

## Federal budget briefing 2019

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The Honourable Bill Morneau, Minister of Finance, tabled the Liberal government's fourth budget on March 19, 2019 (Budget 2019).

Budget 2019 is ambitious in its spending, contemplating a deficit of \$19.8 billion for the 2019-2020 fiscal year. This represents the second-highest deficit for a post-budget fiscal year out of five prior election year budgets. Budget 2019 introduces new programs intended to increase the affordability of housing for first-time home buyers, improve skills training for workers, increase the accessibility and affordability of post-secondary education, reduce the cost of prescription drugs, promote cleaner and more efficient energy consumption and bring high-speed internet access to all Canadians. As in [Budget 2018](#), Budget 2019 does not include any specific reaction to U.S. [tax reform](#) and relatively little is done to assist the business community. The corporate tax rate remains unchanged.

The business tax measures in Budget 2019 continue the government's apparent focus on financial institutions, introducing new measures relating to so-called "character conversion" transactions and certain cross-border securities lending arrangements, some of which are relieving. Other amendments are proposed to limit the ability of mutual fund trusts to allocate capital gains or income to redeeming unitholders in certain circumstances. Further measures introduced include the extension of the application of the foreign affiliate dumping rules to Canadian corporations controlled by non-resident individuals, non-resident trusts and groups of non-resident persons; a new proposal to introduce limitations on the employee stock option deduction in respect of options granted by certain large corporations;

minor amendments related to transfer pricing and measures aimed at supporting the Canadian journalism industry. Budget 2019 also proposes GST/HST exemptions related to foot care devices, multidisciplinary health care services and assisted human reproduction procedures.

Budget 2019 projects deficits of \$14.9 billion in 2018-2019, \$19.8 billion in 2019-2020, \$19.7 billion in 2020-2021, \$14.8 billion in 2021-2022, \$12.1 billion in 2022-2023 and \$9.8 billion in 2023-2024.

In this Budget Briefing 2019, we summarize the more significant tax proposals included in Budget 2019.

## In this Briefing

The following areas will be covered in this Budget Briefing:

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## Business income tax measures

### Character conversion transactions

In 2013, rules were introduced in the *Income Tax Act* (Canada) (the ITA) that treat gains or losses from the disposition of capital property purchased or disposed of under a “derivative forward agreement” (as defined in the ITA) on income account. Where a derivative is a purchase transaction, these rules apply where the amount payable under the derivative is determined by reference to the value of an “underlying interest,” including a value, price, rate (other than certain foreign exchange fluctuations), variable, index, event, probability or thing, other than revenue, income or cashflow in respect of the purchased property, or changes in the fair market value of the purchased property, over the term of the agreement. In other words, as currently enacted, the derivative forward agreement rules specifically exclude purchase contracts where the price payable under the contract is determined by reference to the value of the capital property to be acquired thereunder, or revenue, income or cash flow in respect of such property.

Budget 2019 introduces proposals that would limit this specific exclusion where

- the purchased property is a “Canadian security” as defined in the ITA or a partnership interest that derives any part of its value from a “Canadian security”;
- the purchase agreement is an agreement to acquire property from a “financial institution” as defined for purposes of the mark-to-market rules in the ITA or a “tax indifferent investor” as defined in the ITA; and

- it can be reasonably considered that one of the main purposes of the series of transactions or events, or any transaction or event in the series of which the purchase agreement is part, is for all or any portion of the capital gain on a disposition of the Canadian security, as part of the same series of transactions or events, to be attributable to amounts paid or payable on the Canadian security by the issuer thereof as interest, dividends or income of a trust other than income paid out as capital gains of the trust.

These proposals would apply on or after Budget Day, subject to grandfathering for existing agreements until the end of 2019 similar to the grandfathering provided when the currently enacted derivative forward agreement rules were introduced in 2013.

## Mutual fund trust allocations

“Mutual fund trusts” (as defined in the ITA) are commonly used as pooled investment vehicles for retail investors. They can take the form of conventional investment funds, or exchange traded funds, the units of which are listed on a stock exchange. While mutual fund trusts are treated as separate taxpayers, they operate as flow-through vehicles. Income earned by a mutual fund trust is deductible to the mutual fund trust when made payable to investors, and a complex and imperfect capital gains refund mechanism is intended to prevent realized capital gains from being taxed in the hand of both the mutual fund trust and its investors. Amounts distributed by a mutual fund trust may also retain their tax character in the hands of investors by being designated by the mutual fund trust as capital gains, Canadian dividends or foreign source income. Taken together, these rules permit earnings of the mutual fund trust to be taxed in the hands of investors in a manner similar to how they would have been taxed in the mutual fund trust.

The imperfect nature of the capital gains refund mechanism has led to the practice of mutual fund trusts allocating capital gains to investors who redeem their units. Such allocation permits capital gains arising on the sale of a mutual fund trust’s investments to be taxed in the hands of a redeeming unitholder who may have triggered the sale of the assets by requesting the redemption. The Canada Revenue Agency (CRA) has issued rulings permitting this practice over the last 20 years, recognizing that it provides for a more equitable allocation of capital gains to unitholders than is available under the capital gains refund mechanism. A mutual fund trust that allocates capital gains to a redeeming unitholder would receive an offsetting deduction in computing its net income, and the allocated amount would retain its character as a capital gain in the hands of the redeeming investor.

The CRA rulings also indicate that a capital gain allocated to a unitholder in this manner would reduce the investor’s proceeds of disposition in respect of the mutual fund trust units redeemed. The effect of such a reduction is to prevent the investor from being allocated a capital gain on the redemption, and also realizing a capital gain on the redemption itself. Materials accompanying Budget 2019 identify as “inappropriate” the reduction of a redeeming unitholder’s proceeds of disposition to the extent it exceeds the capital gain that would otherwise have been realized by the unitholder if no capital gains allocation had been made by the mutual fund trust. Budget 2019 proposes to curtail this practice by denying a mutual fund trust an offsetting deduction in respect of any portion of a capital gains allocation to a redeeming unitholder that exceeds this amount.

The extent to which a mutual fund trust will be able to comply with this proposed measure will depend on its ability to track the adjusted cost base of a redeeming unitholder’s units. This may prove to be difficult for some mutual fund trusts, particularly those whose units are listed on a stock exchange.

In addition, Budget 2019 proposes to deny a deduction to a mutual fund trust that allocates

any amount of ordinary income to a redeeming unitholder in circumstances where the redemption proceeds of the unitholder are reduced on the allocation. This measure would apply regardless of the cost of the redeeming unitholder's units.

The foregoing proposed measures would apply to taxation years of mutual fund trusts that begin on or after Budget Day.

## Cross-border securities lending arrangements

Under a securities lending transaction involving corporate shares, one party (the lender) transfers shares to a second party (the borrower) generally pursuant to an agreement under which the borrower agrees to make payments to the lender equivalent to the amount of dividends paid on the share during the term of the agreement, and provides collateral to the lender to support its obligation to return the share to the lender at the conclusion of the agreement.

Under existing rules applicable to "securities lending arrangements" (as defined in the ITA), where the borrower is a Canadian resident undertaking such activities in Canada, and the lender is a non-resident, withholding tax consequences under the ITA on dividend equivalent payments made by the borrower to the lender will depend on the type and amount of collateral posted by the borrower under the arrangement. In particular, where the borrower posts cash or government debt with a value of 95% or more of the lent share throughout the term of the arrangement, the dividend equivalent payment will be deemed to be a dividend paid on a Canadian share. This result occurs whether or not the lent security is in fact a Canadian share, such that dividend equivalent payments in respect of foreign shares lent to the Canadian resident borrower under such agreements are effectively treated as dividends paid on Canadian shares for withholding tax purposes.

Budget 2019 proposes to remedy the unusual result described above by excepting from Canadian withholding tax dividend equivalent payments made by Canadian borrowers where the lent security is a share of a class of the capital stock of a non-resident corporation, the 95% collateralization test is satisfied, and the borrower is entitled to enjoy directly or indirectly, the benefits of all or substantially all income derived from the posted collateral. It is unclear why the government chose to propose relief only for securities loans that meet these collateralization requirements.

In addition, Budget 2019 would remove the distinction between dividend equivalent payments made by Canadian borrowers undertaking securities lending activities in Canada under securities lending arrangements that meet the current 95% collateralization test, which are deemed under existing legislation to be Canadian source dividends, and those made under arrangements that are not so collateralized, which are currently deemed to be payments of interest. Draft proposals in Budget 2019 would deem dividend equivalent payments made by such Canadian resident borrowers under securities lending arrangements (and "specified securities lending arrangements," as defined in the ITA) as Canadian source dividends, regardless of whether the arrangement is a fully collateralized arrangement.

Budget 2019 also introduces proposed legislation that would affect the way in which payments made by Canadian borrowers under securities lending arrangements and specified securities lending arrangements are treated for treaty purposes. For example, where a non-resident lender transfers a Canadian share to a Canadian borrower, the non-resident lender would be deemed for such purposes to be the beneficial owner of the Canadian share, and the "SLA compensation payment" (as defined in the ITA) made by the Canadian borrower to the lender is deemed for treaty purposes to be made by the issuer of the Canadian share. Where the SLA compensation payment made by the Canadian borrower

under a securities lending arrangement or specified securities lending arrangement is deemed to be interest, and the arrangement is a fully collateralized arrangement, the 2019 Budget proposals would deem the payment to be made on the borrowed security.

Proposals relevant to dividend equivalent payments on foreign shares would be effective in respect of amounts paid or payable or credited on or after Budget Day. The remaining proposals discussed above would be effective in respect of amounts paid or credited as SLA compensation payments on or after Budget Day, subject to grandfathering for payments made prior to October 2019 pursuant to a written arrangement entered into before Budget Day.

## Enhanced capital cost allowance for zero-emission vehicles

Under the ITA, a taxpayer is entitled to deduct a portion of the capital cost of depreciable property that is used in a business as a capital cost allowance (CCA). The CCA regime is generally intended to approximate the depreciation expense associated with certain classes of depreciable property. However, Budget 2019 proposes to provide a temporary 100% CCA deduction in respect of certain zero-emission vehicles newly acquired for use in a business by creating two new classes of depreciable property. Eligible zero-emission vehicles include fully electric vehicles, fully hydrogen-powered vehicles and certain plug-in hybrids and can be passenger vehicles, taxis, rental vehicles or heavy trucks or tractors designed for hauling freight. The CCA deduction in respect of passenger vehicles would be limited to \$55,000 (plus sales tax).

The proposed measures would apply to eligible zero-emission vehicles acquired on or after Budget Day that become available for use prior to 2028. A phase-out period will apply in respect of eligible zero-emission vehicles acquired after 2023.

## Support for Canadian journalism

Budget 2019 proposes to implement measures to support the Canadian journalism community including:

- allowing certain “qualified Canadian journalism organizations” (QCJO) to register as qualified donees under the ITA as of January 1, 2020, for the purposes of receiving charitable donations;
- creating a new refundable labour tax credit for qualifying journalism organizations in respect of salary and wages paid to newsroom employees (up to a maximum per employee) as of January 1, 2019; and
- creating a new non-refundable personal tax credit for subscriptions to digital news subscriptions in respect of amounts paid after 2019 and before 2025 (the maximum tax credit will be \$75 annually).

To qualify for the new measures, a journalism organization must first satisfy the requirements of being a QCJO. Generally, this requires the organization to meet certain criteria relating to the residency of directors and officers, number of employees and production content, as well as additional criteria developed by an independent panel that will be established for this purpose.

## Elimination of taxable income criteria in calculating SR&ED tax credits for CCPCs

Budget 2019 proposes to eliminate the taxable income criteria in determining the expenditure limit for a Canadian-controlled private corporation (CCPC) for purposes of the 35% enhanced refundable tax credit for SR&ED activities. As a result, the 35% tax credit will be fully available to a CCPC (regardless of its income) for up to \$3 million in qualifying activities provided its capital remains below \$10 million. As capital increases above \$10 million, the amount eligible for the 35% tax credit is reduced. This measure has no effect on the 15% tax credit available to non-CCPCs conducting qualified SR&ED activities (or qualified amounts of a CCPC in excess of its expenditure limit).

The measure applies to taxation years that end on or after Budget Day and is forecasted to cost the government an additional \$395 million over five years.

## International tax measures

### Extension of foreign affiliate dumping rules

Budget 2019 proposes to extend the application of Canada's foreign affiliate dumping rules.

Prior to 2012, a foreign corporation (ParentCo) could cause a subsidiary corporation resident in Canada (a CRIC) to invest in a foreign subsidiary (ForCo) on a tax-efficient basis. If the CRIC used borrowed money to make the investment, interest on the borrowed money was generally deductible to the CRIC, while dividends received from ForCo may have been effectively exempt from Canadian tax to the extent they were paid out of exempt surplus. If the CRIC used retained earnings to acquire ForCo shares from ParentCo, then ParentCo could get access to those funds without having to pay the Canadian withholding tax that would have arisen on a dividend from the CRIC.

To reduce the tax efficiency of these and similar transactions, the Government of Canada implemented the foreign affiliate dumping rules in 2012. Generally, these rules may result in the following adverse tax consequences:

- the CRIC may be deemed to pay a dividend to ParentCo in an amount that is generally equal to the amount of the investment made by the CRIC in ForCo. This deemed dividend may be subject to Canadian withholding tax; and
- the paid-up capital in respect of the shares of the CRIC held by ParentCo may be reduced by the same amount that the paid-up capital in respect of the shares of ForCo increased as a result of the investment by the CRIC in ForCo – this reduction of paid-up capital reduces the “equity amount” in respect of the CRIC's shares held by ParentCo for purposes of the thin capitalization rules, which may limit the ability of the CRIC to deduct interest paid on borrowed money.

Additional complex rules provide for the potential application of the foreign affiliate dumping rules on certain indirect investments, the potential ability to avoid deemed dividend treatment through elected paid-up capital reductions, potential reinstatements of previously reduced paid-up capital, and certain exceptions to the rules (including with respect to certain

corporate reorganizations).

As currently drafted, the foreign affiliate dumping rules apply only where the CRIC is controlled by a non-resident corporation. Budget 2019 proposes to extend the application of the foreign affiliate dumping rules to CRICs that are controlled by:

- a non-resident person (which can be a corporation, an individual or a trust); or
- a group of non-resident persons (which can be any combination of corporations, individuals or trusts) who do not deal with each other at arm's length.

The extended rules apply to transactions and events that occur on or after Budget Day.

## Transfer pricing measures

Budget 2019 proposes two transfer pricing-related measures.

The first measure is an ordering rule that prioritizes a transfer pricing adjustment ahead of the application of other provisions of the ITA. The rule clarifies the order of application where both the transfer pricing rules and other rules of the ITA may apply to a particular item. The current exceptions to the transfer pricing rules that apply where a controlled foreign affiliate owes an amount to a Canadian resident corporation, or a guarantee is made in respect of an amount owing by such affiliate, would continue to apply. This measure would apply to taxation years that begin on or after Budget Day.

The second measure would increase the Minister's ability to rely on an extended three-year reassessment period in respect of a "transaction" involving a taxpayer and a non-arm's length non-resident. Budget 2019 proposes to broaden the definition of "transaction" for this purpose to include an "arrangement" or "event." This change would apply to taxation years for which the normal reassessment period ends on or after Budget Day.

## Combatting aggressive international tax avoidance

Budget 2019 provides a brief update on Canada's participation in the OECD/G20's Base Erosion and Profit Shifting (BEPS) Initiative. For further information on the BEPS initiative please see our [BEPS resource page](#).

Budget 2019 indicates that the government is committed to working with international partners on improving and updating the international tax system and to ensure a "coherent and consistent response" to fight international tax avoidance. Budget 2019 points to the following developments:

- Canada is participating in an OECD review of the standard for country-by-country reports, which large Canadian multinational enterprises were required to file with the CRA as of 2018. This review is scheduled to be completed in 2020; and
- Canada is taking the necessary steps to enact the *Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting* (the MLI) into Canadian law and to ratify the MLI as needed – no update was provided as to when the enactment and ratification process is expected to be completed.

## Personal income tax measures

### Housing affordability

#### First-Time Home Buyer Incentive

Budget 2019 proposes to introduce the First-Time Home Buyer Incentive (Incentive Mortgage), a shared-equity mortgage administered by the Canada Mortgage and Housing Corporation (CMHC). The Incentive Mortgage allows eligible first-time buyers with household incomes under \$120,000 to borrow 5% to 10% of the purchase price from CMHC. The amount borrowed from CMHC would be repayable in certain circumstances, including when the home is sold. Budget 2019 does not make it clear whether interest would accrue during the term of the loan or whether some amount greater than the amount initially borrowed would be repayable at the end of the term (perhaps by reference to the increase in the value of the property).

#### First-Time Home Buyers' Plan

Currently, the Home Buyers' Plan (HBP) allows first-time home buyers to withdraw up to \$25,000 from their Registered Retirement Savings Plan to purchase a home without having to pay tax on the withdrawn amount. Budget 2019 proposes to increase the HBP limit to \$35,000 per first-time home buyer or \$70,000 per couple. Persons who experience the breakdown of marriage or common-law partnership will be permitted to participate in the HBP even if they are not first-time home buyers provided that the separated person lives separate and apart from their spouse or common law partner for at least 90 days. The changes will apply to HBP withdrawals made after 2019.

Budget 2019 also contemplates a \$4-billion Canada Housing Benefit, the details of which are to follow.

### Mortgage stress tests

While Budget 2019 does not alter the recently introduced mortgage stress tests, it does indicate that the government would adjust the stress tests if the economic conditions warrant such an adjustment. It had been speculated that Budget 2019 would increase the amortization period for insured mortgages to 30 years from the 25-year maximum that is currently in place. This anticipated change did not make its way into Budget 2019.

### Increasing housing supply

Budget 2019 expands the existing Rental Construction Financing Initiative that provides low-cost loans for the construction of rental housing by allocating an additional \$10 billion over nine years. Budget 2019 also outlines two projects that are aimed to increase the supply of housing. The first is a new \$300-million Housing Supply Challenge that allows stakeholders to propose measures that reduce barriers to new housing. The second is an investment of \$4 million into the work of the Expert Panel on the Future of Housing Supply and Affordability — a panel tasked with increasing the supply of housing in British Columbia.

Contrasting the supply-side measures to the demand-side measures shows an obvious disconnect. Most demand-side measures have an immediate effect whereas most supply-

side measures are in their infancy stage and will take years to yield results.

## Skills training

Budget 2019 proposes to establish a two-pronged Canada Training Benefit: a non-taxable \$250 annual Canada Training Credit (CTC) and an Employment Insurance Training Support Benefit (EITSB). CTC accumulates automatically each year up to a lifetime limit of \$5000, and is designed to offset training costs at colleges, universities and other eligible institutions. In order to be eligible for the CTC in a year an individual must meet the following conditions:

- file a tax return;
- be between the ages of 25 and 65 at the end of the year;
- be resident in Canada throughout the year;
- have earnings of \$10,000 or more in the year; and
- have an individual net income for the year that does not exceed the top of the third tax bracket for the year (\$147,667 in 2019).

EITSB provides up to four weeks of income support every four years when an individual takes time away from work for training purposes.

## Employee stock option deduction

An employee stock option is a right granted by a company to its employees that allows the employees to purchase stock of the company at a predetermined price. Under the ITA, when an employee has exercised the stock option and acquired the shares, the employee will realize a taxable benefit equal to the excess of the value of the shares at the time of acquisition over the exercise price paid for the shares. When the exercise price of the option is fixed at an amount that is not less than the fair market value of the share at the date the option was granted, and provided certain other conditions are met, the employee can claim a deduction equal to one-half of the taxable benefit, resulting in a preferential tax rate for employee stock options that is the same as the tax rate applicable to capital gains.

Budget 2019 proposes to limit the availability of the employee stock option deduction for high-income individuals employed at “large, long-established, mature firms” by applying a \$200,000 annual cap on employee stock option grants based on the fair market value of the underlying shares at the time that the option is granted that are eligible for the employee stock option deduction. No annual limit is contemplated for employee stock options granted by “start-ups and rapidly growing Canadian businesses.”

The government’s stated objective in proposing these changes is to align Canada’s employee stock option tax treatment with that of the United States.

Budget 2019 does not provide any legislative proposals in respect of the limitation on employee stock option deductions. In particular, no clarity is provided with respect to the meaning of the phrases “large, long-established, mature firms” and “start-up or rapidly growing Canadian businesses.” In addition, Budget 2019 does not provide any guidance on whether the \$200,000 annual limit will be indexed to inflation.

Interestingly, one of the examples provided in Budget 2019 that explains the operation of the employee stock option proposals suggests that amounts in excess of the \$200,000 annual cap may be deductible to the employer that granted the option.

Budget 2019 indicates that any new measures would only apply on a going-forward basis and will not apply to any employee stock options granted prior to the announcement of legislative proposals. Further details will be released before the summer of 2019.

## Carrying on a business in a TFSA

Individuals can generally earn investment income in a Tax-Free Savings Account (TFSA) on a tax-exempt basis. However, to the extent that income is earned within a TFSA from carrying on a business, such income remains subject to tax under Part I of the ITA.

Under the ITA, a TFSA is generally treated as a trust with a financial institution acting as the trustee. Currently, the trustee of the TFSA is jointly and severally liable with the TFSA for any Part I tax that may arise in respect of the TFSA, whereas the holder of the TFSA (i.e., the individual account holder) is not, despite the fact that the TFSA holder is best positioned to know whether the activities performed by the TFSA amount to carrying on a business (and in fact, the holder of the TFSA is typically the person responsible for performing such activities).

Issues arise where the TFSA has a Part I tax liability as a result of carrying on a business, but there are insufficient assets available within the TFSA for the trustee to pay such liability. In this instance, the trustee is personally liable for the Part I tax liability whereas the TFSA holder is not.

Budget 2019 proposes to address these concerns by imposing joint and several liability on the holder of a TFSA for any Part I tax liability in respect of the TFSA. In addition, any joint and several liability imposed upon the trustee of the TFSA will be limited to the amount of property held within the TFSA plus the amount of any distributions of property out of the TFSA on or after the date that a notice of assessment is issued in respect of the Part I liability.

## Sales and excise tax measures

Budget 2019 proposes to extend GST/HST relief in respect of certain health care services and products.

Although services rendered by licensed health care professionals as part of a multidisciplinary team would be exempt from GST/HST if such services were supplied separately, the *Excise Tax Act* (the ETA) does not currently contain a provision that explicitly relieves the GST/HST from the service of a multidisciplinary health care team that combines elements of the various practices. Budget 2019 proposes to exempt from GST/HST the supply of these multidisciplinary services provided that all or substantially all of the services are rendered by health professionals acting within the scope of their profession. This measure applies to supplies made after Budget Day.

Supplies and imports of human ova and imports of in vitro embryos will be relieved of GST/HST, similar to the relief already provided for human sperm. This measure applies to supplies and imports made after Budget Day. The government also announced its intention to review the income tax treatment of fertility-related medical expenses under the medical expense tax credit.

Licensed podiatrists and chiropodists will be added to the list of practitioners on whose order supplies of footcare devices are zero-rated for GST/HST purposes.

## Cannabis taxation

Budget 2019 makes adjustments to excise duties under the ETA. Edible cannabis, cannabis extracts (including cannabis oils) and cannabis topicals will be subject to an excise duty at a flat rate based on the quantity of total tetrahydrocannabinol (THC) as opposed to the existing duty based on the higher of a flat rate or *ad valorem* rate.

The current excise duty regime and rates for fresh and dried cannabis and seeds and seedlings are not affected by Budget 2019. Current exemptions for fresh and dried cannabis, cannabis oils that contain no more than 0.3% THC, and pharmaceutical cannabis products remain unchanged.

The proposed changes will come into effect on May 1, 2019 (with the exception of cannabis oil product packaged before May 1, 2019, regardless of the final sale date to a purchaser).

## Administrative measures

### Increased funds for improving tax compliance and client service

Budget 2019 proposes to spend an additional \$217 million over five years beginning in 2019-2020 to combat tax evasion and aggressive tax avoidance (with forecasted revenues of \$369 million from such efforts). The CRA proposes to hire additional auditors, build its expertise in digital economy and cryptocurrency transactions, enhance its ability to review data concerning non-resident withholding, and replace information technology systems.

Budget 2019 also proposes spending \$50 million over five years starting in 2019-2020 to create four new dedicated real estate audit teams (in British Columbia and Ontario), focusing on reporting of principal residence sales, capital gains from the sale of other real estate, income from real estate flipping, commissions and appropriate remission of GST/HST on new residential properties (with forecasted revenues of \$68 million from such efforts).

Budget 2019 proposes to invest an additional \$50 million over five years starting in 2019-2020 to improve its customer service by hiring additional staff to deal more efficiently with taxpayer requested adjustments to tax returns post-filing and extend the dedicated telephone support line for tax service providers.

Budget 2019 proposes allowing the CRA to send requirements for information electronically, as of January 1, 2020, to banks and credit unions where the bank or credit union has provided consent.

## Outstanding tax measures

Budget 2019, in accordance with the government's customary disclosure of previously announced measures, confirms the government's intention to proceed with the previously announced tax and related measures, as modified to take into account consultations and deliberations since their release, including:

- measures announced on November 21, 2018, in the Fall Economic Statement to:
  - provide for the Accelerated Investment Incentive;
  - allow the full cost of machinery and equipment used in the manufacturing and processing of goods, and the full cost of specified clean energy equipment, to be written off immediately;
  - extend the 15% mineral exploration tax credit for an additional five years, and
  - ensure that business income of communal organizations retains its character when it is allocated to members of the communal organization for tax purposes;
- regulatory proposals released on September 17, 2018, relating to the taxation of cannabis;
- remaining legislative and regulatory proposals released on July 17, 2018, relating to the GST/HST;
- measures referenced in Budget 2018 to support employees who must reimburse a salary overpayment to their employers due to a system, administrative or clerical error;
- measures announced in Budget 2018 to implement enhanced reporting requirements for certain trusts to provide additional information on an annual basis;
- measures announced in Budget 2018 to facilitate the conversion of Health and Welfare Trusts to Employee Life and Health Trusts;
- measures confirmed in Budget 2016 relating to the GST/HST joint venture election;
- measures announced in Budget 2016 expanding support for electric vehicle charging stations and electrical energy storage equipment; and
- measures announced in Budget 2016 on information reporting requirements for certain dispositions of an interest in a life insurance policy.

If you have any questions or require additional analysis on Budget 2019, please contact any member of our [National Tax Department](#).

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