UPPER CANADA CAPITAL
PRIVATE WEALTH MANAGEMENT

2024 Federal Budget Commentary

Provided by Kurt Rosentreter, CPA, CA

On April 16, 2024, the Deputy Prime Minister and Finance Minister presented Budget 2024 – Fairness for Every Generation, to the House of Commons.

No changes were made to personal or corporate income tax rates. Some highlights include the following:

The Numbers:

The Government's fiscal position includes the following projected surplus (deficit):

Year	Surplus/(Deficit) in billions
2023–2024	($40.0)
2024–2025	($39.8)
2025–2026	($38.9)
2026–2027	($30.8)
2027–2028	($26.8)
2028–2029	($20.0)

A. Personal Measures

Capital Gains Inclusion Rate

Currently, one half of capital gains are included in a taxpayer's income. Budget 2024 proposed to increase this inclusion rate to two thirds of the actual gain, effective for capital gains realized on or after June 25, 2024. Similarly, the deduction available for some employee stock option benefits will be reduced from one half to one third of the benefit. This adjustment to the inclusion rate will also apply to capital losses applied to offset capital gains.

Only half of the first $250,000 of capital gains (net of gains offset by capital losses, the lifetime capital gains exemption and the proposed employee ownership trust exemption and Canadian entrepreneurs' incentive) realized by an individual will be included in their income each year. Two thirds of capital gains in excess of this amount will be included in their income. Other taxpayers, such as trusts and corporations, will be required to include two thirds of all capital gains realized on or after June 25, 2024 as income.

For taxation years that straddle June 25, 2024 (calendar 2024 for individuals), capital gains will be segregated between gains realized on or before June 24, 2024 (one half included in income) and gains realized on or after June 25, 2024 (two thirds will be income). For individuals, only half of the first $250,000 realized on or after June 25, 2024, will be included in their income.

Budget 2024 estimated that this change will impact only 0.13% of individual taxpayers and 12.6% of corporations.

Lifetime Capital Gains Exemption

Individuals are eligible to offset up to $1,016,836 (2024; indexed for inflation annually) of capital gains on qualified small business corporation shares and qualified farm or fishing property. Budget 2024 proposed to increase this lifetime limit to $1,250,000 for dispositions taking place on or after June 25, 2024. This amount would be indexed for inflation commencing in 2026.

Canadian Entrepreneurs' Incentive

Budget 2024 proposed to reduce the capital gains inclusion rate on capital gains realized on the disposition of qualifying shares by an eligible individual. The inclusion rate would be halved, resulting in one third of such gains being taxable under the inclusion rates proposed in Budget 2024. This reduced inclusion rate would apply to gains not offset by the lifetime capital gains exemption.

There would be a lifetime limit on gains eligible for this reduced rate, set at $200,000 commencing in 2025, and increasing by $200,000 annually until reaching a total of $2 million in 2034.

To be eligible for this reduced inclusion rate, several conditions would be required to be met, including the following:

- the shares were directly owned by the taxpayer at the time of sale;
- the shares meet the asset tests required to be qualified small business corporation shares (generally, at the time of sale, all or substantially all assets were used in an active business carried on in Canada, and throughout the 24 months preceding the sale, more than 50% of the assets were so used);
- the taxpayer was a founding investor at the time the corporation was initially capitalized;

- the shares were held by the taxpayer for a minimum of five years prior to the sale;
- at all times from the initial share subscription until immediately before the sale, the taxpayer directly owned shares accounting for more than 10% of the votes and 10% of the fair market value of the corporation;
- throughout the five years immediately preceding the sale, the taxpayer was actively engaged on a regular, continuous and substantial basis in the activities of the business; and
- the shares were acquired for fair market value consideration.

This incentive would not be available where the shares sold represented a direct or indirect interest in any of the following types of corporations:

- a professional corporation (that is, a corporation that carries on the professional practice of an accountant, dentist, lawyer, medical doctor, veterinarian or chiropractor);
- a corporation whose principal asset is the reputation or skill of one or more employees;
- a corporation that carries on a business operating in the financial, insurance, real estate, food and accommodation, arts, recreation or entertainment sector; or
- a corporation providing consulting or personal care services.

Employee Ownership Trust (EOT) Tax Exemption

Last year, Budget 2023 proposed tax rules to facilitate the creation of EOTs. An EOT is a form of employee ownership where a trust holds shares of a corporation for the benefit of the corporation's employees. EOTs can be used to facilitate the acquisition by employees of their employer's business, without requiring them to pay directly to acquire shares. These proposed rules are currently before Parliament in Bill C-59.

The 2023 Fall Economic Statement proposed to exempt the first $10 million in capital gains realized on certain sales of a business to an EOT from taxation. Budget 2024 provided further details on this proposed $10 million exemption.

The exemption would be available in respect of capital gains realized by an individual (whether directly, as a beneficiary of a trust, or as a partner in a partnership) on the sale of shares to an EOT where the following conditions are met:

- the corporation is not a professional corporation;

- the sale is a qualifying business transfer (QBT; meeting several requirements in the proposed rules for EOTs discussed below);
- the trust acquiring the shares is not already an EOT or a similar trust with employee beneficiaries;
- throughout the 24 months immediately prior to the QBT (the holding period), the shares were owned by the individual, a related person or a partnership in which the individual is a partner;
- throughout the holding period, over 50% of the fair market value of the corporation's assets were used principally in an active business;
- at any time prior to the QBT, the taxpayer, or their spouse or common-law partner, was actively engaged in the qualifying business on a regular and continuous basis for a minimum period of 24 months;
- immediately after the QBT, at least 90% of the beneficiaries of the EOT were resident in Canada; and
- no disqualifying event (see below) occurs within 36 months of the QBT.

If the above conditions are satisfied, an exemption for up to $10 million in capital gains from the QBT would be available. If multiple individuals disposed of shares to an EOT as part of a QBT and met the conditions described above, they would be required to share the $10 million exemption. The taxpayers would be required to agree on how to allocate the exemption.

The exemption would be available for dispositions that occur between January 1, 2024 and December 31, 2026.

Qualifying business transfer (QBT)

The rules proposed in Budget 2023 require both the EOTs themselves and the QBTs by which they acquire businesses to meet numerous complex requirements. These subsections describe the general rules that would apply to EOTs.

A QBT would occur when a taxpayer disposes of shares of a qualifying business for proceeds that do not exceed fair market value. The shares must be disposed of to either a trust that qualifies as an EOT immediately after the sale or a corporation owned 100% by the EOT. The EOT must own a controlling interest in the qualifying business immediately after the qualifying business transfer. At the time of transfer, all or substantially all of the fair market value of the qualifying business's assets must be attributable to assets used in an active business carried on in Canada. The business cannot be carried on through a partnership.

A qualifying business would be required to be a Canadian-controlled private corporation. No more than 40% of

Manulife Wealth Inc.
2848 Bloor Street West, Toronto, Ontario M8X 1A9
T: 416-628-5761 • F: 416-225-8650 • TF: 1-866-275-5878
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the corporation's directors can be individuals that were significant owners of the qualifying business prior to the QBT, or were related to, or otherwise not dealing at arm's length with, such owners.

Employee ownership trusts (EOT)

To be an EOT, a trust would be required to be resident in Canada and have only two purposes. First, it would hold shares of qualifying businesses for the benefit of the employee beneficiaries of the trust. Second, it would make distributions to employee beneficiaries, where reasonable, under a distribution formula that could only consider an employee's length of service, remuneration and hours worked. Otherwise, all beneficiaries must generally be treated in a similar manner.

At least one third of the trustees would be required to be employees of a qualifying business controlled by the trust. Trustees of the EOT would generally be elected by the beneficiaries every five years. If any trustee is appointed (other than by such an election), no more than 40% of all trustees can be persons that sold shares of a qualifying business to the EOT (or be related to, or otherwise not act at arm's length with, such individuals).

Trust beneficiaries would be limited to, and include all, qualifying employees (potentially including former employees and the estates of deceased employees). A qualifying employee would be an employee of a qualifying business controlled by the EOT.

Employees could be excluded as beneficiaries until they complete a reasonable probationary period. Individuals, and persons related to, or otherwise not acting at arm's length with, them who hold, or held prior to the QBT, a significant economic interest in the qualifying business would be excluded from being qualifying employees, and therefore could not be beneficiaries of the EOT.

Disqualifying event

If a disqualifying event occurs within 36 months of the QBT, the exemption would not be available. Where the individual has already claimed the exemption, it would be retroactively denied.

A disqualifying event would occur if an EOT loses its status or if less than 50% of the fair market value of the qualifying business' shares is attributable to assets used principally in an active business at the beginning of two consecutive taxation years of the corporation.

If a disqualifying event occurs more than 36 months after a QBT, the EOT would be deemed to realize a capital gain equal to the total amount of capital gains in respect of which the vendors claimed the exemption. The normal reassessment period of an individual for a taxation year in respect of this exemption is proposed to be extended by three years, so CRA would have six years from the date of initial assessment to reassess in respect of any exemption claims under these proposals.

A claim for this exemption would require the EOT (and any corporation owned by the EOT that acquired the transferred shares) and the individual to elect to be jointly and severally liable for any tax payable by the individual as a result of the exemption being denied due to a disqualifying event within the first 36 months after a QBT.

Other matters

Under the proposed amendments to the alternative minimum tax (AMT), 30% of capital gains eligible for this exemption would be included in income for AMT purposes.

Budget 2024 also proposed to expand QBTs to include the sale of shares to a worker cooperative corporation. The worker cooperative would generally need to meet the definition set out under the Canada Cooperatives Act. Provided the relevant requirements are met, this would allow access to the same tax benefits as a QBT to an EOT, including the $10 million exemption. Budget 2024 indicated that additional details on this proposal will be released in the coming months.

Alternative Minimum Tax (AMT)

Individuals will owe AMT if the tax amount calculated under the AMT regime is greater than the tax calculated under the ordinary progressive tax rate regime. Under the legislated rules, the calculation of AMT allows fewer deductions, exemptions and tax credits than under the ordinary income tax rules. In 2023, the government proposed changes to AMT that would focus on high-income individuals and certain trusts by amending the following:

- the AMT rate would be increased from 15% to 20.5%;
- the exemption would be increased from $40,000 to the start of the fourth tax bracket (for 2024, this is $173,205); and
- the AMT base would be broadened by further limiting tax preferences (i.e., exemptions, deductions and credits).

Budget 2024 proposed to make further changes to the AMT regime, such as the following:

- to allow 80% of the donation tax credit (the 2023 proposals only provided for a 50% claim);
- to fully allow deductions for the guaranteed income supplement, social assistance, and workers' compensation payments;
- to fully exempt employee ownership trusts from the AMT; and
- to allow certain disallowed credits under the AMT to be eligible for the AMT carry-forward (i.e., the federal political contribution tax credit, investment tax credits, and labour-sponsored funds tax credit).

Budget 2024 also proposed to provide exemptions for certain trusts established for the benefit for various Indigenous groups. Interested parties can send comments to the Department of Finance Canada, Tax Policy Branch at consultation.legislation@fin.gc.ca by June 28, 2024.

All proposed AMT amendments would apply to taxation years that begin on or after January 1, 2024 (that is, the same day as the 2023 AMT amendments).

There were no broad-based changes to address concerns that many smaller trusts would be subject to AMT under the 2023 proposals. There was also no change to the 2023 proposal that only 50% of interest and financing costs incurred to earn income from property would be deductible for AMT purposes.

Volunteer Firefighters and Search and Rescue Volunteers Tax Credits

Budget 2024 proposed to double the credit amount for the volunteer firefighters tax credit and the search and rescue volunteers tax credit to $6,000. This would increase the maximum tax relief to $900. This enhancement would apply to the 2024 and subsequent taxation years.

Mineral Exploration Tax Credit

As announced on March 28, 2024, the government proposed to extend eligibility for the mineral exploration tax credit for one year to flow-through share agreements entered into on or before March 31, 2025.

Canada Child Benefit (CCB) – Death of a Child

Budget 2024 proposed to extend eligibility for the CCB for six months after the child's death (the "extended period") if the individual would have otherwise been eligible for the CCB in respect of that particular child. The extended period would also apply to the child disability benefit, which is paid with the CCB in respect of a child eligible for the disability tax credit. This measure would be effective for deaths that occur after 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 proposed to expand the list of expenses recognized under the disability supports deduction, as follows:

- where an individual has a severe and prolonged impairment in physical functions, the cost of an ergonomic work chair, a bed positioning device and purchasing a mobile computer cart;
- where an individual has an impairment in physical or mental functions, the cost of purchasing an alternative input device to allow the individual to use a computer and purchasing a digital pen device to allow the individual to use a computer;
- where an individual has a vision impairment, the cost of purchasing a navigation device for low vision; and
- where an individual has an impairment in mental functions, the cost of purchasing memory or organizational aids.

Budget 2024 also proposed that expenses for service animals would be recognized under the disability supports deduction. Taxpayers would be able to choose to claim an expense under either the medical expense tax credit or the disability supports deduction.

This measure would apply to the 2024 and subsequent taxation years.

Home Buyers' Plan

Budget 2024 proposed to increase the withdrawal limit from the home buyers' plan from $35,000 to $60,000. This measure would apply to the 2024 and subsequent calendar years for withdrawals made after Budget Day.

Budget 2024 also proposed to temporarily defer the start of the 15-year repayment period by an additional three years for participants making a first withdrawal between January 1, 2022, and December 31, 2025.

Accordingly, the 15-year repayment period would start the fifth year following the year the first withdrawal was made.

Manulife Wealth Inc.
2848 Bloor Street West, Toronto, Ontario M8X 1A9
T: 416-628-5761 • F: 416-225-8650 • TF: 1-866-275-5878
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Qualified Investments for Registered Plans

Budget 2024 invited stakeholders to suggest how the qualified investment rules could be modernized on a prospective basis. Issues under consideration include the following: whether and how the rules relating to investments in small businesses could be harmonized to apply consistently to all registered savings plans; whether annuities that are qualified investments only for RRSPs, RRIFs, and RDSPs should continue to be qualified investments; whether and how qualified investment rules could promote an increase in Canadian based investments; and whether crypto-backed assets are appropriate as qualified investments for registered savings plans.

Stakeholders are invited to submit comments to QI-consultation-PA@fin.gc.ca by July 15, 2024.

Indigenous Child and Family Services Settlement

Budget 2024 proposes to exclude the income of the trusts established under the First Nations Child and Family Services, Jordan's Principle, and Trout Class Settlement Agreement from taxation. This would also ensure that payments received by class members as beneficiaries of the trusts would not be included when computing income for federal income tax purposes.

This measure would apply to the 2024 and subsequent taxation years.

Deduction for Tradespeople's Travel Expenses

Eligible tradespeople and apprentices in the construction industry can currently deduct up to $4,000 in eligible travel and relocation expenses per year under the labour mobility deduction for tradespeople. A previously tabled proposal provided for an alternative deduction for certain travel expenses of tradespeople in the construction industry, with no cap on expenses, retroactive to the 2022 taxation year.

Budget 2024 announced that the government will consider bringing forward amendments to provide a single, harmonized deduction for tradespeople's travel that respects the proposal.

B. Business Measures

Accelerated Capital Cost Allowance (CCA)

Budget 2024 proposed to provide immediate 100% CCA expensing for new additions of property in respect of the following three classes, provided that the property is acquired on or after April 16, 2024 and becomes available for use before January 1, 2027:

- class 44 (patents or the rights to use patented information for a limited or unlimited period);
- class 46 (data network infrastructure equipment and related systems software); and
- class 50 (general-purpose electronic data-processing equipment, such as computers and systems software).

This expensing would only be available for the year in which the property becomes available for use. The claim would be prorated when the taxation year is less than 12 months.

Purpose-Built Rental Housing

Budget 2024 proposed to provide an accelerated CCA of 10% for new eligible purpose-built rental projects that begin construction on or after April 16, 2024 and before January 1, 2031. The property must be available for use before January 1, 2036. Eligible property would be residential complexes with at least four private apartment units or 10 private rooms or suites. At least 90% of the units must be held for long-term rental. Conversions of non-residential real estate, such as an office building, into a residential complex would be eligible. While renovations of existing residential complexes would not be eligible, the cost of a new addition to an existing structure would be. All the normal rules applicable to CCA would apply.

Restrictions

Property that has been acquired on a tax-deferred "rollover" basis, or from a non-arm's length person, would not qualify for this acceleration of CCA.

Interest Deductibility Limits – Purpose-Built Rental Housing

Rules were previously proposed that would limit the amount of net interest and financing expenses that may be deducted by certain taxpayers in computing taxable income (the EIFEL rules). These proposed rules are currently before Parliament in Bill C-59.

The EIFEL rules provide an exemption for interest and financing expenses incurred in respect of arm's length financing for certain public-private partnership infrastructure projects. Budget 2024 proposed expanding this exemption to also include situations in which arm's length financing is used to build or acquire eligible purpose-built rental housing in Canada.

Canada Carbon Rebate for Small Businesses

In general, the federal government has intended to return 90% or more of the fuel charge collected in a province to individuals in that province through the Canada carbon rebate. A portion of the remainder is returned to farmers via a refundable tax credit. The government has committed to return the remainder of fuel charge proceeds to Indigenous governments and small and medium-sized businesses. The participating provinces include Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland and Labrador.

Budget 2024 proposed an accelerated and automated process to provide direct carbon rebates (a refundable tax credit) to Canadian-controlled private corporations (CCPCs) in provinces where the federal fuel charge applies. The rebate will be calculated by multiplying the number of persons employed in the province during the calendar year in which the fuel charge year begins, by a payment rate to be specified by the Minister of Finance. For example, the number of persons employed in the 2022 calendar year would be used to calculate the rebate in respect of the 2022-23 fuel charge year. To be eligible for the rebate, the corporation would need to have had no more than 499 employees throughout Canada in the calendar year. The payment rates for each applicable province for the 2019-20 to 2023-24 fuel charge years will be determined once sufficient information is available from the 2023 taxation year.

The tax credit would be paid automatically, with no application required. CRA would automatically determine the tax credit amount for an eligible corporation and pay the amount. It appears as if the number of employees would be determined by reference to the number of T4s filed.

With respect to the 2019-20 to 2023-24 fuel charge years, the rebate would be available where a tax return for the 2023 taxation year is filed by July 15, 2024. Budget 2024 indicated that this would deliver over $2.5 billion directly to 600,000 small- and medium-sized businesses.

Clean Economy Investment Tax Credits

Budget 2024 included a new 10% electric vehicle supply chain investment tax credit on the cost of buildings used in key segments of the electric vehicle supply chain, for businesses that invest in Canada across three supply chain segments:

- electric vehicle assembly;
- electric vehicle battery production; and
- cathode active material production.

The credit would apply to property that is acquired and becomes available for use on or after January 1, 2024 (it would be fully eliminated by the end of 2034).

Budget 2024 also proposed that the clean technology manufacturing investment tax credit would be adjusted to incorporate polymetallic projects (projects engaged in the production of multiple metals; draft legislation will be released for consultation in summer 2024 and the government targets introducing legislation in fall 2024).

More details on the clean electricity investment tax credit were also provided (draft legislation was not included).

Mutual Fund Corporations

Budget 2024 proposed to preclude a corporation from qualifying as a mutual fund corporation where it is controlled by or for the benefit of a corporate group (including a corporate group that consists of any combination of corporations, individuals, trusts, and partnerships that do not deal with each other at arm's length). This measure would apply to taxation years that begin after 2024.

Non-Compliance with Information Requests

Budget 2024 proposed several amendments to expand CRA's ability to gather information. They are intended to enhance the efficiency and effectiveness of tax audits of uncooperative taxpayers and facilitate the collection of tax revenues on a timelier basis. The proposed measures included the following:

- CRA would be permitted to issue a "notice of non-compliance" to a taxpayer that fails to comply with a requirement or notice to provide information;
- where a notice of non-compliance is issued, a penalty of $50 per day ($25,000 maximum) would apply until the request is complied with;
- CRA would be permitted to require that information (oral or written) or documents included in a requirement or notice be provided under oath or affirmation;
- when CRA obtains a compliance order against a taxpayer from a court, the taxpayer would be subject to a penalty equal to 10% of the aggregate tax payable by the taxpayer for each related taxation year for which aggregate tax payable exceeds $50,000; and

- various extensions of the time limit for reassessments would apply, generally providing CRA with additional time equal to the period of non-compliance, or of any legal dispute related to a requirement or notice.

C. International Measures

Crypto-Asset Reporting Framework

Budget 2024 proposed to impose a new annual reporting requirement on crypto-asset service providers that deliver business services effectuating exchange transactions in crypto-assets (e.g. crypto exchanges, crypto-asset brokers and dealers, and operators of crypto-asset automated teller machines).

Crypto-asset service providers would be required to report to CRA, in respect of each customer and in respect of each crypto-asset, the annual value of:

- exchanges between the crypto-asset and fiat currencies;
- exchanges for other crypto-assets; and
- transfers of the crypto-asset, including the requirement to report information in respect of a customer of a merchant where the crypto-asset service provider processes payments on behalf of the merchant and the customer has transferred crypto-assets to the merchant in exchange for goods or services with a value exceeding US$50,000.

Reportable crypto-assets would exclude central bank digital currencies and specified electronic money products (e.g., digital representations of fiat currencies), which would be reportable under proposed amendments to the Common Reporting Standard included in Budget 2024.

In addition to information on crypto-asset transactions, crypto-asset service providers would be required to obtain and report information on each of their customers, including name, address, date of birth, jurisdiction(s) of residence and taxpayer identification numbers for each jurisdiction of residence. If a customer is a corporation or other legal entity, the same information would need to be collected and reported in respect of the natural persons who exercise control over the entity. Reporting would be required with respect to both Canadian resident and non-resident customers.

Withholding for Non-Resident Service Providers

Budget 2024 proposed to provide CRA with the legislative authority to waive the 15% withholding requirement on payments to non-residents for services provided, over a specified period, if either of the following conditions are met:

- the non-resident would not be subject to Canadian income tax in respect of the payments because of a tax treaty between its country of residence and Canada; or
- the income from providing the services is exempt income from international shipping or from operating an aircraft in international traffic.

D. Sales and Excise Measures

Extending GST Relief to Student Residences

In 2023, the government announced that it would temporarily remove the GST from new purpose-built rental housing projects, such as apartment buildings, student housing and senior residences built specifically for long-term rental accommodation.

Budget 2024 proposed to apply the normal GST/HST rules that apply to other builders (i.e., paying GST/HST on the final value of the building) in respect of new student housing projects such that they can claim the enhanced GST rental rebate. Budget 2024 also proposed to allow universities, public colleges and school authorities that operate on a not-for-profit basis to access the rebate with respect to new student housing. This would not be available to universities, public colleges and school authorities that operate on a for-profit basis.

The proposed measures would apply to student residences that begin construction after September 13, 2023 and before 2031, and that complete construction before 2036.
GST/HST on Face Masks and Face Shields

Budget 2024 proposed to repeal the temporary zero-rating of certain face masks or respirators and certain face shields under the GST/HST. This measure would apply to supplies made on or after May 1, 2024.

Manulife Wealth Inc.
2848 Bloor Street West, Toronto, Ontario M8X 1A9
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E. Other Measures

Housing Plan

Budget 2024 included a variety of proposed initiatives to stimulate home construction. In addition to tax-related measures discussed elsewhere in this document, a variety of non-tax measures were proposed, including the following:

- first-time homebuyers will be permitted to obtain CMHC-insured mortgages with a 30-year amortization period if they purchase a newly built home, commencing August 1, 2024;
- the Canada Mortgage Charter will include an expectation that permanent amortization relief will be provided to allow existing homeowners to reduce their payments by extending their mortgage term in order to facilitate homeowners being able to retain their homes; and
- expanded efforts will be undertaken to unlock government-owned real estate to be used for home construction, including the use of land held by the Department of National Defense and converting underused federal offices into homes.

Canada Pension Plan (CPP)

Budget 2024 proposed to coordinate with provincial partners to make amendments to the CPP, including the following:

- enhance the death benefit for certain contributors;
- add a children's benefit for part-time students whose parent is deceased;
- extend eligibility for children's benefits where a disabled parent reaches age 65; and
- end eligibility for survivor's benefits to people who are legally separated after a division of pensionable earnings.

Canada Disability Benefit

Budget 2024 provided additional details on the launch of the Canada disability benefit. Payments under this benefit are intended to commence in July 2025, following the successful completion of the regulatory process and consultations with persons with disabilities. A maximum annual benefit of $2,400 would be available to low-income persons between the ages of 18 and 64 eligible for the disability tax credit. The benefit is expected to support over 600,000 individuals.

Student Loan Forgiveness

Forgiveness of student loans for health care and social services professionals working in rural or remote areas would be expanded from its current coverage of, doctors and nurses to also be available to early childhood educators, dentists, dental hygienists, pharmacists, midwives, teachers, social workers, personal support workers, physiotherapists and psychologists.

Canada Learning Bond

The Canada learning bond is a government contribution of up to $2,000 per year to registered education savings plans (RESPs) for children in low-income families. In order to increase the receipt of these amounts, Budget 2024 proposed the following initiatives:

- commencing with children born in 2024, RESPs would be opened automatically for children eligible for these payments in the year they turn four years of age;
- caregivers of older children eligible for these payments will be permitted to apply for the creation of a similar RESP, and the automatic deposit of these funds; and
- the maximum age to retroactively claim the Canada learning bond will be increased to 30 from 20.

Charities and Qualified Donees

Budget 2024 proposed several amendments relating to the charitable sector, including the following:

- modernizing the way in which CRA provides services and communicates information relating to registered charities and other qualified donees;
- amending certain rules for qualifying foreign charities;
- removing the requirement that official donation receipts contain:
  - the place of issuance of the receipt;
  - the name and address of the appraiser, if an appraisal of the donated property has been done; and
  - the middle initial of the donor; and
- updating the regulations to expressly permit charities to issue official donation receipts electronically, provided that they contain all required information, they are issued in a secure and non-editable format and the charity maintains an electronic copy of the receipts.

The above measures, other than those related to foreign charities, apply upon royal assent.

Canada Revenue Agency (CRA) Funding

Additional funding will be provided to CRA for initiatives including the following:

- ongoing efforts to identify non-compliance in real estate transactions;
- pilot new automatic filing services SimpleFile Digital and SimpleFile by Paper to increase filings by low-income taxpayers; and
- improve the efficiency of its call centres.

Consultations and Reviews

Budget 2024 also announced the following areas proposed to be reviewed, some with formal consultations:

- modernizing the scientific research & experimental development tax incentive program, with an intention to increase annual funding by $150 million;
- implementing a tax on residentially zoned vacant land; and
- issuing draft legislation to limit non-sufficient funds (NSF) charges to $10, and restrict their application in various other ways.

F. Previously Announced Measures

Budget 2024 confirmed the government's intention to proceed with the following previously announced tax and related measures, as modified to consider consultations, deliberations and legislative developments, since their release.

- Legislative proposals released on March 9, 2024, to extend by two years the 2% cap on the inflation adjustment on beer, spirit and wine excise duties, and to cut by half for two years the excise duty rate on the first 15,000 hectolitres of beer brewed in Canada.
- Legislative proposals released on December 20, 2023, including with respect to the following measures:
    - the clean hydrogen investment tax credit and clean technology manufacturing investment tax credit;
    - bona fide concessional loans;

  - denial of expenses for certain short-term rentals;
  - vaping excise duties; and
  - international shipping.
- Legislative and regulatory proposals announced in the 2023 Fall Economic Statement, including with respect to the following measures:
  - the Canadian journalism labour tax credit;
  - proposed expansion of eligibility for the clean technology and clean electricity investments tax credits to support generation of electricity and heat from waste biomass;
  - the addition of psychotherapists and counselling therapists to the list of health care practitioners whose professional services rendered to individuals are exempt from GST/HST;
  - proposals relating to the GST/HST joint venture election rules;
  - the application of the enhanced GST rental rebate to qualifying co-operative housing corporations; and
  - proposals relating to the underused housing tax.
- Regulatory proposals released on November 3, 2023, to temporarily pause the federal fuel charge on deliveries of heating oil.
- Legislative and regulatory amendments to implement the enhanced GST rental rebate for purpose-built rental housing announced on September 14, 2023.
- Legislative proposals released on August 4, 2023, including with respect to the following measures:
  - carbon capture, utilization and storage investment tax credit;
  - clean technology investment tax credit;
  - labour requirements related to certain investment tax credits;
  - enhancing the reduced tax rates for zero-emission technology manufacturers;
  - flow-through shares and the critical mineral exploration tax credit – lithium from brines;
  - employee ownership trusts;
  - retirement compensation arrangements;
  - strengthening the intergenerational business transfer framework;
  - the income tax and GST/HST treatment of credit unions;
  - a tax on repurchases of equity;
  - modernizing the general anti-avoidance rule;
  - providing relief in relation to the GST/HST treatment of payment card clearing services;
  - extending the quarterly duty remittance option to all licensed cannabis producers;
  - including revised luxury tax draft regulations to provide greater clarity on the tax treatment of luxury items; and
  - excessive interest and financing expenses limitations.

- Legislative proposals released on August 9, 2022, including with respect to the following measures:
    - substantive Canadian-controlled private corporations;
    - remaining legislative and regulatory proposals relating to the GST/HST,
    - excise levies and other taxes and charges announced in the August 9, 2022 release;
    - legislative amendments to implement the hybrid mismatch arrangements rules announced in Budget 2021; and
    - regulatory proposals released in Budget 2021 related to information requirements to support input tax credit claims under the GST/HST.

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Manulife Wealth Inc.
2848 Bloor Street West, Toronto, Ontario M8X 1A9
T: 416-628-5761 • F: 416-225-8650 • TF: 1-866-275-5878
Visit our website: UpperCanadaCapital.com

Manulife Wealth