



GMS Flash Alert



2023-237 | December 8, 2023

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.

* * * *

Contact us

For additional information or assistance, please contact your local GMS professional or the following professional with the KPMG International member firm in Canada:



Sonia Gandhi
Partner and Canadian Leader
KPMG LLP – Tax
Tel. +1-416-549-7870
soniagandhi@kpmg.ca

The information contained in this newsletter was submitted by the KPMG International member firm in Canada.

© 2023 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

www.kpmg.com

kpmg.com/socialmedia



© 2023 KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. Printed in the U.S.A. NDPPS 530159

The KPMG name and logo are registered trademarks or trademarks of KPMG International. The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.

KPMG LLP is the U.S. firm of the KPMG global organization of independent professional services firms providing Audit, Tax and Advisory services. The KPMG global organization operates in 147 countries and territories and has more than 219,000 people working in member firms around the world.

Each KPMG firm is a legally distinct and separate entity and describes itself as such. KPMG International Limited is a private English company limited by guarantee. KPMG International Limited and its related entities do not provide services to clients.

GMS Flash Alert is a publication of the KPMG LLP Washington National Tax practice.