

A concise summary of what you need to know

Measures for individuals

Federal income tax rates

There are no changes to personal federal income tax rates or income brackets.

Capital gains inclusion rate

Budget 2024 plans to raise the capital gains inclusion rate for corporations and trusts from 50% to 66.67%. This hike also impacts individuals whose annual capital gains exceed \$250,000, effective from June 25, 2024.

The new threshold accounts for net capital gains after current-year losses, past losses adjusted for the new inclusion rate, and gains exempted under specific incentives.

The employee stock option deduction will align with the updated inclusion rate, capped at one-third of the taxable benefit. Nonetheless, there's a combined \$250,000 limit for this deduction and capital gains.

For tax years that begin before and end on or after June 25, 2024, separate inclusion rates will be used for gains before and after this date. The \$250,000 individual threshold will not be prorated in 2024.

Alternative Minimum Tax (AMT)

Budget 2024 suggests additional reforms to the Alternative Minimum Tax (AMT), following last year's updates. Key changes include:

- ✓ Raising the charitable donation tax credit claim under AMT to 80%.
- ✓ Permitting full deductions for the Guaranteed Income Supplement, social assistance, and workers' compensation.
- ✓ Exempting Employee Ownership Trusts from AMT.
- ✓ Allowing carry-forward of certain credits previously disallowed under AMT, such as federal political contribution, investment tax credits, and labour-sponsored funds tax credit.
- ✓ Introducing an AMT exemption for specific trusts benefiting Indigenous Groups.

Home Buyers' Plan (HBP)

The Home Buyers' Plan (HBP) helps first-time home buyers use their RRSP to finance a first home purchase, either for themselves or a relative with a disability, with a 15-year repayment timetable. Previously, the withdrawal cap was set at \$35,000 per person as of 2019.

Budget 2024 proposes to escalate the HBP withdrawal ceiling to \$60,000 post-Budget Day. To assist new first-time home buyers, the budget also plans to stretch the repayment grace period by an additional three years for those who tapped into the HBP from January 1, 2022, to December 31, 2025.

Employee Ownership Trusts (EOTs)

The 2023 Budget introduced initiatives to promote employee ownership trusts (EOTs), including a tax exemption on the initial \$10 million of capital gains from selling a company to an EOT, with specific prerequisites.



In Budget 2024, further details on the proposed exemption and conditions for individuals claiming the \$10 million dollar exemption, including residency requirements for beneficiaries of the EOT, meeting a 50% test for assets used in the active business, and other criteria. If multiple individuals disposed of shares to an EOT and meet the conditions, they may each claim the exemption, but the total exemption cannot exceed \$10 million. The individuals would need to agree on how to allocate the exemption.

Notably, certain circumstances within three years following the transaction could invalidate the exemption claim, such as a revocation of the EOT's qualifying status or a significant shift in the use of business assets. Additionally, for the purposes of the Alternative Minimum Tax, these excluded capital gains are factored in at a 30% rate, consistent with the approach to gains that qualify for the lifetime capital gains exemption.

This measure would apply to qualifying dispositions of shares that occur between January 1, 2024, and December 31, 2026.

Canada Child Benefit (CCB)

Paid monthly, the CCB is an income-tested benefit that provides support for eligible families with children under the age of 18. A CCB recipient becomes ineligible for the CCB in respect of a child the month following the child's death.

Budget 2024 proposes to amend the Income Tax Act to extend eligibility for the CCB in respect of a child from one month to six months after the child's death.

This measure would be effective for deaths that occur after 2024.

Volunteer firefighters and search and rescue

The Volunteer Firefighters Tax Credit and the Search and Rescue Volunteers Tax Credit allow individuals who performed at least 200 hours of combined volunteer service during the year as a volunteer firefighter or a search and rescue volunteer to claim a 15% non-refundable tax credit based on an amount of \$3,000.

Budget 2024 proposes to increase the credit from \$3,000 to \$6,000, resulting in a tax credit of \$900, for 2024 and later years.

Mineral Exploration Tax Credit (METC)

The METC offers an additional incentive for personal investment in shares of mining flow-through entities, enhancing the tax advantages linked with funneled amounts. This credit, representing 15% of designated Canadian mining exploration expenditures surrendered to investors of flow-through shares, has been prolonged for agreements initiated up to March 31, 2025. Previously, this incentive was slated to conclude on March 31, 2024.

Disability Supports Deduction

The Disability Supports Deduction allows individuals who have an impairment in physical or mental functions to deduct certain expenses that enable them to earn business or employment income or to attend school.

Budget 2024 proposes, starting in 2024 to expand the list of expenses recognized under the Disability Supports Deduction, specifically for individuals with severe and prolonged impairment in physical



functions, impairments in physical or mental functions and vision impairments. It also proposes that expenses for service animals be deductible as well. However, taxpayers will be able to choose whether the expense would be claimed as a medical expense tax credit, or as a Disability Supports Deduction.

Qualified investments for registered plans

Registered plans (RRSPs, RRIFs, RESPs, RDSPs, TFSAs, FHSA) are limited to investing only in qualified investments. A broad range of assets are deemed qualified investments, including mutual funds, publicly traded securities, government and corporate bonds and guaranteed investment certificates. Over time as more registered plans became available and the list of qualified investments expanded, inconsistencies between plans and difficulty in understanding the rules have occurred.

Budget 2024 invites stakeholders to provide suggestions on how the qualified investment rules could be modernized and improved. Specific issues under consideration include:

- ✔ The uniform application of investment rules in small businesses across various registered savings schemes.
- ✔ The continuation of annuities as qualified investments, currently specific to RRSPs, RRIFs, and RDSPs.
- ✔ The suitability of criteria that pooled investment vehicles must fulfill to retain their status as qualified investments, and the value of upholding a formal registration system for such investments.
- ✔ The potential for qualified investment guidelines to encourage a rise in investments within Canada.
- ✔ The appropriateness of including crypto-backed assets as qualified investments within registered savings plans.

Stakeholders are invited to submit comments by July 15, 2024.

Measures for businesses

Federal income tax rates

There are no changes to corporate federal income tax rates or the small business limit.

Lifetime Capital Gains Exemption

Under the Lifetime Capital Gains Exemption (LCGE), individuals can shield themselves from capital gains taxes on the sale of eligible shares of a small business corporation, as well as on qualified agricultural or fishing assets.

The latest federal budget proposes to raise the LCGE by 25%, bringing it up to \$1.25 million - a notable jump from the previous \$1,016,836. This update is set to apply to sales made on or after June 25, 2024, with provisions for the amount to be adjusted for inflation starting in 2026 and thereafter.

Canadian Entrepreneurs' Incentive

The 2024 federal budget proposes to introduce the Canadian Entrepreneurs' Incentive (CEI) to reduce the capital gains inclusion rate by one-half on the disposition of qualifying shares by an eligible individual starting January 1, 2025. The lifetime limit for this incentive would be phased in by increments of \$200,000 per year beginning on January 1, 2025, to January 1, 2034, reaching the maximum limit of \$2 million.



If the individual is subject to the two-thirds capital gains inclusion rate proposed in the 2024 budget, this incentive would reduce the inclusion rate to one-third on disposition of qualifying shares. This measure would apply in addition to any available lifetime capital gains exemption so entrepreneurs can benefit from an exemption up to \$3.25 million after the incentive is fully rolled out.

Accelerated Capital Cost Allowance

The federal budget proposes to revise the Capital Cost Allowance (CCA) system, which permits taxpayers to deduct the capital cost of acquiring certain depreciable assets. Specifically, the new budget calls for an elevation of the CCA rate for newly constructed rental properties from the existing 4% to an enticing 10%.

Eligible properties must commence construction after April 15, 2024, and before January 1, 2031, with the property ready for use by the start of 2036.

Canada Carbon Rebate for Small Businesses

In a move to support smaller enterprises, the budget introduces the Canada Carbon Rebate for Small businesses. Eligible corporations will automatically receive a refundable tax credit correlating with their employee count across varying provinces.

The tax credit for 2023 taxation year would be available to eligible corporations that file their 2023 tax return by July 15, 2024.

Non-compliance with information requests

Aiming to tighten compliance, the budget is looking to modify the Income Tax Act to empower the CRA to issue a "notice of non-compliance" when an information or assistance request is ignored. Post-enactment, such a notice would result in an extension of the usual reassessment period until compliance is achieved, with a daily penalty of \$50 levied for each day of non-compliance, capping at \$25,000.

Getting Advice

For more information about the new measures in Budget 2024 or to discuss how any of the specific measures may affect your financial, tax or estate plans, we encourage you to talk to us. Speak to your Financial Advisor or contact investor services at 1 800 608 7707.

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