



New federal tax proposals and legislation - The top five

Here are the top five items you should know about from the federal government's Fall Economic Statement 2022 and new budget implementation legislation (Bill C-32) tabled last week.

Fall Economic Statement (FES)

Reportable and notifiable reporting rules – In order to fully assess the feedback received as part of the most recent public consultation on **the mandatory disclosure rules** (including those provided by CALU in its recent [submission to Finance Canada](#)) the government announced a delay in the coming into force date of the reporting requirements for **reportable transactions** and **notifiable transactions** until the date on which a bill implementing these changes receives Royal Assent.

Limits on excessive interest deductions (EIFEL legislation) – First announced in Budget 2021, the EIFEL legislation is designed to limit the deductibility of interest for certain public and private corporations. FES 2022 included amendments to the existing draft legislation which broaden the exemptions set out in the original legislation. Importantly, the exemption for Canadian-controlled private corporations (CCPCs) has been modified such that the rules only apply where a CCPC (and associated corporations) have taxable capital employed in Canada exceeding \$50 million. It is also proposed that these rules apply in respect of taxation years beginning on or after October 1, 2023, rather than January 1, 2023. Finally, a new public consultation period for the revised draft legislation will run until January 6, 2023.

Revised Alternative Minimum Tax (AMT) – Budget 2022 indicated concerns with the effectiveness of the existing AMT and indicated the rules would be reviewed. FES 2022 reaffirms the government's intention to modify these rules to ensure that "all wealthy Canadians pay their fair share of tax". Detailed proposals are to be released with Budget 2023.

Share buy-back tax – To encourage public corporations to reinvest profits in their business operations, FES 2022 is proposing a new 2 per cent tax on public share buybacks after 2023 with details to be provided in Budget 2023.

Residential flipping rules – FES 2022 proposes that the residential flipping rules introduced in Budget 2022 (applying to dispositions after 2022) will also apply to "assignment sales" taking place after 2022 (with similar exceptions). When these rules apply, any gain realized on the disposition will be taxed as business income rather than capital gains.

Of final note, FES 2022 did not comment on the status of amendments to **section 84.1** of the Income Tax Act relating to the intergenerational transfer of shares in a private corporation and it remains unclear when these amendments will be released.



Bill C-32 - The Fall Economic Statement Implementation Act, 2022

Small business deduction – The change will allow access to the small business tax rate on a phased-out basis up to taxable capital of \$50 million (currently the small business deduction is fully phased out at \$15 million of taxable capital). This will preserve some access to the small business deduction for larger CCPCs.

Trust reporting rules – To the relief of trustees and their professional advisors, the effective date of for the new T3 reporting rules has been extended by one year to apply to trust tax years ending after December 30, 2023.

Canada Recovery Dividend – Banks and life insurers' groups will be required to pay a temporary one-time 15 per cent tax on taxable income above \$1 billion, payable over five years.

Banks and insurer group tax rate – This legislation will increase in the corporate income tax rate of banks and life insurers' groups by 1.5 per cent on taxable income above \$100 million.

First home savings plan – The effective date for the new registered savings plan for first time home buyers has been deferred to April 1, 2023, presumably to provide more time for financial institutions to prepare to offer these plans.

We will keep CALU members informed of the progress of Bill C-32 as it makes its way through the legislative process. We also invite members to register for the CALU November conference (November 22-23) where the Tax and Estate update will provide further commentary on these and other key tax and estate planning developments. In the meantime, please contact Kevin Wark, CALU Tax Advisor (kwark@calu.com) should you have any questions.