



# TaxNewsFlash

Canada

## Canada Enacts Bundle of Outstanding Tax Measures

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Businesses and individuals should be aware that Canada has now enacted many outstanding tax proposals, some of which date back as far as 2022. Specifically, the government has passed sweeping new tax changes previously announced in the 2022, 2023 and 2024 federal budgets and 2023 federal economic update, along with certain technical amendments. These measures include the Excessive Interest and Financing Expenses Limitation (EIFEL) rules, changes to the general anti-avoidance rule (GAAR) and legislation for the *Global Minimum Tax Act* (GMTA), among other measures. These and other measures were included in Bill C-59 and Bill C-69 which received Royal Assent on June 20, 2024. Note that the amendments to increase the capital gains inclusion rate, which were previously announced in the 2024 federal budget, were not included in Bill C-59 and Bill C-69, as these changes have not yet been introduced in a bill.

Now that these long-awaited measures have received Royal Assent, affected businesses and individuals should act quickly to confirm how their tax obligations may be affected. Your KPMG tax adviser can help you determine whether you need to take additional action to mitigate the effect of any of these wide-ranging new rules.

### Background

The Department of Finance Canada has proposed many significant business and personal tax measures over the last several years. For details, see *TaxNewsFlash-Canada* 2024-17, "[2024 Federal Budget Highlights](#)", *TaxNewsFlash-Canada* 2023-47, "[Highlights of the 2023 Federal Fall Economic Update](#)" and *TaxNewsFlash-Canada* 2023-17, "[2023 Federal Budget Highlights](#)".

## Business tax measures

### Bill C-59

Many previously announced business tax measures from the 2023 and earlier federal budgets and the 2023 federal economic update are included in Bill C-59, including measures related to:

- EIFEL rules
- Hybrid mismatch arrangements (first tranche)
- New substantive CCPC rules (but not related measures to eliminate the deferral for Canadian-controlled private corporations (and substantive CCPCs) earning certain income through foreign affiliates)
- Expansion of eligible minerals for Critical Mineral Exploration Tax Credit (CMETC) to include lithium from brines
- Carbon capture, utilization and storage (CCUS) investment tax credit (including labour conditions)
- Clean technology investment tax credit (including labour conditions)
- Expanded eligible activities for corporate income tax rate reduction for zero-emission technology manufacturing to include certain nuclear manufacturing and processing activities, and three-year extension for the availability of rate reduction
- 2% tax on the net value of equity repurchases by certain publicly listed entities
- Changes to the GAAR
- Dividend received deduction by financial institutions (note that this measure was amended since first reading of the bill, to provide an exception for certain dividends received by an insurance corporation, see new subsection 112(2.03))
- Removing the requirement that credit unions derive no more than 10% of their revenue from sources other than certain specified sources
- Exemption of certain fees from the refundable tax applicable to contributions under retirement compensation arrangements.

### Bill C-69

Many additional previously announced business tax measures are included in Bill C-69, including measures related to:

- The GMTA
- The Clean Hydrogen investment tax credit
- The Clean Technology Manufacturing investment tax credit
- The Carbon Capture, Utilization and Storage investment tax credit
- Enhancements to the Canadian Journalism tax credit
- Concessional loans (the bill clarifies these changes apply to loans entered into after December 31, 2019)
- Restrictions for deductions related to non-compliant short-term rentals
- The Canada Carbon Rebate for Small Businesses
- An extension of the tax exemption for international shipping

### Indirect tax measures

#### *Bill C-59*

Among other indirect tax changes, Bill C-59 includes the *Digital Services Tax Act* (which requires a coming-into-force date to be fixed by Order of the Governor in Council that cannot be earlier than January 1, 2024).

#### *Bill C-69*

Bill C-69 includes previously announced indirect tax measures related to:

- Repealing the temporary zero-rated measures for qualifying face masks and certain face shields effective May 1, 2024
- Amending the federal excise duty framework for tobacco products, including changes to the related federal excise duty rates
- Amending the federal excise duty framework for vaping products, including changes to the related excised duty rates
- Amending the federal excise duty framework for alcohol products.

### Personal tax measures

#### *Bill C-59*

Bill C-59 includes previously announced personal tax measures related to:

- Amending the intergenerational business transfer rules
- Employee Ownership Trusts (but does not include the temporary exemption for the first \$10 million of capital gains realized on the sale of a business to an employee ownership trust, subject to certain conditions, which is included in Bill C-69)
- Allowable successors of a holder of a Registered Disability Savings Plan
- An increase in the rural top-up on the pollution price rebate to 20% (from 10%) of the base amount
- Technical changes to existing rules for the First Home Savings Account.

### Bill C-69

Bill C-69 includes previously announced personal tax measures related to:

- Amending the Alternative Minimum Tax
- An exemption for up to \$10 million of capital gains on the sale of a qualifying business to an Employee Ownership Trust
- Enhancements to the Home Buyer's Plan
- A one-year extension of the Mineral Exploration tax credit
- Increases in the volunteer firefighter and search and rescue volunteer tax credits.

### Other tax changes

Bill C-69 also includes measures announced in the 2023 Fall Federal Economic Update or 2024 federal budget related to:

- Amending the Underused Housing Tax
- Third party assessments under section 160 of the *Income Tax Act*
- Removal of duplicated failure to file penalties for reportable and notifiable transactions.

### We can help

Your KPMG adviser can help you assess the effect of these new developments. For more details, contact your KPMG adviser.

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