

Tax and Election Platforms Status of Federal Budget

September 14, 2021

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1

1

Election Platforms

Liberal

Conservative

[* - from April federal Budget proposals]

Housing

Tax gains on principal residence if held less than 12 months: Anti-flipping tax (Details not given).

Exempt if sale due to life changes such as pregnancy, death, new job, divorce, disability

Ban foreign purchases for 2 years

Tax foreign owned vacant residential properties at 1%* of value

Create tax free First Home savings account, can put up to \$40,000 tax-free on withdrawal (no real details), must be under age 40

Review how residential REITs are taxed

Ensure no capital gain tax will arise on sale of principal residence

Extend ability to defer capital gain tax when selling a rental property and reinvesting in rental housing

Ban foreign purchases for 2 years

No proposals

No Proposals

No Proposals

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2

2

Election Platforms

| | Liberal | Conservative |
|-----------------------------------|--|---|
| GST | No proposal | Retail in person sales in December free of GST (5%) |
| Tax Rates | Increase federal corporate tax on banks, insurance companies from 15% to 18% for profits over \$1 billion annually Reduce federal tax from 15% to 7.5% for zero emissions technology companies (9% to 4.5% for small business)* | No Proposal except launch a review to bring down rates No Proposal |
| Family Business Succession | Modify new law on use of capital gains exemption to fund succession of family business, details not specified | Ensure sale of a family farm to a family member is not taxed higher than a sale to a stranger |
| TOSI | No change proposed | No change proposed |

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3

3

Election Platforms

| | Liberal | Conservative |
|----------------|--|--|
| Patents | No proposal | Income from patent royalties taxed at half federal corporate rate. |
| CRA | Allocate additional funds to track down tax avoidance, aggressive plans especially international * | Reform CRA, impose legal duty of care on CRA. Reform penalties make CRA accounted (not overly aggressive). Simplify tax system |
| | Require taxpayers to answer audit queries verbally (override Cameco decision)* | Unknown |
| | Review GAAR and transfer pricing rules, consultation to strengthen* | Unknown |
| | Expand reportable transactions rules, one attribute met (currently need two)* | Unknown |

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4

4

Election Platforms

| | Liberal | Conservative |
|---------------------------------------|--|---|
| R&D | No change | Move review R&D eligibility to new government department (not CRA) and simplify the process |
| Child Care | Subsidized heavily to bring cost to \$10 per day | Convert child care expense deduction into a refundable tax credit up to 75% of child care costs tapered to benefit low income families more |
| Changes to Capital Gains | None | None |
| Increase in Personal Tax Rates | None, but 15% minimum tax (details not know) | None |

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5

5

Election Platforms

| | Liberal | Conservative |
|------------------|---|--|
| Employees | | <p>Establish Employee Ownership Trusts – reduces capital gain tax when owner sells to a trust owned by employees</p> <p>Exempt Canadian HQ companies with 2/3 employees in Canada from the new stock option rule</p> |
| Other | <p>Digital Services Tax for companies at 3% gross revenue in Canada.</p> <p>Limit interest deduction for large corporations to 30% of income *</p> <p>Require reporting of private company ownership in public database *</p> | <p>Digital Services Tax for companies at 3% gross revenue in Canada.</p> <p>Do not support global minimum tax rate agreed by G-7</p> <p>Appoint an expert panel to simplify the tax system</p> <p>Introduce flow-through shares for tech companies</p> |

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6

6

Election Platforms

| | Liberal | Conservative |
|----------------|---------|---|
| Small Business | | <p>\$200,000 small business loan, up to 25% forgivable</p> <p>25% tax credit on personal investment in small business on up to \$100,000 of investment</p> <p>Provide a 5% ITC for capital investment made in 2022 and 2023, first \$25,000 refundable for small business</p> |

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7

7

Election Platforms

Conclusions

Neither party proposing tax increases generally (a broad recovery or deficit reduction tax).

No changes to capital gains (except liberal proposal to tax short term ownership of principal residence)

No wealth tax proposals

Many Proposals lack details

Note the proposal to make CRA accountable. Long overdue

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8

8