KPMG

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If you are involved in preparing financial reports for corporations or other organizations, certain 2023 Canadian income tax rate and other changes may need to be reflected in your interim financial statements under International Financial Reporting Standards (IFRS), Accounting Standards for Private Enterprises (ASPE) or U.S. generally accepted accounting principles (U.S. GAAP).

When do new tax measures have to be taken into account?
Under IFRS and ASPE, the tax effect of changes in tax law and rates is recognized in the period that includes the date that the changes were substantively enacted. Under U.S. GAAP, tax law and rate changes are recognized in the period that includes the date that the changes were enacted.

This *TaxNewsFlash-Canada* reflects the related Canadian federal and provincial income tax legislation substantively enacted or enacted between January 1, 2023 and June 30, 2023. This publication also includes a summary of certain outstanding corporate income tax measures that have been announced, but are not yet substantively enacted, including 2023 federal budget measures to introduce a slate of corporate tax credits meant to encourage investment in clean energy, 2022 federal budget measures to eliminate the tax deferral of investment income earned by “substantive Canadian-controlled private corporations (CCPCs)”, and several outstanding 2021 federal budget measures, such as the new excessive interest and financing expenses limitation (EIFEL) rules.

For 2022 tax legislation enacted before January 1, 2023, see *TaxNewsFlash-Canada* 2023-01, "Tax Accounting — 2022 Tax Rates and Other Changes".

Substantively enacted and enacted corporate tax rates for 2023

For 2023 and future years, the federal and provincial general corporate income tax rates remain unchanged for all provinces.

The federal small business income tax rate has not changed in 2023. However, Saskatchewan's small business income tax rate increased to 1% (from 0%) on July 1, 2023 and is scheduled to increase again to 2% on July 1, 2024.

General corporations

The following federal and provincial corporate tax rates for active business income earned by a general corporation are substantively enacted and enacted as of June 30, 2023:

Tax Rates for Active Business Income Earned by a General Corporation Substantively Enacted and Enacted as of June 30, 2023[1]		
	2023	**2024 and beyond**
Federal rate[2,3]	15.0%	15.0%
Provincial rates		
British Columbia	12.0%	12.0%
Alberta	8.0%	8.0%
Saskatchewan	12.0%	12.0%
Manitoba	12.0%	12.0%
Ontario	11.5%	11.5%
Quebec	11.5%	11.5%
New Brunswick	14.0%	14.0%
Nova Scotia	14.0%	14.0%
Prince Edward Island	16.0%	16.0%
Newfoundland and Labrador	15.0%	15.0%
Territorial rates		
Yukon	12.0%	12.0%
Northwest Territories	11.5%	11.5%
Nunavut	12.0%	12.0%

[1] The rates in the table are substantively enacted as at June 30, 2023 for ASPE and IFRS purposes and are also enacted as at June 30, 2023 for U.S. GAAP purposes.

[2] The federal general corporate tax rate has been temporarily reduced to 7.5% (from 15%) on eligible zero-emission technology manufacturing and processing income for taxation years beginning after 2021. The reduced rates are gradually phased out for taxation years that begin in 2029 and are fully phased out for taxation years that begin after 2031.

[3] Bank and life insurer groups are also subject to an additional 1.5% tax on taxable income earned in excess of a $100 million taxable income exemption to be allocated among the group, for taxation years ending after April 7, 2022. A group includes a bank or life insurer and any other financial institution for the purposes of Part VI tax that is related to the bank or life insurer. The additional tax is pro-rated for the number of days after April 7, 2022 for taxation years that straddle this date.

Canadian-controlled private corporations

The following federal and provincial corporate tax rates for general active business income earned by a CCPC on its income that is eligible for the small business deduction are substantively enacted and enacted as of June 30, 2023:

Tax Rates for Active Business Income Earned by a CCPC Eligible for the Small Business Deduction Substantively Enacted and Enacted as of June 30, 2023[1]

	2023	**2024 and beyond**
Federal rate[2]	9.0%	9.0%
Provincial rates		
British Columbia	2.0%	2.0%
Alberta	2.0%	2.0%
Saskatchewan[3]	0.0%/1.0%	1.0%/2.0%
Manitoba	0.0%	0.0%
Ontario	3.2%	3.2%
Quebec[4]	3.2%	3.2%
New Brunswick	2.5%	2.5%
Nova Scotia	2.5%	2.5%
Prince Edward Island	1.0%	1.0%
Newfoundland and Labrador	3.0%	3.0%
Territorial rates		
Yukon	0.0%	0.0%
Northwest Territories	2.0%	2.0%
Nunavut	3.0%	3.0%

[1] The rates in the table are substantively enacted as at June 30, 2023 for ASPE and IFRS purposes and are also enacted as at June 30, 2023 for U.S. GAAP purposes.

[2] The federal small business tax rate has been temporarily reduced to 4.5% (from 9%) on eligible zero-emission technology manufacturing and processing income for taxation years beginning after 2021. The reduced rates are gradually phased out for taxation years that begin in 2029 and are fully phased out for taxation years that begin after 2031.

[3] Saskatchewan temporarily reduced the province's small business income tax rate to 0% (from 2%) effective October 1, 2020 to June 30, 2023. The small business income tax rate increased to 1% (from 0%) beginning July 1, 2023 and will be further increased to 2% (from 1%) beginning July 1, 2024.The small business income threshold is $600,000 in Saskatchewan. Therefore, Saskatchewan's combined income tax rate on active business income between $500,000 and $600,000 is 15% (i.e., 15%

federally and 0% provincially) until June 30, 2023, followed by 16% (i.e., 15% federally and 1% provincially) effective July 1, 2023 to June 30, 2024 and 17% (i.e., 15% federally and 2% provincially) effective July 1, 2024.

[4] Quebec's small business deduction is generally available to corporations only if their employees were paid for at least 5,500 hours in the taxation year (proportionally reduced for short taxation years) or if their employees and those of their associated corporations were paid for at least 5,500 hours in the previous taxation year, to a maximum of 40 hours a week per employee (excluding the hours paid to a subcontractor). The small business deduction is reduced linearly between 5,500 and 5,000 hours and falls to zero at 5,000 hours.

The latest rates and small business deduction thresholds are always available on our Canadian Corporate Tax Tables page on the KPMG Canada site.

Status of recent tax legislation at June 30, 2023

The tables below provide more information on selected 2023 and 2022 federal and provincial corporate income tax measures that may affect your June 30, 2023 financial statements.

For more information about these changes, contact your KPMG adviser or see the editions of *TaxNewsFlash-Canada* or *TaxNewsNow* noted below.

Federal legislation

Federal Bill C-47	
Date "substantively enacted" under ASPE/IFRS	**Date "enacted" under U.S. GAAP**
June 8, 2023	June 22, 2023

Bill C-47 includes a corporate income tax measure from the 2022 federal budget to deny a deduction for dividends received where financial institutions enter into certain transactions involving hedging and short selling arrangements. This measure applies to dividends that are paid (or become payable) on or after April 7, 2022 (unless the relevant transaction or arrangement was entered into before April 7, 2022 in which case the new rules would apply to dividends that are paid after September 2022).

The bill also includes several other previously announced corporate tax technical amendments, including changes to Canadian exploration expenses, clarifications to amounts deductible for mining taxes and certain international corporate tax measures.

Note that Bill C-47 also implements expanded mandatory disclosure rules and new annual reporting requirements for digital platform operators, among other business, personal and indirect tax measures. For details on the expanded mandatory disclosure rules, see *TaxNewsFlash-Canada* 2023-21, "Get Ready for New Mandatory Reporting Obligations".

For more information on the 2022 federal budget, see *TaxNewsFlash-Canada* 2022-24, "2022 Federal Budget Highlights". For more information on Bill C-47, see *TaxNewsNow*, "Federal Budget Bill #1 Now Law".

Outstanding federal legislation

The following federal corporate tax measures have been announced but have not been included in a bill and are not substantively enacted for IFRS or ASPE purposes. These measures are also not enacted for purposes of U.S. GAAP as of June 30, 2023.

2023 federal budget and 2022 fall economic update tax measures

Several tax measures from the 2023 federal budget and 2022 Federal Fall Economic Update have not yet been included in a bill, including proposed changes to:

- Amend the GAAR by introducing a preamble, changing the avoidance transaction standard, introducing an economic substance test, introducing a penalty and extending the reassessment period in certain circumstances
- Introduce a 2% tax on the net value of all types of equity repurchases by certain public entities in Canada, in respect of repurchases and issuances of equity that occur on or after January 1, 2024
- Deny the dividend received deduction for dividends received by financial institutions on shares that are mark-to-market property, after 2023
- Eliminate the revenue test from the definition of “credit union”
- Introduce a refundable Clean Hydrogen Investment Tax Credit up to a maximum rate of 40% for the cost of purchasing and installing eligible equipment for eligible projects
- Introduce a refundable Clean Technology Investment Tax Credit for up to 30% of the capital cost of certain eligible clean technology equipment (including geothermal energy systems)
- Introduce a refundable Clean Technology Manufacturing Investment Tax Credit for up to 30% of the capital cost of certain machinery and equipment used to manufacture or process clean technologies (including renewable energy equipment and nuclear energy equipment), and extract or process six critical minerals
- Enhance the proposed refundable Investment Tax Credit for Carbon Capture, Utilization and Storage (CCUS), including the expansion of eligible equipment to include dual-use equipment that produces heat and/or power or uses water, that is used for CCUS as well as another process, subject to certain conditions (note that the credit itself has also not yet been included in a bill)
- Introduce a refundable Clean Electricity Investment Tax Credit for 15% of eligible investments in new projects and the refurbishment of existing facilities (including non-emitting electricity generation systems, abated natural gas-fired electricity generation and certain equipment for electricity transmission)

- Enhance the general corporate and small business income tax rate reductions on eligible profits earned by businesses that manufacture zero-emission technologies, including to:
  - Expand the eligible activities that qualify for the reduced tax rates to include certain nuclear manufacturing and processing activities for taxation years beginning after 2023
  - Extend the rate reduction by three years (i.e., the reduction will gradually phase out for taxation years that begin in 2032 (instead of starting in 2029) and fully phase out for taxation years that begin after 2034)
- Include lithium from brines as a “mineral resource” (to enhance the flow-through share rules) and expand the eligibility of the Critical Mineral Exploration Tax Credit (CMETC) to include lithium from brines.

In the 2023 federal budget, Finance also confirmed it will continue its review of the Scientific Research and Development (SR&ED) regime, including consideration of adopting a patent box regime.

The 2023 federal budget also reiterated the government’s commitment to Pillars One and Two of the Organization for Economic Co-operation and Development (OECD)/Group of 20 (G20) Inclusive Framework on Base Erosion and Profit Shifting (the Inclusive Framework). Finance stated that the Income Inclusion Rule (IIR) and a domestic minimum top-up tax applicable to Canadian entities of multinational enterprises (MNEs) that are within scope of Pillar Two would be effective for fiscal years of MNEs that begin on or after December 31, 2023. The Undertaxed Profit Rule (UTPR), which is also part of Pillar Two, would be effective for fiscal years of MNEs that begin on or after December 31, 2024. An MNE will be considered to have the same fiscal year as its ultimate parent entity for these purposes. Draft legislation to implement these measures has not yet been released.

Alongside the 2022 Fall Economic Update, Finance released revised draft legislation for the EIFEL rules for comment, however this legislation has not yet been included in a bill.

For details of these measures, see *TaxNewsFlash-Canada* 2023-17, "2023 Federal Budget Highlights", *TaxNewsFlash-Canada* 2023-18, "2023 Federal Budget - Spotlight on Financial Services", *TaxNewsFlash-Canada* 2022-48, "Highlights of the 2022 Federal Fall Economic Update" and *TaxNewsFlash-Canada* 2022-53, "Finance Revises Interest Expense Limitation Proposals".

2022 federal budget tax measures

Several significant 2022 federal budget tax measures have not yet been included in a bill, including proposed changes to:

- Eliminate the tax deferral of investment income of certain non-CCPCs (substantive CCPCs) and the tax deferral for CCPCs and substantive CCPCs earning investment income through controlled foreign affiliates

- Introduce a new refundable Investment Tax Credit for CCUS (as well as the enhancements announced in the 2023 federal budget)

- Introduce a domestic minimum top-up tax that would apply to Canadian entities of MNEs that are within the scope of the OECD's Pillar Two proposal.

For further details of these measures, see *TaxNewsFlash-Canada* 2022-24, "2022 Federal Budget Highlights".

2021 federal budget tax measures

Several significant 2021 federal budget tax measures have not yet been included in a bill. Finance released draft legislation for many of these measures for comment, including for proposed changes to:

- Introduce additional interest deductibility limitations (i.e., EIFEL rules) (see *TaxNewsFlash-Canada* 2022-53, "Finance Revises Interest Expense Limitation Proposals")

- Introduce hybrid mismatch arrangement rules (see *TaxNewsFlash-Canada* 2022-30 "MNEs — Review New Hybrid Mismatch Rules")

- Introduce a Digital Services Tax (see *TaxNewsFlash-Canada* 2021-64, "Canada Lays out Digital Tax Proposals for Businesses").

Provincial tax legislation

British Columbia

British Columbia Bill 10	
Date "substantively enacted" under ASPE/IFRS	**Date "enacted" under U.S. GAAP**
February 28, 2023	May 11, 2023

British Columbia Bill 10 includes corporate income tax measures announced in the province's 2023 budget. The bill makes changes to existing tax credits, including to:

- Extend the Farmers' Food Donation Tax Credit for three years to December 31, 2026 (from December 31, 2023)

- Extend the Interactive Digital Media Tax Credit for five years to August 31, 2028 (from August 31, 2023).

For further details, see *TaxNewsFlash-Canada* 2023-06, "Highlights of the 2023 British Columbia Budget" and *TaxNewsNow*, "British Columbia — 2023 Budget Tax Measures Now Law".

Alberta

Alberta Bill 10	
Date "substantively enacted" under ASPE/IFRS	**Date "enacted" under U.S. GAAP**
March 9, 2023	March 28, 2023

Alberta's Bill 10 includes the framework for a new 12% non-refundable Agri-processing Investment Tax Credit, which was included in the province's 2023 budget. The tax credit is generally available to qualifying corporations for eligible capital investments of at least $10 million made on or after February 7, 2023. Shortly following enactment of the credit, the province implemented regulations with the criteria for eligible expenditures as well as administrative rules, including how to apply for the credit.

For further details, see *TaxNewsFlash-Canada* 2023-07, "Highlights of the 2023 Alberta Budget" and *TaxNewsNow*, "Alberta — Agri-processing Tax Credit Now Law".

Saskatchewan

Saskatchewan Bill 133	
Date "substantively enacted" under ASPE/IFRS	**Date "enacted" under U.S. GAAP**
April 5, 2023	May 17, 2023

Saskatchewan's Bill 133 includes the province's 2023 budget measure to extend the Saskatchewan Manufacturing and Processing Exporter Tax Incentive by one year. Specifically, the bill extends the incentive to December 31, 2023 (from December 31, 2022). This incentive provides non-refundable tax credits to eligible corporations who hire additional manufacturing and processing-related full-time employees beyond the number who were employed in 2014.

For further details, see *TaxNewsFlash-Canada* 2023-13, "Highlights of the 2023 Saskatchewan Budget" and *TaxNewsNow*, "Saskatchewan — Extension of Manufacturing and Processing Exporter Tax Incentive Now Law".

Manitoba

Manitoba Bill 14	
Date "substantively enacted" under ASPE/IFRS	**Date "enacted" under U.S. GAAP**
March 10, 2023	April 3, 2023

Manitoba Bill 14 includes several corporate income tax measures announced in the province's 2023 budget. The bill makes changes to several existing tax credits, including to:

- Expand the eligible labour expenditures for the Interactive Digital Media Tax Credit

- Make the Mineral Exploration Tax Credit permanent (previously scheduled to expire on December 31, 2023)
- Make the Green Energy Equipment Tax Credit permanent (previously scheduled to expire on June 30, 2023).

For further details, see *TaxNewsFlash-Canada* 2023-08, "Highlights of the 2023 Manitoba Budget" and *TaxNewsNow*, "Manitoba — 2023 Budget Tax Measures Now Law".

Ontario

Ontario Bill 85	
Date "substantively enacted" under ASPE/IFRS	**Date "enacted" under U.S. GAAP**
March 23, 2023	May 18, 2023

Ontario Bill 85 includes corporate income tax changes announced in the province's 2023 budget and the 2022 Ontario Fall Economic Update. This bill includes corporate income tax measures to:

- Introduce a new 10% refundable Ontario Made Manufacturing Investment Tax Credit available to CCPCs with a permanent establishment in Ontario that make qualifying capital investments in buildings, machinery and equipment used in manufacturing or processing, with a maximum credit of up to $2 million in a taxation year (prorated for short years)
- Change the phase-out of the small business deduction for corporations with taxable capital employed in Canada between $10 million and $50 million (previously the phase-out occurred between $10 million and $15 million of taxable capital), based on the combined taxable capital employed in Canada of the relevant corporation and its associated corporations.

Ontario's changes to the small business deduction harmonize with the recent federal amendment to allow more medium-sized CCPCs to benefit from the small business deduction and apply for taxation years beginning on or after April 7, 2022.

For further details, see *TaxNewsFlash-Canada* 2023-16, "Highlights of the 2023 Ontario Budget", *TaxNewsFlash-Canada* 2022-50, "Highlights of the 2022 Ontario Fall Economic Update" and *TaxNewsNow*, "Ontario — 2023 Budget Tax Measures and More Now Law".

Quebec

Quebec Bill 27	
Date "substantively enacted" under ASPE/IFRS	**Date "enacted" under U.S. GAAP**
May 30, 2023	Not enacted

Quebec Bill 27 contains measures previously announced in various information bulletins published in 2021, 2022 and 2023. The bill includes changes to harmonize with various federal budget measures, as announced in Information Bulletin 2022-4, to:

- Broaden eligibility for the small business deduction by increasing the upper limit of the range to $50 million (from $15 million) of taxable capital employed in Canada before the small business deduction is reduced to nil
- Expand the GAAR to apply to tax attributes that have not yet become relevant to the computation of tax
- Support the use of the new international accounting standard for insurance contracts (IFRS 17) for income tax purposes, subject to certain adjustments
- Update the rules that address tax planning related to allocations to redeeming fund unit holders in the mutual fund industry
- Eliminate the flow-through share regime for oil, gas and coal activities.

Quebec Bill 27 also includes certain provincial corporate tax changes that correspond to the federal expansion of the small business deduction, as announced in Information Bulletin 2022-4, to:

- Expand the additional deduction for transportation costs incurred by remote small and medium-sized businesses by increasing the upper limit to $50 million (from $15 million) of paid-up capital before the additional deduction is reduced to nil, for taxation years that begin after April 6, 2022
- Expand access to the income-averaging mechanism for forest producers, for taxation years that begin after April 6, 2022.

For further details, see *TaxNewsNow*, "Quebec — 2022 Economic Update Measures and More Substantively Enacted" and *TaxNewsNow*, "Quebec Harmonizes with Federal Budget Measures and More".

Quebec Regulation (Reg. O.C. 90-2023)
Published in the Quebec Gazette February 8, 2023

Quebec amended the regulations respecting the Quebec Taxation Act to harmonize with the 2021 federal budget measure to amend CCA classes for certain clean energy equipment

(Classes 43.1 and 43.2). The amending regulations were published in the Quebec Gazette on February 8, 2023. Quebec previously announced this change in Information Bulletin 2021-5.

Quebec Bill 6	
Date "substantively enacted" under ASPE/IFRS	**Date "enacted" under U.S. GAAP**
December 9, 2022	March 15, 2023

Quebec Bill 6 contains measures previously announced in Quebec's 2022 budget and in various information bulletins published in 2021 and 2022. The bill includes corporate measures from the budget to:

- Extend the temporary increase to the tax credit relating to investment and innovation (C3i) by one year, until December 31, 2023
- Introduce a refundable tax credit for the production of biofuel in Quebec, up to a maximum of 300 million litres per year, as of April 1, 2023
- Extend the refundable tax credit for the production of pyrolysis oil in Quebec for a period of 10 years, until March 31, 2033, and make certain changes to the credit, including how the credit is calculated and increasing the annual production cap to 300 million litres.

Quebec Bill 6 also includes certain corporate measures announced in Information Bulletins (published in 2021 and 2022) to:

- Clarify the definition of "qualified intellectual property asset" for the Incentive Deduction for the Commercialization of Innovations (IDCI), effective for taxation years that begin after December 31, 2020
- Expand access to the tax credit to foster the retention of experienced workers, for taxation years that end after December 30, 2022
- Expand access to the refundable tax credit for small and medium-sized businesses in respect of persons with a severely limited capacity for employment, for taxation years that end after December 30, 2022
- Narrow the refundable tax credit relating to mining, petroleum, gas or other resources, by excluding expenses related to oil, gas or coal incurred after March 31, 2023.

Quebec Bill 6 also includes certain measures to harmonize with federal budget measures announced in Information Bulletins (published in 2021 and 2022) to:

- Allow temporarily the immediate expensing of eligible property for CCPCs
- Expand eligibility for immediate expensing of eligible property to include sole proprietorships and certain partnerships.

For further details, see *TaxNewsFlash-Canada* 2022-15, "Highlights of the 2022 Quebec Budget" and *TaxNewsNow*, "Quebec — 2022 Budget Measures and More Now Law".

Newfoundland and Labrador

Newfoundland and Labrador Regulation 31/23
Published in the Newfoundland and Labrador Gazette on April 21, 2023

Newfoundland and Labrador published regulations, under the Newfoundland and Labrador Income Tax Act 2000, to implement the All Spend Film and Video Production Tax Credit on April 21, 2023. This measure provides a refundable tax credit of 40% on eligible production costs, up to a maximum credit of $10 million annually per eligible production. The credit was first announced in the province's 2022 budget and enhanced in the province's 2023 budget. The credit is effective on a retroactive basis to April 7, 2022.

For further details, see *TaxNewsFlash-Canada* 2023-15, "Highlights of the 2023 Newfoundland and Labrador Budget" and *TaxNewsNow*, "Newfoundland and Labrador — Enhanced All Spend Film and Video Production Tax Credit Enacted".

Outstanding provincial budget and other corporate income tax measures

The following provincial corporate income tax measures have been announced but are not substantively enacted for IFRS or ASPE purposes. They are also not enacted for purposes of U.S. GAAP as of June 30, 2023.

Ontario

Ontario has not yet tabled a bill or published regulations to enact the corporate income tax changes announced in the province's 2022 budget to extend eligibility for the Ontario Film and Television Tax Credit and the Ontario Production Services Tax Credit to professional film and television productions distributed exclusively online.

Ontario released draft regulations in respect of this measure in February 2023 for feedback, and accepted comments until April 11, 2023. For details, see *TaxNewsFlash-Canada* 2022-50, "Highlights of the 2022 Ontario Fall Economic Update" and *TaxNewsFlash-Canada* 2022-29, "Highlights of the 2022 Ontario Budget".

Quebec

Quebec has not yet tabled a bill to enact certain tax changes announced in the province's 2023 budget, including measures to:

- Introduce a new 10 year tax holiday for qualifying large investment projects carried out in Quebec after March 21, 2023
- Introduce changes to the refundable tax credit for Quebec film or television production

- Enhance the refundable tax credit for book publishing
- Enhance the refundable tax credit for the production of multimedia events or environments presented outside Quebec.

For further details, see *TaxNewsFlash-Canada* 2023-12, "Highlights of the 2023 Quebec Budget".

Quebec 2023 Information Bulletins

Quebec has not yet tabled a bill to enact certain corporate tax harmonization measures and other measures announced in recent provincial Information Bulletins. Quebec announced in Information Bulletin 2023-1 (published January 30, 2023) that it will harmonize with certain federal measures to:

- Increase the ceiling on the capital cost of passenger vehicles for CCA purposes to $36,000 (from $34,000) for new and used vehicles purchased after 2022
- Increase the ceiling on the capital cost of eligible zero-emission passenger vehicles for CCA purposes to $61,000 (from $59,000) for new and used vehicles purchased after 2022.

Quebec further announced in Information Bulletin 2023-4 (published June 27, 2023) that it will harmonize with various federal corporate tax measures announced in the 2023 federal budget, including measures that:

- Amend the GAAR by introducing a preamble, changing the avoidance transaction standard and introducing an economic substance test
- Deny the dividend received deduction for dividends received by financial institutions on shares that are mark-to-market property, after 2023
- Relate to the income tax treatment of credit unions.

Quebec also announced in Information Bulletin 2023-4 that it would harmonize with several previously announced federal tax technical amendments included in Bill C-47, including changes to Canadian exploration expenses, clarifications to amounts deductible for mining taxes and certain international corporate tax measures.

Quebec also announced provincial corporate tax changes in Information Bulletin 2023-4 to:

- Amend the small business deduction rules to introduce a special rule related to the number of remunerated hours for the first taxation year of a new corporation resulting from an amalgamation, for taxation years that end after June 27, 2023
- Modify the list of territories with low economic vitality for purposes of the tax credit relating to investment and innovation (C3i) and the new 10 year tax holiday.

For details, see *TaxNewsNow*, "Quebec Harmonizes with 2023 Federal Budget Measures and More".

Quebec 2022 Information Bulletins

Quebec has not yet tabled a bill to enact certain corporate tax harmonization measures announced in recent provincial Information Bulletins. Quebec announced in Information Bulletin 2022-1 (published February 4, 2022) that it will harmonize with certain federal measures to:

- Increase the ceiling on the capital cost of passenger vehicles for CCA purposes to $34,000 (from $30,000) for new and used vehicles purchased after 2021 and before 2023
- Increase the ceiling on the capital cost of eligible zero-emission passenger vehicles for CCA purposes to $59,000 (from $55,000) for new and used vehicles purchased after 2021 and before 2023.

Quebec further announced in Information Bulletin 2022-4 (published June 9, 2022) that it will harmonize with various federal corporate tax measures announced in the 2019, 2021 and 2022 federal budgets, including certain measures that:

- Introduce limitations on the deductibility of interest and other financing expenses (see *TaxNewsFlash-Canada* 2022-53, "Finance Revises Interest Expense Limitation Proposals")
- Introduce hybrid mismatch arrangement rules (see *TaxNewsFlash-Canada* 2022-30, "MNEs — Review New Hybrid Mismatch Rules")
- Introduce reporting requirements for uncertain tax treatments (see *TaxNewsFlash-Canada* 2023-21, "Get Ready for New Mandatory Reporting Obligations")
- Eliminate the deferral of investment income of certain non-CCPCs (substantive CCPCs) and the deferral for CCPCs and substantive CCPCs earning investment income through controlled foreign affiliates (to be harmonized in part)
- Add CCA classes for carbon capture, utilization and storage equipment, including eligibility for the Accelerated Investment Incentive
- Add CCA classes for intangible exploration expenses and development expenses for storing carbon dioxide
- Expand access to the accelerated CCA for certain air-source heat pumps (Classes 43.1 and 43.2)
- Introduce a new borrowing limit imposed on defined benefit pension plans

- Prevent taxpayers from claiming certain tax deductions related to hedging and short selling arrangements.

For details, see *TaxNewsNow*, "Quebec Harmonizes with Federal Budget Measures and More".

We can help

KPMG's tax accounting and audit support professionals can help you assess the impact these changes in tax law will have on your organization's financial statements. We can also help your organization understand and manage your obligations under the Canadian, U.S. and international financial reporting standards for income tax accounts and disclosures. For details, contact your KPMG adviser.