Federal 2019-2020 Budget Highlights

Corporation Tax Measures

1. Corporate tax rates

There will be no changes to corporate tax rates. As previously announced, the combined federal and Ontario corporate tax rates for calendar 2019 are as follows:

	Small Business Rate		General Rate	
	Rate	Threshold	Non M&P	M&P
Ontario	12.50%	$500,000	26.50%	25.00%

2. Business Investment in Zero-Emission Vehicles

Budget 2019 proposes to provide a temporary enhanced first-year CCA rate of 100% in respect of eligible zero-emission vehicles. Specifically, two new classes will be added:
i) Class 54 for zero-emission vehicles that would otherwise be included in Class 10 or 10.1; and
ii) Class 55 for zero-emission vehicles that would otherwise be included in Class 16.
There will be a limit of $55,000 (plus sales taxes) on the amount of CCA deductible in respect of each zero-emission passenger vehicle included in Class 54. CCA will be deductible on any remaining balances in the new classes on a declining-balance basis at a rate of 30% for Class 54 and 40% for Class 55.

3. Strengthening Beneficial Ownership Transparency

The Budget proposes amendments to the Canada Business Corporations Act to make the beneficial ownership information maintained by federally incorporated corporation more readily available to tax authorities and law enforcement. Beneficial ownership refers to the identity of individuals who own, control or profit from a corporation or trust.

Personal Tax Measures

1. Canada Training Credit

Budget 2019 proposes to introduce a refundable "Canada Training Credit" that is intended to address barriers to professional development for working Canadians. Eligible individuals will accumulate $250 each year in a notional account that can be accessed for this purpose.

2. Home Buyers' Plan (HBP)

Budget 2019 will increase the HBP withdrawal limit to $35,000 from $25,000 (a couple will potentially be able to withdraw $70K from their RRSPs to purchase a first home). The increase in the limit will apply to taxation years after 2018.

3. Change in Use Rules for Multi-Unit Residential Properties

   Budget 2019 proposes to allow a taxpayer to elect that the deemed disposition that normally arises on a change in use of part of a property not apply to such properties. This proposal will apply to changes in use of property that occur after March 18, 2019.

4. Carrying on Business in a Tax-Free Savings Account

   A TFSA is liable to pay tax under Part I of the Act (at the top personal tax rate) on income from a business carried on by the TFSA or from non-qualified investments. Currently, the trustee of a TFSA (i.e., a financial institution) is jointly and severally liable with the TFSA for Part I tax while the holder of the TFSA is not. Budget 2019 will extend liability for taxes owing on income from carrying on a business in a TFSA be extended to the TFSA holder. Furthermore, the joint and several liability of a trustee in respect of business income earned by a TFSA will be limited to the property held in the TFSA at that time plus the amount of all distributions of property from the TFSA on or after the date that the notice of assessment is sent. This proposal will apply to taxation years after 2018.

5. Additional Types of Annuities in Registered Plans

   Currently, an RRSP must mature in the year which the taxpayer turns 71 and the funds must be withdrawn, transferred to a RRIF or used to purchase an annuity. The budget proposes to permit 2 new types of annuities for certain registered plans:

   Advanced Life Deferred Annuities (ALDA):

   An ALDA will be a life annuity which may deferred until the end of the year in which the annuitant attains 85 years age subject to certain other requirements.

   Variable Payment Life Annuities (VPLA):

   The budget proposes to amend the tax rules to permit PRPPs and defined contribution RPPs to provide a VPLA to members directly from the plan which is not permitted under the current tax rules.

Housing Measures

The budget proposes to introduce the First-Time Home Buyer Incentive. The incentive is a shared equity mortgage with Canada Mortgage and Housing Corporation (CMHC). CMHC will offer qualified first-time buyers a 10% shared equity mortgage for a newly constructed home or a 5% for an existing home. In term of restrictions, the Incentive will be available to first-time home buyers with household incomes under $120,000 per year and the incentive amount cannot be greater than 4 times the participants' annual household incomes (i.e. max. at $480,000).

Closing Tax Loopholes

The budget proposes to close the following tax loopholes they perceive may result in some taxpayers paying less than their fair share.

- An amendment of existing rules to prevent taxpayers from using derivative contracts to convert ordinary income to capital gains.
- An amendment of existing rules to introduce a new rule that will deny a mutual fund trust a deduction in respect of an allocation made to a unit holder on redemption, if the allocated amount is ordinary income and the unitholder's redemption proceeds are reduced by the allocation. This measure will prevent the use by mutual fund trusts to convert the returns on an investment that would have the character of ordinary income to capital gains or in appropriately defers tax.
- The budget proposes to prohibit IPPs to obtain inappropriate tax deferrals when individuals transfer assets out of certain type of pension plans.
  In general, when an individual terminates members in a defined benefit plan, a tax-deferred transfer of all or a portion of the commuted value of accrued pension benefits can be made to another defined benefit plan sponsored by another employer. As a consequence, it may be possible to transfer all of the commuted value to the pension plan to an IPP that is sponsored by a newly incorporated private corporation that is controlled by the individual who has terminated employment with their former employer. The budget proposes to prohibit IPPs from providing retirement benefits in respect of past years of employment that were pensionable service under a defined benefit plan of an employer other than the IPP's participating employer (or its former employer). This measure applies to pensionable services credited under an IPP on or after March 19, 2019.

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