



CALU Reacts to Budget 2024

Ottawa, ON – April 16, 2024 – Finance Minister Chrystia Freeland tabled the federal government’s 2024 Budget “Fairness for Every Generation” earlier today. Following are highlights and reactions to the top four measures of greatest interest to leaders in the life insurance and financial advisory industry.

1. Increased inclusion rate for capital gains

Budget 2024 provides **an increase to the capital gains inclusion rate from one half to two thirds** of the capital gain realized on a disposition by a corporation or trust. For individuals, the increased capital gains inclusion rate for a particular tax year **will only apply to capital gains in excess of \$250,000**. The increased inclusion rate will apply to capital gains realized on or after June 25, 2024; capital gains realized before that date will continue to benefit from the one-half inclusion rate.

2. Super exemption for share transfers to EOTs

Budget 2024 confirms the previously announced measure to **exempt from taxation the first \$10 million in capital gains realized on the sale of a business to an Employee Ownership Trust (EOT)**, subject to certain conditions. It confirms that the proposed exemption and conditions **will be available for share transfers taking place from 2024-2026** and that the benefits of the exemption will be “clawed back” if the EOT fails to continue to qualify as an EOT.

3. Modifications to the AMT for charitable donations

We are pleased that Budget 2024 proposes to **modify the tax treatment of charitable donations to allow individuals to claim 80 per cent** (instead of the previously proposed 50 per cent) of the charitable donation tax credit when calculating the Alternative Minimum Tax (AMT). Unfortunately, Budget 2024 does not respond to CALU’s concerns relating to the application of the revised AMT rules to most *inter vivos* trusts, which are not eligible for the AMT exemption. The AMT (including the Budget 2024 proposals) will continue to be effective January 1, 2024.

4. Capital gains relief for small businesses and entrepreneurs

We are pleased that Budget 2024 proposes to **increase to \$1.25 million the lifetime capital gains exemption (LCGE) on the disposition of qualified small business corporation (QSBC) shares** and qualified farming and



fishing property. Indexing this amount to inflation will be suspended for 2024 and 2025 and will resume in 2026. The increase will apply to dispositions that occur on or after June 25, 2024.

We also welcome the announcement of the **new Canadian Entrepreneurs' Incentive (CEI)** which will **reduce the tax rate on capital gains on the disposition of qualifying shares by an eligible individual**. Where it applies, the capital gains inclusion rate will be one half of the general inclusion rate on up to \$2 million of capital gains over the individual's lifetime. However, this \$2 million cap will be introduced over the next 10 years (2025 to 2034) in \$200,000 increments. The qualifications for this exemption are somewhat different from the LCGE. This capital gain relief will be in addition to any other available capital gains exemption (like the LCGE).