

Tax Notes

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PROPOSED IMMEDIATE EXPENSING INCENTIVE

- --Cameron Mancell, CFP®, Senior Technical Writer, Wolters Kluwer Canada

The 2021 Federal Budget announced that a Canadian-controlled private corporation (“CCPC”) will be able to immediately expense acquisitions of depreciable property of up to \$1.5 million per year. The rules were to apply as of April 19, 2021, but the budget documents only generally described how the rules would work. At long last, draft legislative proposals that would implement this measure were published on February 4, 2022. It was also announced that sole proprietorships and partnerships, which were notably absent from the description in the budget documents, will also be eligible for the immediate expensing. This article discusses these proposed rules.

ELIGIBLE PERSON OR PARTNERSHIP

The immediate expensing incentive is only available to an “eligible person or partnership” (proposed Regulation [1104\(3.1\)](#)). An eligible person or partnership includes:

- (a) a corporation that was a CCPC throughout the year;
- (b) an individual (other than a trust) who was resident in Canada throughout the year; or
- (c) a Canadian partnership all of the members of which were, throughout the period, persons described in (a) or (b) or a combination thereof.

Multi-tiered partnerships are not included in this definition.

IMMEDIATE EXPENSING PROPERTY

To be eligible for the immediate expensing incentive, the property acquired must be “immediate expensing property” (proposed Regulation [1104\(3.1\)](#)), which means property of a prescribed class (other than property included in Classes [1](#) to [6](#), [14.1](#), [17](#), [47](#), [49](#), and [51](#)) of an eligible person or partnership. These excluded classes, applicable to assets such as buildings, intangible assets, and pipelines, were excluded because these are generally considered long-lived assets.

Also, the property must have been acquired at a particular time. In the case of a CCPC, the property must be acquired after April 18, 2021. In the case of a Canadian partnership or Canadian resident individual, the property must be acquired after December 31, 2021.

Moreover, the property must become available for use by a particular time. If the eligible person or partnership is an individual or a Canadian partnership all the members of which are individuals throughout the taxation year, the property must become available for use before 2025. In any other case (i.e., a CCPC or a partnership with at least one member who is not an individual), the property must become available for use before 2024.

Last, the property must meet one of two conditions. First, the property has not been used and no person or partnership has deducted capital cost allowance (“CCA”) or a terminal loss in respect of the property. Or second, the property was not subject to a tax-deferred rollover and it was not previously owned or acquired by the eligible person or partnership or a non-arm’s length person or partnership.

Initially it would appear that the first condition can allow unused and undepreciated property acquired from a non-arm’s length person to be immediate expensing property. For example, a corporation acquired an asset that

could be immediately expensed except for the fact that it was acquired before April 19, 2021. If the asset was yet to be used and depreciated, the corporation could transfer the asset to a non-arm's length corporation after April 18, 2021, and that corporation could immediately expense the cost by relying on the first condition. However, proposed Regulation [1100\(0.3\)](#) prevents a person or partnership from enjoying the immediate expensing treatment unless, very generally, the original transferor of the property held the property as inventory and dealt at arm's length with the transferee.

DESIGNATED PROPERTY

The assets that will benefit from the immediate expensing must be “designated immediate expensing property” (proposed Regulation [1104\(3.1\)](#)) for the taxation year, which is property that is immediate expensing property that became available for use in the taxation year. The property must also be designated for the taxation year in a prescribed form on or before the filing due date, or in the case of a partnership, by the day on or before which a member of the partnership must file an information return.

The ability to designate immediate expensing property allows an entity to decide which property will benefit from the incentive. It would generally make sense to prioritize property in CCA classes with lower depreciation rates over classes with higher rates, though there could be exceptions depending on the situation. For example, if the sale of an asset is pending and a recapture seems likely, it might be desirable to preserve the undepreciated capital cost (“UCC”) of that class by foregoing the immediate deduction.

COMPUTING IMMEDIATE EXPENSING DEDUCTION

Under proposed Regulation [1100\(0.1\)](#), the deduction for the immediate expensing incentive occurs before computing the deduction for regular CCA. The CCA deduction for a taxation year is equal to the lesser of the following:

- (a) the immediate expensing limit for the year—generally \$1.5 million, with exceptions discussed below;
- (b) the UCC at the end of the taxation year before the regular CCA deduction of designated immediate expensing property; and
- (c) if the person or partnership is not a CCPC, the amount of income earned from a source that is a business or property (before CCA is deducted) in which the relevant designated property is used.

Proposed Regulation [1100\(0.2\)](#) provides that the amount deducted under the immediate expensing incentive reduces the UCC of the relevant class. Afterwards, the remaining UCC balance can be depreciated under the normal rules.

The half-year rule does not apply to this incentive, so the entire capital cost of eligible property can be immediately deducted. Enhanced CCA claims under other incentives, such as the accelerated investment incentive, do not reduce the amount available under the immediate expensing incentive, and vice versa. Similarly, the immediate expensing incentive does not reduce amounts available under the normal CCA rules.

IMMEDIATE EXPENSING LIMIT

Under proposed Regulation [1104\(3.2\)](#), the immediate expensing limit is normally \$1.5 million per taxation year. If an entity does not use the full \$1.5 million in a taxation year, the excess cannot be carried forward. Like the small business deduction, associated entities must share the \$1.5 million limit. Per proposed Regulation [1104\(3.3\)](#), associated eligible persons and partnerships can file a prescribed form that contains an agreement to assign the immediate expensing limit amongst them. The limit is assigned by allocating a percentage to each entity, the sum of which should be 100 per cent. Then each entity's percentage is multiplied by \$1.5 million, the result of which is that entity's immediate expensing limit. The sum of the assigned percentages should not exceed 100, or else the limit is deemed to be nil for all the associated entities. If the associated entities fail to file the agreement

in the prescribed form, proposed Regulation [1104\(3.4\)](#) allows the Minister to assign the amounts 30 days after providing written notice.

Proposed Regulation [1104\(3.5\)\(a\)](#) applies where an eligible person or partnership (“first person”) has one or more taxation years ending in a calendar year, and it is associated in two or more of those taxation years with another eligible person or partnership (“other person”) that has a taxation year ending in the calendar year. The immediate expensing limit of the first person for each taxation year ending after the first year that ends in the calendar year is deemed to be the lesser of:

- (a) its limit for the first taxation year ending in the calendar year, determined per the assignment rules discussed above, or
- (b) its limit for the particular taxation year ending in the calendar year, determined per the assignment rules discussed above.

According to explanatory notes from the Department of Finance, this rule ensures that the total immediate expensing limits for a group of associated eligible persons or partnerships does not exceed \$1.5 million in a calendar year.

Where an eligible person or partnership has a taxation year that is less than 51 weeks, proposed Regulation [1104\(3.5\)\(b\)](#) provides that its immediate expensing limit for the year is equal to the proportion of its immediate expensing limit for the year (before applying this rule) that the number of days in the taxation year is of 365.

Proposed Regulation [1104\(3.6\)](#) extends the association rules to individuals and partnerships for the purposes of sharing the immediate expensing limit among associated entities. This is achieved by deeming individuals and partnerships to be corporations for the purposes of determining whether an eligible person or partnership is associated with another eligible person or partnership. If the entity is a partnership, it is deemed to be a corporation with 100 issued and outstanding shares of a single class. Each partner is deemed to be a shareholder who holds a number of shares based on their proportionate interest in the partnership. If the entity is an individual who carries on a business or has acquired immediate expensing property, the individual, in respect of the business or property, is deemed to be a corporation that is controlled by the individual. The corporation’s taxation year is deemed to be the same as the individual’s taxation year.

RESTRICTIONS

There are various existing restrictions that are intended to protect the integrity of the CCA rules. The following restrictions are proposed to be expanded such that they also apply to claims made under the immediate expensing incentive:

- specified leasing property rules;
- leasing property rules;
- specified energy property rules;
- rental property rules;
- the deemed cost reduction for a film or videotape; and
- computer tax shelter property rules.

As discussed above, an asset can be considered immediate expensing property if, among other criteria, it was not previously owned or acquired by a non-arm’s length person or partnership. With that in mind, the anti-avoidance rule in Regulation [1102\(20.1\)](#) is proposed to be expanded such that if certain conditions are met, a particular person or partnership and another person or partnership will be deemed to not be dealing at arm’s length with each other in respect of the acquisition or ownership of a property. In the words of the Department of Finance, this rule “is intended to prevent taxpayers from contriving arm’s length relationships in order to obtain the more favourable treatment”.

RECAPTURE FOR CLASS 10.1 PASSENGER VEHICLES

Class [10.1](#) includes passenger vehicles with a capital cost exceeding \$30,000 (or \$34,000 effective January 1, 2022). Normally, when a Class [10.1](#) passenger vehicle is disposed of, it is not subject to a recapture of CCA per subsection [13\(2\)](#) of the *Income Tax Act* (“ITA”). However, effective for taxation years ending on or after April 19, 2021, a Class [10.1](#) passenger vehicle that was designated immediate expensing property would no longer qualify for this exception and would be potentially subject to recapture. Since a portion of the cost of the asset is not depreciable due to the dollar limit, the capital cost of the asset is deemed to be equal to the prescribed dollar limit (plus applicable sales taxes). ITA paragraph [13\(7\)\(i\)](#) would prorate the proceeds of disposition by a factor equal to the capital cost of the vehicle divided by the actual cost of the vehicle. This reduction to proceeds would ensure the calculation of recapture reflects that a portion of the asset’s cost was not depreciable.

CLAIMING THE INCENTIVE ON THE RETURN

With regard to claiming this incentive when filing a return, the Canada Revenue Agency stated that the legislation must be tabled in the House of Commons before any claims can be included with the return. The proposals are undergoing a consultation process, so it will be some time before they are included in a bill.

FOCUS ON CURRENT CASES

This is a regular monthly feature examining recent cases of special interest, coordinated by Tony Schweitzer of Dentons Canada LLP. The contributors to this feature are from Dentons Canada LLP, Montreal, Toronto, Calgary, and Vancouver.

HARDING V. THE QUEEN, 2022 DTC 1009 (TAX COURT OF CANADA)—A SHAREHOLDER BENEFIT CAN EXIST IF THE SHAREHOLDER DID NOT KNOW (BUT OUGHT TO HAVE KNOWN) ABOUT THE BENEFIT

Background

The appellant was the sole shareholder and sole director of 654818 N.B. Ltd. (“HoldCo”) which was, in turn, the majority shareholder of Boyd B. Harding Ltd. (“BBH”). The appellant was a shareholder and the sole director of BBH. The appellant’s spouse was neither a shareholder nor a key employee of either HoldCo or BBH. During the 2013, 2014, and 2015 taxation years, BBH paid premiums in respect of four insurance policies. Two of the policies insured the appellant’s life and two of the policies insured the life of his spouse. All of the insurance policies named the appellant’s spouse and/or his stepchildren as beneficiaries.

The Minister reassessed the appellant to include shareholder benefits in his income in respect of the insurance premiums pursuant to subsection [15\(1\)](#) of the *Income Tax Act* (“ITA”).

Issue and Decision

The issue before the Tax Court was whether BBH conferred a benefit upon the appellant within the meaning of subsection 15(1) of the ITA when it paid premiums on the insurance policies.

The appellant argued that he did not know there was an insurance policy insuring his spouse’s life nor that his spouse or stepchildren were the beneficiaries of any of the policies. The appellant testified that his stepdaughter, a licensed insurance broker, duped him and changed the beneficiaries under the policies to benefit herself and her siblings. Accordingly, the appellant argued that BBH could not have intended to confer a benefit upon him and there was therefore no shareholder benefit pursuant to subsection [15\(1\)](#) of the ITA. The respondent argued that the appellant knew or ought to have known about the policies and the beneficiary designations. Nonetheless, the respondent argued that a finding that the appellant had no knowledge of the plans did not preclude a finding that BBH conferred a benefit on him by paying the premiums.

The Tax Court cited the Federal Court of Appeal (“FCA”) in *Laliberté v. Canada*, 2020 DTC 5052, for the principle that a benefit is conferred when a corporation enters into transactions that are not *bona fide* business

transactions. The appellant acknowledged there was no legitimate business purpose for the insurance policies and that the payment of the premiums did constitute a benefit under subsection 15(1) of the ITA. However, he argued there was no intention to confer a benefit and consequently there was no shareholder benefit.

The Tax Court followed the principle expressed by the Tax Court in *Canada v. Chopp*, 98 DTC 6014, which was subsequently approved by the FCA, that a benefit may be conferred without intent or actual knowledge on the part of the shareholder and that it is open for the court to conclude that the shareholder ought to have known about the benefit. Based on the following evidence, the Tax Court concluded that the appellant “ought to have known that BBH Ltd. was paying significant amounts of insurance premiums on policies that had no business purposes and from which his spouse and stepchildren stood to benefit”. First, the appellant’s accountant testified that he had reviewed BBH’s financial statements for 2013, 2014, and 2015 with the appellant. Although the amounts of the insurance expenses were small compared to BBH’s total expenses, the Tax Court found that a “perusal of the numbers ... would have revealed the significance of the amounts paid in insurance premiums”. Additionally, BBH had transferred the expenses to HoldCo and the amounts therefore appeared on HoldCo’s financial statements and T2 returns, which the appellant reviewed and signed. The amounts were by far the largest expense on HoldCo’s statements. The appellant also signed several beneficiary designation forms, although he testified that he did not recall anything about signing them.

The appellant also argued that there was no real benefit conferred since all of the insured remained alive and no payments were made under the policies. The Tax Court dismissed this argument, finding that the fact that the appellant’s spouse or stepchildren *would have* received payments resulted in a benefit to him under subsection 15(1) of the ITA.

Finally, the appellant relied on *Chopp* to support the position that there was no subsection 15(1) benefit because the purchase of insurance was an error caused by a trusted advisor upon whom the appellant relied. The Tax Court distinguished the appellant’s case from *Chopp*; in *Chopp* there was a simple bookkeeping error, whereas in this case there were significant premiums paid for the policies and several changes to the beneficiaries over several years.

Conclusion

In dismissing the appeal, the Tax Court held that a subsection 15(1) shareholder benefit can be conferred without any intent or actual knowledge on the part of the shareholder if the shareholder ought to have known about it.

—Caroline Harrell and Paige Donnelly

CURRENT ITEMS OF INTEREST

CLIMATE ACTION INCENTIVE PAYMENT AMOUNTS FOR 2022–2023

Residents of Ontario, Manitoba, Saskatchewan, and Alberta are eligible to receive the proceeds from the federal carbon pollution pricing system via the Climate Action Incentive (“CAI”). Starting in July 2022, the federal government proposes that the CAI will be paid directly to individuals on a quarterly basis. Thus, individuals will not receive a CAI amount with their tax refund for their 2021 return, though individuals must still file a return to receive the CAI payment.

Payments will start in July 2022 with a “double-up” payment that will return proceeds from the first two quarters of the 2022–23 fuel charge year (April–June and July–September), followed by single quarterly payments in October 2022 and January 2023.

On March 23, 2022, the federal government announced the payment amounts for 2022–2023. The various amounts are outlined on this page: <https://www.canada.ca/en/department-finance/news/2022/03/climate-action-incentive-payment-amounts-for-2022-23.html>.

NEW BRUNSWICK BUDGET

New Brunswick Budget 2022–2023 was tabled on March 22, 2022. The following tax measures were announced in the Budget:

- The basic personal amount will be increased from \$10,817 to \$11,720, and the Low-Income Tax Reduction threshold will increase from \$18,268 to \$19,177, effective for the 2022 taxation year.
- In keeping with federally mandated carbon pricing requirements, effective April 1, 2022, the province's carbon tax will increase from the equivalent of \$40 per tonne to \$50 per tonne.
- Property tax reductions announced in Budget 2021–2022 will be moving forward beginning in the current property taxation year.
- The wage exemption for social assistance recipients will be increased to \$500 per month, plus 50 cents per dollar earned over \$500.
- There will be an exemption on the first \$200 of CPP income for social assistance recipients.

QUÉBEC BUDGET

Québec's 2022–2023 Budget was tabled on March 22, 2022. The Budget announced many new tax measures, which are summarized below:

- A new refundable tax credit will grant a one-time amount of up to \$500 to mitigate the increase in the cost of living, which is phased out where income exceeds \$100,000;
- The tax credit for a major cultural gift, which was to expire January 1, 2023, will be made permanent;
- The refundable tax credit for the upgrading of residential wastewater treatment systems will be extended by five years to March 31, 2027;
- The temporary increase in the tax credit relating to investment and innovation will be extended by one year to December 31, 2023;
- A new refundable tax credit for the production of biofuel in Québec will be implemented;
- The refundable tax credit for the production of pyrolysis oil in Québec will be extended ten years to March 31, 2033, and will be subject to various changes; and
- The government will invest \$190 million in order to continue implementing the Tax Fairness Action Plan, facilitate taxpayer compliance, and step up the fight against economic crime.

SASKATCHEWAN BUDGET

Saskatchewan Budget 2022–2023 was presented on March 23, 2022. The Budget announced the following new tax measures:

- The Saskatchewan Value-added Agriculture Incentive will be improved (retroactive to 2018) by increasing the current 15% tax credit rate for larger investment projects. The new rates are:
 - 15% on the portion of a project up to \$400 million;
 - 30% on the portion of a project between \$400 million and \$600 million;
 - 40% on the portion of a project in excess of \$600 million in value;
- The annual cap for the Saskatchewan Technology Start-up Incentive will be increased from \$2.5 million to \$3.5 million effective April 1, 2022;
- Effective October 1, 2022, the PST base will be expanded to include admission and entertainment charges that are subject to the federal Goods and Services Tax;
- Effective April 1, 2022, Saskatchewan will provide a PST exemption for audiobooks;
- Effective April 1, 2022, a number of PST clarifications will be made relating to farming and agriculture activities, including establishing an exemption for the on-farm digging of dugouts;

- Budget 2022 mentioned that PST amendments will be introduced to reduce double taxation when items are imported into Saskatchewan; and
- Effective March 24, 2022, tobacco tax rates will increase as follows:
 - from 27 cents per cigarette to 29 cents;
 - from 27 cents per gram of loose tobacco to 35 cents; and
 - from 20.5 cents per stick of heat-not-burn products to 21.8 cents.

NOVA SCOTIA BUDGET

Nova Scotia's 2022-2023 Budget was presented on March 29. The Budget included announcements of some new tax changes, which are summarized below.

Effective for the 2022 and subsequent taxation years, the province is introducing a \$500 refundable tax credit to help parents offset the costs of artistic, cultural, and physical activities for children under the age of 19. The tax credit will apply to eligible expenditures for programs in literary arts, visual arts, performing arts, music, media, languages, customs, and heritage, as well as organized physical activities and programs.

Effective for the 2022 and subsequent taxation years, the province will implement fertility and surrogacy rebates to provide financial support for Nova Scotians trying to start a family. The rebate will provide a 40% refundable tax credit, up to a maximum of \$8,000 per year, on expenditures for medical expenses incurred by an individual, their spouse, or common-law partner for infertility treatments. Treatments must be provided by a Nova Scotian licensed medical practitioner. There is no lifetime maximum. For families employing the use of a surrogate, a surrogacy rebate will provide a 40% rebate, up to a maximum of \$8,000 per year, on expenditures for medical expenses paid for on behalf of a surrogate—provided that the surrogate does not claim medical expenses for the treatments. These expenditures are not eligible for the fertility rebate.

Effective for the 2022 and subsequent taxation years, the province will implement the More Opportunities for Skilled Trades ("MOST") tax refund. MOST aims to attract and retain youth in industries with labour shortages. MOST will provide a refund of personal income tax on the first \$50,000 of earned income for individuals under the age of 30 who are employed and registered in selected skilled trades and occupations. To start, selected occupations in eligible sectors will include manufacturing, computer and IT, transportation, film, video, and service sectors in the province, with further details to be provided in regulations.

The Budget also proposes to introduce a new a Deed Transfer Tax of 5% of the value of residential real property purchased by a non-resident of Nova Scotia, and a new Property Tax of \$2.00 per \$100 of assessed value on residential real property owned by a non-resident of Nova Scotia.

YUKON BUDGET

The Premier of the Yukon and Minister of Finance, the Honourable Sandy Silver, tabled the 2022–2023 Budget ("Budget 2022") on March 3, 2022. Budget 2022 includes \$1.97 billion in spending. Of this, \$546.5 million is capital expenditure, and operations and maintenance account for a total of \$1.42 billion. This year's budget shows a surplus of \$39.5 million. No tax measures were announced.

PRINCE EDWARD ISLAND BUDGET

Prince Edward Island's 2022 Budget was presented on February 24, 2022, by Finance Minister Darlene Compton. Budget 2022 projects revenue of \$2.6 billion and spending of \$2.7 billion for 2022–2023, resulting in a projected deficit of \$92.9 million. Budget 2022 announced several tax changes, which include the following:

- Increasing the basic personal amount from \$11,250 to \$12,000 effective January 1, 2023;
- Increasing tobacco tax rates;
- Introducing a new tax on vaping products; and

- Increasing the carbon levy on March 31, 2022.

BRITISH COLUMBIA BUDGET 2022

British Columbia Finance Minister Selina Robinson presented *Budget 2022: Stronger Together* (“Budget 2022”) on February 22, 2022. Budget 2022 announced several tax measures, including the following:

- The scientific research and experimental development income tax credit is extended for five years to August 31, 2027.
- Effective February 23, 2022, a new temporary income tax credit for retrofits that improve the energy efficiency of multi-unit residential buildings with four or more dwellings and prescribed types of commercial buildings is introduced.
- The training tax credits are extended for two years to the end of 2024.
- The shipbuilding and ship repair industry tax credit is extended for two years to the end of 2024.
- Effective February 22, 2022, the production services income tax credit is amended to extend the pre-certification filing deadline to 120 days after the production’s first eligible accredited labour expenditure.
- Effective February 23, 2022, used zero-emission vehicles are exempt from provincial sales tax.
- Effective February 23, 2022, the passenger vehicle surtax threshold for zero-emission vehicles is increased to \$75,000 from \$55,000.
- Effective April 1, 2022, heat pumps are exempt from provincial sales tax.
- Effective April 1, 2022, the provincial sales tax on a fossil fuel combustion system that heats or cools buildings or water is increased from 7% to 12%.
- Effective July 1, 2022, provincial sales tax is applied to tobacco.
- Effective October 1, 2022, provincial sales tax on private sales of motor vehicles will be based on the greater of the reported purchase price and the average wholesale value of the vehicle.
- Effective July 1, 2022, businesses that facilitate sales or leases of certain goods, services, or software for third parties through their online platforms, including accepting payment from a consumer (“marketplace facilitators”), will be required to collect and remit provincial sales tax on those sales and leases made in BC.
- Effective July 1, 2022, marketplace facilitators will be required to charge provincial sales tax on marketplace facilitation services they provide to sellers.
- Effective for the 2022 to 2024 years, the total Equity Tax Credit budget is temporarily increased to \$41 million from \$38.5 million for the 2022 to 2024 calendar years; this increase is being allocated to investments in clean technology businesses.
- Effective February 23, 2022, hydrogen fuel is classified as a Category 1 alternative motor fuel and is exempt from motor fuel tax provided that:
 - the hydrogen is purchased for use in an internal combustion engine vehicle; and
 - the hydrogen is not produced by electrolysis using coal-generated electricity, unless the carbon dioxide emitted as a result of the process is captured and stored or captured and sequestered.
- The exemption for strata accommodation properties from the speculation and vacancy tax applies to a residential property that is defined in the *Assessment Act* as a strata accommodation property (the exemption was set to expire at the end of the 2021 tax year but is now made permanent); effective for the 2021 tax year only, the exemption for hazardous or damaged residential property is expanded to apply to properties that were damaged by the floods in late 2021 in Abbotsford, Chilliwack, and Mission.
- Effective November 27, 2018, the *Speculation and Vacancy Tax Act* is amended to extend the deadlines to apply for a tax credit for eligible taxpayers by 90 days when a notice of assessment or a Minister’s notice of decision is given after the end of the normal application period.

See the [Wolters Kluwer Dispatch](#) for a complete summary of Budget 2022’s measures.

ALBERTA BUDGET 2022

Alberta Budget 2022: Moving Forward (“Budget 2022”) was tabled February 24, 2022, by Minister of Finance Travis Toews. Tax measures announced include:

- Alberta will introduce a separate tobacco tax category for smokeless products, set at 27.5 cents per gram.
- Alberta will work with the federal government to explore a coordinated taxation approach to collect a provincial tax on vaping products sold in Alberta, instead of introducing a stand-alone provincial tax.
- New legislative amendments will be brought forward in 2022 to require online marketplaces to collect and remit the tourism levy on behalf of Alberta short-term rental hosts.

See the [Wolters Kluwer Dispatch](#) for a complete summary of Budget 2022’s measures.

PRINCE EDWARD ISLAND BUDGET 2022

Prince Edward Island's 2022 Budget (“Budget 2022”) was presented on February 24, 2022, by Finance Minister Darlene Compton. Budget 2022 announced the following tax changes:

- The basic personal amount will increase from \$11,250 to \$12,000, effective January 1, 2023.
- The province announced on December 30, 2021, that the volunteer firefighter tax credit would be increased from \$500 to \$1,000, effective January 1, 2022, and would be expanded to include ground search and rescue first responders. Although the news release stated that these changes would be included in the 2022 provincial operating budget, no further details were provided in the Budget 2022 documents.
- There will be an increase in tobacco taxes (no further details were provided).
- The province will introduce a new tax on vaping products (no details were provided).
- The carbon levy will increase on March 31, 2022, in keeping with the plan communicated to the federal government.

See the [Wolters Kluwer Dispatch](#) for a complete summary of Budget 2022’s measures.

FEDERAL BUDGET DATE

Federal Budget 2022 will be presented on April 7 at approximately 4pm EST.

CRA TAX FILING UPDATES

The Canada Training Credit Limit in Auto-fill my Return

The CRA is experiencing issues with the Canada Training Credit Limit amount for the current tax year being passed to the Auto-fill my return service. Until the issue has been resolved, the Canada Training Credit Limit has been removed from the list of available tax information in Auto-fill my return. Instead, the available Canada Training Credit Limit amount can be found on the 2020 notice of assessment.

Filing and Legislative Changes

The CRA provided a reminder about important information that may impact tax return preparation and processing, with respect to two refundable tax credits included in Bill C-8, Economic and Fiscal Update Implementation Act, 2021:

- Return of Fuel Charge Proceeds to Farmers Tax Credit (Form T2043)
- Eligible Educator School Supply Tax Credit

Although certified tax software may perform the calculations, the Canada Revenue Agency (CRA) cannot process claims for the above refundable tax credits until supporting legislation has been enacted. Therefore, if any clients plan to claim any of these credits, processing cannot be finalized until Royal Assent has been received. Conversations should be had with clients on the options available to them to meet their individual needs. Ultimately, the choice of claiming these credits or not lies with the client.

Lastly, the CRA will process claims for the travel component of the Northern residents' deductions based on the proposed legislation included in Bill C-8. Based on CRA's long-standing practice in administering proposed changes to tax deduction, processing will not be delayed for claims made on an individual's original return.

PROGRESS OF LEGISLATION

The House of Commons Standing Committee on Finance has completed its review of Bill [C-8](#), *Economic and Fiscal Update Implementation Act, 2021*. The bill is now in the Report Stage.