 taxation year.

The Canada Recovery Dividend liability would be imposed for the 2022 taxation year and would be payable in equal amounts over five years.

Budget 2022 also proposes to permanently increase the corporate income tax rate by 1.5% on the taxable income of bank and life insurer groups above $100 million, such that the overall federal corporate income tax rate above this income threshold will increase from 15% to 16.5%. In its technical briefing (the Briefing), the Department of Finance representatives (the Department) stated that there is no intention currently to index this $100 million figure for inflation.

The proposed additional tax would apply to taxation years that end after April 7, 2022. For a taxation year that includes April 7, 2022, the additional tax would be prorated based on the number of days in the taxation year after April 7, 2022.

These measures are expected to raise $6.1 billion of revenue for the Government over five years, with the 1.5% permanent tax on bank and life insurer groups expected to raise an ongoing $445 million of revenue.

Hedging and Short Selling by Canadian Financial Institutions

Budget 2022 proposes to amend the Tax Act to deny the intercorporate dividend deduction (the dividend received deduction) to taxpayers in financial institution groups that engage in certain hedging transactions that, in the Government's view, give rise to unintended tax benefits. The specific example provided in Budget 2022 is a situation where a Canadian bank owns shares of a Canadian corporation. A registered securities dealer in the Canadian bank's corporate group borrows identical shares under a securities lending arrangement and short-sells the borrowed shares. The bank claims the dividend received deduction on dividends received on the shares of the Canadian corporation and the registered securities dealer is entitled to a 2/3 deduction for expenses under the securities lending arrangement. Therefore, the group eliminates its economic exposure associated with its ownership of the shares while still generating (in the view of the Government) an inappropriate tax deduction.

In order to address this situation, Budget 2022 proposes to:

- deny the dividend received deduction for dividends received by a taxpayer on Canadian shares if a registered securities dealer that does not deal at arm's length with the taxpayer enters into transactions that hedge the taxpayer's economic exposure to the Canadian shares, where the registered securities dealer knew or ought to have known that these transactions would have such an effect;
- deny the dividend received deduction for dividends received by a registered securities dealer on Canadian shares that it holds if it eliminates all or substantially all of its economic exposure to the Canadian shares by entering into certain hedging transactions; and
- provide that in the above situations, the registered securities dealer will be permitted to claim a full, rather than a two-thirds, deduction for a dividend compensation payment it makes under a securities lending arrangement entered into in connection with the above hedging transactions.

The proposed amendments apply to dividends and related dividend compensation payments that are paid, or become payable, on or after April 7, 2022, unless the relevant hedging transactions or related securities lending arrangements were in place before April 7, 2022, in which case the amendment would apply to dividends and related dividend compensation payments that are paid after September 2022.

This measure is expected to increase federal revenues by $635 million over 5 years starting in 2022-2023, and by $150 million on an ongoing basis.

International Financial Reporting Standards for Insurance Contracts (IFRS 17)

Budget 2022 proposes legislative amendments to confirm support of the use of IFRS 17 accounting standards for income tax purposes, with the exception of a new reserve known as the contract service margin (the CSM), subject to some modifications. Under IFRS 17 and its rules regarding the CSM reserve, a large portion of the profits earned on underwritten insurance contracts will be deferred and gradually released into income over the estimated life of insurance contracts. Without the proposed exception, profits embedded in the CSM reserve would be deferred for income tax purposes. The Government previously announced that the CSM would not be considered a deductible reserve for tax purposes and Budget 2022 provides some relief to this exception by proposing that 10% of the CSM associated with life insurance contracts (other than segregated funds) will be deductible for tax purposes. The 10% deductible portion of the CSM will be included in income for tax purposes when the non-attributable expenses are incurred in the future.

Budget 2022 proposes transitional rules in the following circumstances:

- a transition period of 5 years to smooth out the tax impact of converting insurance reserves from IFRS 4 to IFRS 17, including the non-deductible portion of the CSM on transition;
- a transition period of 5 years for the mark-to-market gains or losses on certain fixed-income assets on the effective date, since insurers will also be required to adopt IFRS 9 effective January 1, 2023; and
- certain reserves will be reclassified from insurance contracts under IFRS 4 to investment contracts under IFRS 17. A deduction for the investment contract amount will be allowed on transition since the premiums for these contracts have been included in income for accounting and tax purposes.

These measures, including the transitional rules, would apply as of January 1, 2023.

Tax Measures Affecting the Resources Sector

Critical Mineral Exploration Tax Credit

Under the existing flow-through share rules, a corporation is eligible to renounce certain exploration and development expenses to investors who can deduct the expenses in computing their taxable income and claim a mineral exploration tax credit (the METC) of 15% of the qualifying expenses.

Budget 2022 proposes to introduce a new 30% critical mineral exploration tax credit (the CMETC) for specified mineral exploration expenses incurred in Canada and renounced to flow-through share investors. Specified minerals eligible for the CMETC are nickel, lithium, cobalt, graphite, copper, rare earths elements, vanadium, tellurium, gallium, scandium, titanium, magnesium, zinc, platinum group metals, or uranium, and renounced to investors under flow-through share agreements entered into after April 7, 2022 and on or before March 31, 2027.

For exploration expenses to be eligible for the CMETC, a “qualified person” (as defined under NI 43-101 published by the Canadian Securities Administrators as of April 7, 2022) would need to certify that the expenditures that will be renounced will be part of an exploration project that targets the specified minerals. The CMETC will not be available if a qualified person cannot demonstrate that the related exploration expenditures are primarily specified minerals. Eligible expenditures would not benefit from both the proposed CMETC and the METC.

Investment Tax Credit for Carbon Capture, Utilization & Storage

Budget 2022 proposes to introduce a new refundable investment tax credit for carbon capture, utilization, and storage (CCUS) technologies (the CCUS Tax Credit) that capture carbon dioxide (CO_2) emissions from fuel combustion, industrial processes, or directly from the air and store it or use it in industry. The CCUS Tax Credit would be available in respect of the cost of purchasing or installing eligible equipment in an eligible CCUS project (Eligible Project), provided that the captured CO_2 is used for an eligible use. Initially the CCUS Tax Credit will only be available for projects that store CO_2 in Saskatchewan and Alberta. Other jurisdictions may be eligible if there are sufficient regulations to ensure CO_2 is stored permanently as determined by Environment and Climate Change Canada.

The CCUS Tax Credit will apply to eligible expenses incurred after 2021 through 2030 for equipment at the following rates:

- 60% for equipment used solely to capture, transport, store, or use CO_2 as part of an Eligible Project (Eligible Equipment);
- 50% for all other eligible capture equipment; and
- 5% for eligible transportation, storage and use equipment.

The CCUS Tax Credit for eligible expenses that are incurred after 2030 through 2040 would be available at one-half of the above rates (30%, 25%, and 18.75%), provided the expenses are verified by Natural Resources Canada as soon as possible after the end of a taxpayer’s tax year and in advance of filing a tax return. The CCUS Tax Credit is not available for equipment in respect of which a previous owner received the CCUS Tax Credit. Expenses incurred for equipment are only eligible for the CCUS Tax Credit if the equipment is part of an Eligible Project and put in use in Canada. CO_2 must be captured in Canada, but it can be stored or used outside Canada, provided the project satisfies certain use and storage requirements. CCUS projects would not be eligible where emission reductions are required to achieve compliance with the regulations that apply to CO_2 emissions from coal-fired and natural gas-fired generation of electricity.

Two new capital cost allowance (CCA) classes will be created for CCUS equipment used in the capture, transportation, and storage of CO_2 (8% on a declining balance basis) and use equipment (20% on a declining balance basis). These classes will be eligible for the “Accelerated Investment Incentive” in the first year. The Accelerated Investment Incentive provides an enhanced first-year CCA for certain capital property that is subject to the general CCA rules by: (1) applying the prescribed CCA rate for a class to one-and-a-half times the net addition to the class for the year; and (2) suspending the CCA half-year rule.

Certain expenses will not be eligible for the CCUS Tax Credit, including costs incurred for hydrogen production, natural gas processing, acid gas injection equipment and expenses incurred for feasibility studies, front end processing design studies and operating expenses. Intangible exploration and development expenses associated with storing CO_2 will be included in separate CCA classes and will be depreciable on a declining balance basis at the rate of 100% or 30%, respectively.

The CCUS Tax Credit is only available for Eligible Equipment where the end use of the CO_2 is an eligible use. Eligible uses initially include dedicated geological storage and storage in concrete. Enhanced oil recovery is not eligible. Where an Eligible Project plans to store CO_2 for eligible and ineligible uses, the CCUS Tax Credit would be reduced by the portion of CO_2 expected to go to ineligible uses over the life of the project as set out in the initial project plan.

Once projects begin to capture CO_2 they would be assessed at 5-year intervals to a maximum of 20 years to determine if a portion of the CO_2 used for an ineligible use is more than 5% higher than set out in the initial project plans. If the threshold is exceeded, a recovery of the CCUS Tax Credit would apply.

Projects that have eligible expenses of $100 million or more over the life of the project would generally be required to undergo an initial project tax assessment to identify the expenses that are eligible for the CCUS Tax Credit and the appropriate tax credit rate based on initial project design. Other projects may choose to undergo an initial project tax assessment on a voluntary basis.

Details on the obligation to share knowledge and provide climate-related financial disclosure reports will be provided at a later date.

Clean Technology Tax Incentives – Air-Source Heat Pumps

The existing CCA regime provides that investments in specified clean energy and conservation equipment included in class 43.1 or class 43.2 acquired after November 20, 2018 are eligible for immediate expensing, provided the property is available for use prior to 2024. Immediate expensing is phased out if the property becomes available for use after 2023 and before 2028. In addition, certain project start-up expenses can be deducted in the year incurred, carried forward indefinitely, or renounced under flow-through shares, provided the majority of the tangible property in a project is eligible for inclusion in class 43.1 or class 43.2.

Budget 2022 proposes to expand the equipment described in class 43.1 and class 43.2 to include air-source heat pumps for space or water heating. This expansion would apply in respect of property that is acquired and that becomes available for use on or after April 7, 2022 where it has not been used or acquired for use for any purpose before April 7, 2022.

In addition, it is proposed that the 50% reduction of the general corporate and small business income tax rates for zero-emission technology manufacturers will include manufacturers of air-source heat pumps. The reduced tax rates would apply to taxation years that begin after 2021, subject to a phase-out starting in taxation years that begin in 2029 and will be fully phased out for taxation years that begin after 2031.

Elimination of Flow-Through Shares for Oil, Gas, and Coal Activities

Budget 2022 proposes to eliminate the flow-through share regime for oil, gas, and coal activities. This change would apply to expenditures renounced under flow-through share agreements entered into after March 31, 2023 and is expected to increase federal revenues by a total of $9 million over five years, starting in 2022-2023.

In the Briefing, the Department confirmed that this measure is also intended to capture scenarios where flow-through agreements are entered into to move expenses around within a corporate group.

Small Business Deduction

Budget 2022 proposes to phase out access to the small business deduction more gradually, with access to be fully phased out when taxable capital reaches $50 million, rather than when taxable capital exceeds $15 million. Under the current rules, the small business deduction is reduced for small businesses with taxable capital greater than $10 million and eliminated when taxable capital exceeds $15 million. Under the proposed rules, the small business deduction will continue to be reduced for companies with taxable capital in excess of $10 million but businesses will be eligible for a small business deduction until their taxable capital reaches $50 million, at which point the small business deduction will be reduced to nil. Additionally, the small business deduction for companies with taxable capital between $10 million and $15 million will be reduced to a lesser extent under the proposed rules than under the current rules.

This measure would apply to taxation years that begin on or after April 7, 2022, and is expected to deliver an estimated $660 million in tax savings to small businesses over the 2022-2023 to 2026-2027 period.

Budget 2022 provides that further measures may be introduced as the Government undertakes its review to assess whether the current tax system is providing adequate support to investments in growing businesses and that the review will include an examination of the rollover for small business investments.

Substantive CCPCS

Deferring Tax Using Foreign Entities

Additional refundable taxes apply to investment income (including taxable capital gains) of a CCPC in the year it is earned. This additional tax is refunded when sufficient dividends are paid to the CCPC’s shareholders. As a result, the investment income of a CCPC is subject to a significantly higher rate of tax than that of a corporation that is not a CCPC (non-CCPC) until it is distributed. This higher rate of tax is intended to operate as an "anti-deferral" mechanism to deter individuals from holding investments in a CCPC and paying tax at a lower rate on the investment income than would have been paid if the investments were held directly by the individual.

Budget 2022 proposes amendments to the Tax Act intended to prevent corporations that are "substantively" CCPCs from technically disqualifying themselves as CCPCs in order to benefit from the lower rate of tax applicable to investment income of non-CCPCs. The proposals accomplish this by introducing a new concept of a substantive CCPC. A "substantive CCPC" is generally defined to be a private corporation resident in Canada (other than a CCPC) that is ultimately controlled (in law or in fact) by Canadian resident individuals. Under the proposed amendments, a corporation would be a substantive CCPC in circumstances where the corporation would have been a CCPC but for the fact that a non-resident or public corporation has a right to acquire its shares. Substantive CCPCs will generally be taxed in the same manner as CCPCs with respect to investment income.

A substantive CCPC would only be treated as a CCPC for the purposes of applying the higher rate of tax to its investment income and would continue to be treated as a non-CCPC for all other purposes of the Tax Act.

The proposed changes would generally apply to taxation years that end on or after April 7, 2022; however, for transactions entered into before April 7, 2022, an exception will be provided where the taxation year of the corporation ends because of an acquisition of control caused by the sale of all or substantially all of the shares of a corporation to an arm's length purchaser. The purchase and sale agreement pursuant to which the acquisition of control occurs must have been entered into before April 7, 2022, and the share sale must occur before the end of 2022. In the Briefing, the Department indicated that a letter of intent or other similar transaction documents would not be sufficient to fit within this exception.

Deferring Tax Using Foreign Resident Corporations

The foreign accrual property income (FAPI) rules are intended to prevent Canadian taxpayers from deferring income recognition by earning investment income through controlled foreign affiliates. The FAPI rules achieve this by including the Canadian shareholder's participating share of a foreign affiliate's FAPI in the Canadian shareholder's income for the year it is earned. Such income inclusions are subject to a deduction for foreign taxes paid in respect of the FAPI. The deduction is determined based on the "relevant tax factor." Under the current rules, the FAPI rules do not differentiate between different tax rates applicable to different types of Canadian corporations (e.g., CCPCs and non-CCPCs) in determining the relevant tax factor. This may present a deferral advantage for CCPCs.

Budget 2022 proposes targeted amendments to the Tax Act to eliminate the tax-deferral advantage available to CCPCs and their shareholders earning investment income through controlled foreign affiliates. The deferral advantage would be addressed by applying the same relevant tax factor to CCPCs and substantive CCPCs as is applicable to individuals (being the relevant tax factor based on the highest combined federal and provincial or territorial personal income tax rate). This rule will be accompanied by amendments to address the integration of FAPI as it is repatriated and distributed by CCPCs and substantive CCPCs to individual shareholders.

This measure would apply to taxation years that begin on or after April 7, 2022.

Application of the General Anti-Avoidance Rule to Tax Attributes

Budget 2022 proposes to amend the Tax Act to provide that the GAAR can apply to transactions that affect tax attributes that have not yet been used to reduce taxes. This measure is a response to the decision in *1245989 Alberta Ltd. v Canada (Attorney General)*, 2018 FCA 114 where the Federal Court of Appeal held the GAAR did not apply to a transaction that resulted in an increase in a tax attribute that had not yet been utilized to reduce taxes.

This measure would apply to notices of determination issued on or after April 7, 2022.

The Government intends to release a broader consultation paper on modernizing the GAAR, with a consultation period running through the summer of 2022, and table legislative proposals by the end of 2022.

Genuine Intergenerational Share Transfers

Budget 2022 announces a consultation process for stakeholders to share their views as to how the existing rules could be strengthened to protect the integrity of the tax system while continuing to facilitate genuine intergenerational business transfers. The Government is committed to bringing forward legislation, as necessary, to address this specific issue which could be included in a bill to be tabled in the fall after conclusion of the consultation process. Comments should be submitted by June 17, 2022.

INTERNATIONAL TAX MEASURES

International Tax Reform

Canada is one of 137 members of the Organisation for Economic Co-operation and Development (OECD)/Group of 20 (G20) Inclusive Framework on Base Erosion and Profit Shifting that have joined a two-pillar plan for international tax reform agreed to on October 8, 2021. The intent of this two-pillar plan is to address the increasing tax challenges imposed by the digitalization of the economy, which has enabled many multi-national enterprises (MNEs) to minimize or eliminate their tax liability by virtue of their lack of physical presence in a jurisdiction.

Pillar One (Reallocation of Taxing Rights)

Pillar One is intended to update the framework for profit allocation underlying current income tax treaties which were designed for traditional bricks-and-mortar businesses. It will apply to MNEs with global revenues above €20 billion and profitability above 10% and will reallocate taxing rights of MNEs from their home countries to market jurisdictions where their users and customers are located. Pillar One also requires all countries to remove their own digital services tax (DST).

Although the Government is working with international partners to develop the model rules and a multilateral convention needed to establish elements of this Pillar One tax framework, Budget 2022 confirms that the Government is still prepared to advance legislation for a domestic DST as a “back-up plan.” Draft legislation was published on December 14, 2021. Ideally, a multilateral approach to Pillar One will be negotiated prior to January 1, 2024 (the earliest that Canada intends to impose the DST) such that Canada’s proposed DST will be unnecessary.

Pillar Two (Global Minimum Tax)

Pillar Two is a framework for a global minimum effective tax rate (ETR) of 15% that applies to MNEs with revenue above €750 million. Pillar Two is generally intended to be implemented through changes to each country’s domestic laws.

To ensure consistency and a coordinated implementation of the Pillar Two framework, model rules (Model Rules) and commentary (Commentary) have been published and countries are required to implement Pillar Two in a manner that is consistent with the outcomes provided for under the Model Rules and Commentary.

Under this Pillar, an MNE is generally required to calculate the ETR on its profits in each jurisdiction in which it operates. A “top-up tax” may apply if the ETR in a particular jurisdiction is below 15% and raises the ETR on an MNE’s profits in the jurisdiction up to the 15% minimum rate.

Pillar Two is comprised of two core charging rules for the top-up tax: the Income Inclusion Rule (the IIR) and the Undertaxed Profits Rule (the UTPR). Under the IIR, if the country where the ultimate parent entity of an MNE is located has implemented the IIR, it has the primary right to impose a top-up tax on the ultimate parent entity with respect to income from the MNE’s operations in any jurisdiction where it is taxed at an ETR below 15%. The UTPR is a “backstop” rule that generally applies where neither the ultimate parent jurisdiction nor any intermediate parent jurisdiction of an MNE has implemented the IIR. In that case, other jurisdictions in which the MNE operates that have implemented the UTPR would impose the top-up tax on the group entities located in their jurisdiction, with the top-up tax being allocated among those jurisdictions on a formulary basis.

The Pillar Two project has now entered the implementation phase and countries should implement Pillar Two effective in 2023, with the UTPR coming into effect in 2024.

Budget 2022 proposes to implement Pillar Two in Canada, along with a domestic minimum top-up tax. The primary charging rule and domestic minimum top-up tax implementing the IIR would be effective in 2023, and the secondary charging rule implementing the UTPR would be effective not before 2024. In the Briefing, the Department clarified that the intent is to ensure that where a Canadian resident corporation that is a member of a large MNE and within the scope of Pillar Two, Canada will be entitled to collect any potential tax revenues (and not a foreign jurisdiction that may otherwise be able to collect the potential tax revenues).

Budget 2022 is also launching a public consultation on the implementation of Pillar Two and the domestic minimum top-up tax in Canada. Interested parties are invited to send written comments by July 7, 2022.

Exchange of Tax Information on Digital Economy Platform Sellers

The OECD has developed model rules for reporting by digital platform operators with respect to platform sellers. The model rules require online platforms to collect and report relevant information to tax administrations in order to ensure that revenues earned by taxpayers through those platforms can be properly taxed. The OECD's framework for the model rules is designed to minimize administrative burden by providing for the sharing of information between tax administrations. An online platform would generally need to report the information to only one jurisdiction, and that jurisdiction would then share the information with partner jurisdictions based on the residence of each platform seller earning revenue through the platform (and, in the case of a rental property, the jurisdiction where the rental property is located).

Budget 2022 proposes to implement the OECD's model rules in Canada. The measure would require reporting platform operators that provide support to reportable sellers for relevant activities to determine the jurisdiction of residence of their reportable sellers and report certain information on them.

This measure would apply to calendar years beginning after 2023. This would allow the first reporting and exchange of information to take place in early 2025 with respect to the 2024 calendar year.

Interest Coupon Stripping

Interest coupon stripping is a way that some taxpayers avoid paying tax on cross-border interest payments.

Due to differences between Canada's various tax treaties, the interest received from Canadian residents is often subject to different tax rates depending on where the recipient resides. Interest coupon stripping arrangements exploit these differences and allow some taxpayers to pay less taxes.

Budget 2022 proposes an amendment to the interest withholding tax rules to ensure that the total interest withholding tax paid under an interest coupon stripping arrangement is the same as if the arrangement had not been undertaken and instead the interest had been paid to the non-resident lender.

This measure would apply to interest paid or payable by a Canadian-resident borrower to an interest coupon holder to the extent that such interest accrued on or after April 7, 2022, unless the interest payment is in respect of a debt or other obligation incurred by a Canadian resident borrower and is made to an interest coupon holder that deals at arm's length with the non-resident lender where the debt or other obligation must have been incurred and the interest coupon must have been acquired pursuant to a written agreement before April 7, 2022.

If the exception above applies, the measure would instead apply to interest paid or payable by a Canadian-resident borrower to an interest coupon holder to the extent that such interest accrued on or after April 7, 2023.

This measure is expected to increase federal revenues by $640 million over the next 6 years, and by $150 million on an ongoing basis.

OTHER TAX MEASURES

Next Steps Towards a Minimum Tax for High Earners

Budget 2022 announces the Government's commitment to examine a new minimum tax regime, which will go further towards ensuring that all wealthy Canadians pay their "fair share" of tax. The Government will release details on a proposed approach in the 2022 fall economic and fiscal update.

PREVIOUSLY ANNOUNCED MEASURES

Budget 2022 also confirms the Government's intention to proceed with the following previously announced tax and related measures, as modified to take into account consultations and deliberations since their release.

- Legislative proposals relating to the *Select Luxury Items Tax Act* released on March 11, 2022.

- Legislative proposals released on February 4, 2022 in respect of the following measures:
  - electronic filing and certification of tax and information returns;
  - immediate expensing for CCPCs in respect of “eligible property”;
  - the rate reduction for zero-emission technology manufacturers;
  - film or video production tax credits;
  - fixing contribution errors in registered pension plans;
  - a technical fix related to the revocation tax applicable to charities;
  - CCA for clean energy equipment;
  - enhanced reporting requirements for certain trusts;
  - allocation to redeemers methodology for mutual fund trusts;
  - mandatory disclosure rules;
  - avoidance of tax debts;
  - taxes applicable to registered investments;
  - audit authorities;
  - interest deductibility limits; and
  - crypto asset mining.
- Legislative proposals tabled in a Notice of Ways and Means Motion on December 14, 2021 to introduce the *Digital Services Tax Act*.
- Legislative proposals released on December 3, 2021 with respect to Climate Action Incentive payments.
- The income tax measure announced in Budget 2021 with respect to Hybrid Mismatch Arrangements. Budget 2021 proposed that the rules eliminating the benefits of certain hybrid mismatch arrangements would apply as of July 1, 2022. Despite this date soon approaching, the Department has not announced any intention to delay the implementation of these rules.[1]
- The transfer pricing consultation announced in Budget 2021.
- The anti-avoidance rules consultation announced on November 30, 2020 in the Fall Economic Statement.
- The income tax measure announced on December 20, 2019 to extend the maturation period of amateur athletes trusts maturing in 2019 by one year, from eight years to nine years.

If you have any questions about Budget 2022, please contact any member of the Cassels Taxation Group.

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[1] For more information regarding the 2021 federal budget, please see “2021 Federal Budget Briefing”.
