



TaxNewsFlash

Canada

Tax Accounting — Q2 2024 Update

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If you are involved in preparing financial reports for corporations or other organizations, certain 2024 Canadian income tax rate and other changes may need to be reflected in your interim financial statements under IFRS Accounting Standards, Accounting Standards for Private Enterprises (ASPE) or U.S. generally accepted accounting principles (U.S. GAAP).

When do new income tax measures have to be taken into account?

Under IFRS Accounting Standards 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 Canadian federal and provincial income tax legislation substantively enacted or enacted between January 1, 2024 and June 30, 2024. This publication also includes a summary of certain outstanding income tax measures affecting businesses that have been announced, but are not yet substantively enacted, including 2024 federal budget measures to increase the inclusion rate for capital gains. For 2023 tax legislation enacted before January 1, 2024, see *TaxNewsFlash-Canada* 2024-01, "[Tax Accounting — 2023 Tax Rates and Other Changes](#)".

Substantively enacted and enacted corporate tax rates for 2024

For 2024 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 also not changed in 2024. However, Saskatchewan extended its reduced small business income tax rate of 1% to

June 30, 2025 (from June 30, 2024), and similarly delayed the scheduled increase of the rate to 2% until July 1, 2025 (instead of July 1, 2024). Newfoundland and Labrador also reduced its small business income tax rate to 2.5% (from 3%), effective January 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, 2024:

| Tax Rates for Active Business Income Earned by a General Corporation Substantively Enacted and Enacted as of June 30, 2024¹ | | |
|---|-------------|------------------------|
| | 2024 | 2025 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, 2024 for purposes of ASPE and IFRS Accounting Standards and are also enacted as at June 30, 2024 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 2032 and are fully phased out for taxation years that begin after 2034.

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.

Canadian-controlled private corporations

The following federal and provincial corporate tax rates for active business income earned by a CCPC that is eligible for the small business deduction are substantively enacted and enacted as of June 30, 2024:

| Tax Rates for Active Business Income Earned by a CCPC Eligible for the Small Business Deduction Substantively Enacted and Enacted as of June 30, 2024¹ | | |
|--|-------------|------------------------|
| | 2024 | 2025 and beyond |
| Federal rate ² | 9.0% | 9.0% |
| Provincial rates | | |
| British Columbia | 2.0% | 2.0% |
| Alberta | 2.0% | 2.0% |
| Saskatchewan ³ | 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 ⁵ | 2.5% | 2.5% |
| 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, 2024 for purposes of ASPE and IFRS Accounting Standards and are also enacted as at June 30, 2024 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 2032 and are fully phased out for taxation years that begin after 2034.

³ Saskatchewan will increase the province's small business income tax rate to 2% (from 1%) beginning July 1, 2025 (instead of 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 16% (i.e., 15% federally and 1% provincially) effective July 1, 2023 to June 30, 2025 and 17% (i.e., 15% federally and 2% provincially) effective July 1, 2025.

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.

⁵Newfoundland and Labrador reduced the province's small business income tax rate to 2.5% (from 3%) effective January 1, 2024.

The latest rates and small business deduction thresholds are available on our [Canadian Corporate Tax Tables](#) page on the [KPMG Canada](#) site.

Status of recent tax legislation at June 30, 2024

This publication summarizes the status of selected federal and provincial business income tax measures that may affect your financial statements, including an overview of significant measures that became substantively enacted or enacted during the first half of 2024, as well as key measures that remained outstanding as at June 30, 2024.

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

Federal legislation

| Federal Bill C-59 | |
|--|--------------------------------|
| Date “substantively enacted” under ASPE/IFRS | Date “enacted” under U.S. GAAP |
| May 28, 2024 | June 20, 2024 |

Bill C-59 includes several previously announced income tax measures from the 2021, 2022 and 2023 federal budgets to:

- Introduce additional interest deductibility limitations (i.e., the EIFEL rules) for taxation years beginning on or after October 1, 2023
- Introduce hybrid mismatch arrangement rules, generally applicable for payments arising on or after July 1, 2022
- Deny the dividend received deduction for dividends received by Canadian financial institutions on certain shares that are mark-to-market property, after 2023 and subject to certain exceptions
- 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 (instead of 2031))

- Eliminate the tax deferral for investment income earned by “substantive CCPCs”, for taxation years that end on or after April 7, 2022
- Introduce a refundable Carbon Capture, Utilization and Storage (CCUS) Investment Tax Credit for up to 60%/50%/37.5% of the capital cost of certain eligible investments available from January 1, 2022
- Introduce a refundable Clean Technology Investment Tax Credit for up to 30% of the capital cost of certain eligible clean technology equipment available from March 28, 2023
- Amend the general anti-avoidance rule (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, for transactions after 2023
- Allow expenditures incurred in the exploration and development of all lithium to qualify as Canadian exploration expenses and Canadian development expenses, effective March 28, 2023
- Facilitate the transfer of a qualifying business to an Employee Ownership Trust, effective January 1, 2024
- Replace the revenue test in the definition of “credit union” to align the definition with the relevant federal or provincial requirements, effective January 1, 2016.

The bill also includes legislation for several indirect tax measures, including the new *Digital Services Tax Act* (DSTA), which introduces a new 3% tax on certain digital services revenue earned as of 2022. Canada’s Governor in Council subsequently fixed the coming-into-force date for the DST as June 28, 2024, which was the final step to enact the new tax, after the measures received Royal Assent on June 20, 2024. The order fixing the coming-into-force date was published on July 3, 2024.

The bill also introduces 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.

For details of these and other measures included in Bill C-59, *TaxNewsFlash-Canada 2024-27*, [“Canada Enacts Bundle of Outstanding Tax Measures”](#) and *TaxNewsFlash-Canada 2024-28*, [“Large Businesses — Digital Services Tax Now in Effect”](#).

| Federal Bill C-69 | |
|--|--------------------------------|
| Date “substantively enacted” under ASPE/IFRS | Date “enacted” under U.S. GAAP |
| June 19, 2024 | June 20, 2024 |

Bill C-69 includes certain outstanding business income tax measures previously announced in the 2022, 2023 and 2024 federal budgets and 2023 federal economic update to:

- Introduce the *Global Minimum Tax Act*, which includes an income inclusion rule (IIR) and a domestic minimum top-up tax that applies to Canadian entities of multinational enterprises (MNEs) that are within the scope of the OECD's Pillar Two rules, applicable for fiscal years beginning on or after December 31, 2023
- Introduce a refundable Clean Hydrogen Investment Tax Credit for up to 40% of the cost of purchasing and installing eligible clean equipment for eligible projects, for qualified costs incurred after March 27, 2023
- Introduce a refundable Clean Technology Manufacturing Investment Tax Credit for up to 30% of the capital cost of investments in qualifying new machinery and equipment, for qualified costs incurred after December 31, 2023
- Deny income tax deductions for expenses incurred on or after January 1, 2024 for non-compliant short-term rentals
- Exempt international shipping income of certain Canadian resident companies from income tax, for taxation years that begin on or after December 31, 2023
- Amend the definition of "government assistance" to exclude certain concessional loans from public authorities with bona fide arrangements for repayment within a reasonable time, applicable to loans made after December 31, 2019
- Introduce a new Canada Carbon Rebate for Small Businesses in the form of an automatic refundable tax credit for eligible businesses that file a tax return, beginning with 2023 tax year returns filed by July 15, 2024
- Enhance the Canadian Journalism Labour Tax Credit by increasing the cap on labour expenditures per eligible newsroom employee to \$85,000 (from \$55,000) and temporarily increasing the journalism labour tax credit rate to 35% (from 25%) for four years for qualifying labour expenditures incurred on or after January 1, 2023.

For details of these and other measures included in Bill C-69, see *TaxNewsFlash-Canada* 2024-27, "[Canada Enacts Bundle of Outstanding Tax Measures](#)".

Outstanding federal legislation

The following federal business income tax measures have been announced but are not substantively enacted for purposes of IFRS Accounting Standards or ASPE (or enacted for U.S. GAAP purposes) as of June 30, 2024.

[2024, 2023 and 2022 federal budget tax measures](#)

Several significant 2024, 2023 and 2022 federal budget tax measures have not yet been included in a bill, including proposed changes to:

- Increase the capital gains inclusion rate for corporations and trusts to 2/3 (from 1/2) for capital gains realized on or after June 25, 2024
- Introduce an elective EIFEL exemption for certain interest and financing expenses incurred before January 1, 2036, in respect of arm's length financing used to build or acquire purpose-built rental housing in Canada, applicable for taxation years beginning on or after October 1, 2023
- Introduce 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, and are available for use before January 1, 2036
- Provide immediate expensing for new additions of property acquired on or after April 16, 2024 and that becomes available for use before January 1, 2027 included in Class 44, 46, and 50
- Introduce a refundable Clean Electricity Investment Tax Credit for 15% of eligible investments in new projects and the refurbishment of existing facilities, available as of April 16, 2024 (the day of the 2024 federal budget) for projects that did not begin construction before March 28, 2023
- Introduce a new 10% Electric Vehicle Supply Chain Investment Tax Credit on the cost of eligible buildings used in key segments of the electric vehicle supply chain, applicable to property that is acquired and available for use on or after January 1, 2024
- Eliminate the tax deferral for CCPCs and substantive CCPCs earning investment income through controlled foreign affiliates, for taxation years that begin on or after April 7, 2022
- Deem a corporation (that may otherwise qualify as a mutual fund corporation) not to be a mutual fund corporation if certain conditions are met, effective for taxation years beginning after 2024
- Modify an anti-avoidance rule in the synthetic equity arrangements rules, applicable to dividends received on or after January 1, 2025.

For further details of these measures, see *TaxNewsFlash-Canada* 2024-17, "[2024 Federal Budget Highlights](#)", and *TaxNewsFlash-Canada* 2024-24, "[Capital Gains Rate Increase — Finance Provides More Details](#)".

Provincial tax legislation

British Columbia

| British Columbia Bill 3 | |
|---|--------------------------------|
| Date “substantively enacted” under ASPE/IFRS Accounting Standards | Date “enacted” under U.S. GAAP |
| February 22, 2024 | April 25, 2024 |

British Columbia’s Bill 3 enacts certain income tax measures announced in the province’s 2024 budget. The bill makes changes to certain tax credits, including to:

- Exclude animation productions from regional and distant location tax credits
- Exclude oil and gas exploration expenditures from the mining exploration tax credit
- Extend the expiry dates for the training tax credit for employers and the shipbuilding and ship repair industry tax credit.

For further details, see *TaxNewsFlash-Canada* 2024-04, "[Highlights of the 2024 British Columbia Budget](#)".

| British Columbia Bill 15 | |
|---|--------------------------------|
| Date “substantively enacted” under ASPE/IFRS Accounting Standards | Date “enacted” under U.S. GAAP |
| April 3, 2024 | April 25, 2024 |

British Columbia’s Bill 15 enacts the new home flipping tax for taxable transactions on or after January 1, 2025. Subject to certain exceptions, a taxpayer who sells a residential property within 365 days of purchase will be subject to a 20% tax on income from the sale, with the tax rate declining on a proportionate basis to 0% if the property is sold within 366 and 730 days of purchase.

For further details, see *TaxNewsFlash-Canada* 2024-04, "[Highlights of the 2024 British Columbia Budget](#)".

Manitoba

| Manitoba Bill 37 | |
|---|--------------------------------|
| Date “substantively enacted” under ASPE/IFRS Accounting Standards | Date “enacted” under U.S. GAAP |
| May 6, 2024 | N/A |

Manitoba's Bill 37 includes several income tax measures announced in the province’s 2024 budget. The bill makes changes to certain tax credits, including to:

- Modify the Interactive Digital Media Tax Credit
- Introduce the Rental Housing Construction Tax Credit
- Eliminate the Data Processing Investment Tax Credits for the 2025 tax year.

For further details, see *TaxNewsFlash-Canada* 2024-15, "[Highlights of the 2024 Manitoba Budget](#)".

Newfoundland and Labrador

| Newfoundland and Labrador Bill 35 | |
|---|--------------------------------|
| Date “substantively enacted” under ASPE/IFRS Accounting Standards | Date “enacted” under U.S. GAAP |
| April 23, 2024 | May 29, 2024 |

Newfoundland and Labrador’s Bill 35 includes a measure announced in the province’s 2024 budget to reduce the province’s small business income tax rate to 2.5% (from 3%), effective January 1, 2024.

For further details, see *TaxNewsFlash-Canada* 2024-12, "[Highlights of the 2024 Newfoundland and Labrador Budget](#)".

Ontario

| Ontario Bill 180 | |
|---|--------------------------------|
| Date “substantively enacted” under ASPE/IFRS Accounting Standards | Date “enacted” under U.S. GAAP |
| March 26, 2024 | May 16, 2024 |

Ontario’s Bill 180 includes measures announced in Ontario’s 2024 budget, including to amend the eligibility requirements for the Ontario Computer Animation and Special Effects Tax Credit.

For further details, see *TaxNewsFlash-Canada* 2024-13, "[Highlights of the 2024 Ontario Budget](#)".

Quebec

| Quebec Bill 49 | |
|---|--------------------------------|
| Date “substantively enacted” under ASPE/IFRS Accounting Standards | Date “enacted” under U.S. GAAP |
| February 8, 2024 | May 7, 2024 |

Quebec’s Bill 49 includes measures announced in Quebec’s 2023 budget and various information bulletins. The bill makes changes to certain existing tax measures and introduces new tax measures, including to:

- Introduce reporting requirements for uncertain tax treatments
- Introduce the new tax holiday for large investment projects where an application for an initial qualification certificate is made after March 21, 2023
- Extend the deadline for a corporation or a partnership with a large investment project under the former tax holiday to make an irrevocable election to benefit from the new alternative calculation method under the new tax holiday to December 31, 2024 (from March 31, 2024)
- Extend the refundable tax credit for the digital transformation of print media to December 31, 2024 (previously scheduled to end on December 31, 2023)
- Enhance the refundable tax credit for book publishing
- Enhance the refundable tax credit for the production of multimedia events or environments presented outside Quebec
- 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
- Introduce changes to the refundable tax credit for Quebec film or television productions.

For further details, see *TaxNewsFlash-Canada* 2023-12, "[Highlights of the 2023 Quebec Budget](#)".

Saskatchewan

| Saskatchewan Bill 157 | |
|---|--------------------------------|
| Date “substantively enacted” under ASPE/IFRS Accounting Standards | Date “enacted” under U.S. GAAP |
| March 27, 2024 | May 8, 2024 |

Saskatchewan’s Bill 157 extends the reduced small business income tax rate of 1% to June 30, 2025 (from June 30, 2024), and similarly delays the scheduled increase of the rate to 2% until July 1, 2025 (instead of July 1, 2024).

For further details, see *TaxNewsFlash-Canada* 2024-11, "[Highlights of the 2024 Saskatchewan Budget](#)".

| Saskatchewan Bill 158 | |
|---|--------------------------------|
| Date “substantively enacted” under ASPE/IFRS Accounting Standards | Date “enacted” under U.S. GAAP |
| March 27, 2024 | May 8, 2024 |

Saskatchewan Bill 158 extends the new application period for the Saskatchewan Commercial Innovation Incentive (also known as the “patent box”) to June 30, 2025 (from June 30, 2024).

For further details, see *TaxNewsFlash-Canada* 2024-11, "[Highlights of the 2024 Saskatchewan Budget](#)".

Outstanding provincial budget and other business income tax measures

The following provincial business income tax measures have been announced but are not substantively enacted for purposes of IFRS Accounting Standards or ASPE. They are also not enacted for purposes of U.S. GAAP as of June 30, 2024.

Quebec

Quebec has not yet tabled a bill to enact certain tax changes announced in the province’s 2024 budget, including measures to:

- Amend and introduce various changes to the following tax credits:
 - Tax credits for the development of e-business
 - Tax credits for the production of multimedia titles
 - Refundable tax credit for Quebec film or television productions
 - Refundable tax credit for film production services
 - Tax credit for the production of biofuel
 - Tax credit for the production of pyrolysis oil
- Eliminate the tax credit to foster the retention of experienced workers.

For further details, see *TaxNewsFlash-Canada* 2024-09, "[Highlights of the 2024 Quebec Budget](#)".

Quebec 2024 Information Bulletins

Quebec has not yet tabled a bill to enact certain business income tax harmonization measures and other measures announced in recent provincial Information Bulletins. Quebec announced in Information Bulletin 2024-4, which was published April 12, 2024, that it will harmonize with

various federal business income tax measures announced in the 2023 fall economic update, including measures that:

- Clarify that concessional loans from public authorities with reasonable repayment terms will generally not be considered government assistance, for loans entered into after December 31, 2019
- Deny income tax deductions for expenses incurred on or after January 1, 2024 for non-compliant short-term rentals
- Exempt international shipping income of certain Canadian resident companies from income tax, effective December 31, 2023
- Amend the previously proposed rules to restrict the dividend received deduction to allow financial institutions that receive dividends on taxable preferred shares to continue to be eligible for this deduction.

Quebec further announced in Information Bulletins 2024-5 and 2024-6, which were published on April 18 and May 31, 2024, that it will harmonize with various federal business income tax measures announced in the 2024 federal budget, including measures to:

- Increase the capital gains inclusion rate for capital gains realized after June 24, 2024 to 2/3 (from 1/2) for corporations and trusts
- Introduce an elective exemption from the excess interest and financing expenses limitation (EIFEL) rules for certain interest and financing expenses incurred before January 1, 2036, in respect of arm's length financing used to build or acquire eligible purpose-built rental housing
- Introduce accelerated Capital Cost Allowance (CCA)
- Make changes to the mutual fund corporation rules
- Amend an anti-avoidance rule in the synthetic equity arrangements rules
- Remove the exception to the debt forgiveness rules and the loss restriction rule for bankrupt corporations.

Quebec further announced in Information Bulletin 2024-7, which was published June 21, 2024, that it will harmonize with various federal business income tax measures and introduce other changes, including measures to clarify that amounts received under the federal Clean Technology Manufacturing Investment Tax Credit after December 31, 2023 would not be considered government assistance for purposes of the tax credit relating to investment and innovation (C3i).

Quebec 2023 Information Bulletins

Quebec has also not yet tabled a bill to enact certain business income tax harmonization measures and other measures announced in previous provincial Information Bulletins. Quebec announced in Information Bulletin 2023-1, which was 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, which was published June 27, 2023, that it will harmonize with various federal business income 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 (see also subsequent amendments to this proposal)
- 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 income tax technical amendments included in federal Bill C-47, including changes to Canadian exploration expenses, clarifications to amounts deductible for mining taxes and certain international corporate tax measures.

Quebec has not yet tabled a bill to enact certain corporate tax measures announced in the province's 2023 fall economic update. These changes were published in Information Bulletin 2023-6 and include measures to:

- Extend the C3i tax credit by five years, to specified expenses incurred before January 1, 2030 (from January 1, 2025) and introduce various enhancements to the credit, including measures to:
 - Extend the temporary enhancement of the C3i rate applicable after December 31, 2023
 - Make the C3i tax credit fully refundable for a qualified corporation regardless of its assets or its gross income

- Amend the calculation of the balance of the cumulative specified expense limit for purposes of the C3i tax credit
- Remove certain regional county municipalities from the definition of “territory with low economic vitality” for specified expenses incurred after June 30, 2025
- Amend the definition of “specified expenses”
- Extend the deadline for submitting the prescribed form containing prescribed information to claim the credit
- Eliminate the additional capital cost allowance of 30% for investments in manufacturing and processing equipment, clean energy generation equipment, computer hardware and certain intellectual property, effective January 1, 2024.

For details, see *TaxNewsFlash-Canada* 2023-42, "[Highlights of the 2023 Quebec Fall Economic Update](#)".

Quebec has not yet tabled a bill to enact certain provincial corporate tax measures announced in Information Bulletin 2023-7, which was published on December 19, 2023. These changes include measures to:

- Amend the Incentive Deduction for the Commercialization of Innovations (IDCI) in Quebec effective for taxation years that begin after December 31, 2023 to:
 - Provide that the R&D expenditures considered in the calculation of the Quebec nexus ratio with regard to a particular qualified intellectual property asset (QIPA) must have contributed directly to the creation, development or improvement of the QIPA and that such expenditures must be tracked in the form of a cumulative ratio calculated on a historical basis
 - Introduce definitions of the expressions “adjusted income” and “adjusted gross revenue” to replace the expressions “income” and “gross revenue”
- Reduce the proportion of an eligible individual’s required work time in a qualified establishment of the corporation to 40% (from 50%) for purposes of the tax credits for international financial centres, effective for taxation years that begin after December 19, 2023.

Quebec 2022 Information Bulletins

Quebec has not yet tabled a bill to enact certain business income tax harmonization measures announced in certain provincial Information Bulletins issued in 2022. Quebec announced in Information Bulletin 2022-1, which was 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, which was published June 9, 2022, that it will harmonize with various federal business income tax measures announced in the 2021 and 2022 federal budgets, including certain measures that:

- Introduce limitations on the deductibility of interest and other financing expenses (i.e., the EIFEL rules)
- Introduce hybrid mismatch arrangement rules
- Eliminate the tax deferral for investment income earned by certain non-CCPCs (substantive CCPCs) and the tax 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
- 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.

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.

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