



GMS Flash Alert



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Canada - Finance Canada Indicates AMT Rules Changes Coming

In the recent Fall Economic Update,¹ Finance Canada confirmed its intention to proceed with changes to the Alternative Minimum Tax (AMT) rules.²

These rules have not yet received royal assent.

WHY THIS MATTERS

This matters for globally-mobile employees in Canada who have significant capital gains, dividend income, or stock options eligible for the stock option deduction, or who have stock options of listed public companies that are donated to charity. It could have implications for employees who are tax equalized and for employers' efforts to attract employees to take assignments to Canada.

Details: in Brief

Donated securities are not included as taxable income under regular taxation; however, under the proposed AMT rules, there will be a 30-percent inclusion for the AMT calculation. Under the regular income tax calculation, only 50 percent of capital gains are taxable; however, the proposed AMT update will require 100 percent (up from 80 percent) to be included for purposes of the AMT calculation. Employee stock options that are eligible for the stock option deduction will not benefit from this deduction for AMT purposes.

The below table highlights certain changes that may be relevant to global-mobility taxpayers (and their tax service providers):

Items Affecting AMT Base	Draft AMT Rules	Existing AMT Rules
Capital gains	Include 100%	Include 80%
Gains from listed personal property	Include 100%	Include 80%
Capital loss carryforwards	Deduct 50%	Deduct 80%
Allowable business investment losses	Deduct 50% of business investment losses (BILs)	Deduct 80% of BILs
Employee stock option benefits to the extent that a deduction is available	Include 100%	Include 80%
Capital gains on donations of publicly listed securities	Include 30%	No inclusion
Employee stock option benefits to the extent that a deduction is available because the underlying securities are publicly listed securities that have been donated	Include 30%	No inclusion
Capital gains on donations of property other than publicly listed securities	Include 100%	Include 50%
Capital gains allocated by trusts to beneficiaries	Include 100%	Include 80%
Certain employment expenses	Deduct 50%	Deduct 100%
Deductions for Canada Pension Plan (CPP)/Quebec Pension Plan contributions on self-employed earnings, enhanced CPP contributions and Quebec parental insurance plan self-employed premiums	Deduct 50%	Deduct 100%
Moving expenses	Deduct 50%	Deduct 100%
Child-care expenses	Deduct 50%	Deduct 100%

Source: KPMG LLP, Canada

These rules are expected to be in effect after the 2023 tax year.

KPMG INSIGHTS

Taxpayers who are considering making a donation of securities may want to do so before the end of 2023, and taxpayers with vested stock options may want to exercise before the end of 2023. Costs to employers who tax equalize their employee's personal income may increase, or, if employees are responsible for taxes on personal income, they may find coming to Canada for an assignment unattractive.

FOOTNOTES:

1 Finance Canada, "Fall Economic Statement 2023" at: <https://www.budget.canada.ca/fes-eea/2023/report-rapport/FES-EEA-2023-en.pdf> .

2 "[Revised AMT Rules — Review: Your Tax Plans Now](#)" in *TaxNewsFlash-Canada* (August 24, 2023, Volume 2023-34), a publication of the KPMG International member firm in Canada.

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Contact us

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