

Possible Income Tax Changes Following the Recent Federal Election

September 2021

During the recent Federal election campaign, the Federal political parties released detailed election platforms outlining numerous tax measures. Given the continued minority Liberal government resulting from the September 20 election, it is worthwhile to review the Liberal election platform to consider possible future income tax changes.

In light of the priorities to be highlighted in the upcoming minority Liberal government's Throne Speech, it is possible that tax changes could be announced in an Economic Statement later this fall or in a 2022 Federal Budget next spring, depending on support from one of the other main political parties.

Summary of tax measures from Liberal election platform

In addition to the key platform theme of delivering a 50% cut in childcare fees next year (and \$10 a day childcare in five years or less), the numerous income tax measures from the [Federal Liberal election platform](#) are summarized below. Note that the measures have not yet been formally introduced and will require the support of at least one other political party, so the measures may be modified and/or may not ultimately be enacted into law. Readers are cautioned to consult with their tax advisors for specific advice on how they may be affected by any potential tax changes.

New income taxes, rates and tax credits

- Raise corporate income taxes on banks and insurance companies earning >\$1 billion per year and introduce a temporary Canada Recovery Dividend.
- Create a minimum tax rule so that everyone who earns enough to qualify for the top tax bracket pays at least 15% each year, removing their ability to artificially pay no tax through excessive use of deductions and credits.

- Implement a tax on luxury cars, boats, and planes as outlined in the 2021 Federal Budget.
- Expand the Medical Expense Tax Credit to include costs that have been reimbursed to a surrogate mother for her IVF expenses.
- Increase the Eligible Educator School Supply Tax Credit refundable tax credit to 25% (from 15%).
- Introduce a new Labour Mobility Tax Credit for building and construction workers for travel and temporary relocation expenses.
- Introduce a new 15% tax credit to cover the cost of home appliance repairs performed by technicians (up to \$500).

Health care

- Offer health care professionals a one-time income tax deduction of up to \$15,000 over their first 3 years of practice to help with the costs of setting up a practice.
- Undertake a comprehensive review of access to the Disability Tax Credit, CPP Disability and other Federal benefits and programs to ensure they are available to people experiencing mental health challenges.

Housing

- Introduce a tax-free First Home Savings Account (combining the features of both an RRSP and TFSA), to allow Canadians under 40 to save up to \$40,000 towards their first home, and to withdraw it tax-free to put towards their first home purchase, with no requirement to repay it.

- Enhance the First-Time Home Buyers' Incentive ("FTHBI") to allow a choice between the current shared-equity approach or a loan that is repayable only at the time of sale.
- Double the First-Time Home Buyers Tax Credit, from \$5,000 to \$10,000.
- Introduce a new Multigenerational Home Renovation 15% tax credit to help families add a secondary unit to their home for an immediate or extended family member (for up to \$50,000 in eligible renovation and construction costs).
- Establish an anti-flipping tax on residential properties, requiring properties to be held for at least 12 months, subject to exemptions for changes in life circumstances (e.g., pregnancy, death, new job, divorce, or disability) and allow a potential seller's deduction for legitimate investments in refurbishment.
- Impose a proportional surtax on landlords for excessive rent following a renovation.
- Ban foreign money from purchasing a non-recreational, residential property in Canada for the next two years (unless purchase is confirmed to be for future employment or immigration in the next two years).
- Extend the proposed national tax on non-resident, non-Canadian owners of vacant, underused housing, announced to begin on January 1, 2022, to include foreign-owned vacant land within large urban areas.
- Review the tax treatment of large corporate owners of residential properties, such as Real Estate Investment Trusts ("REITs").

Families / Seniors / Students

- Expand the Canada Caregiver Credit into a refundable, tax-free benefit.
- Introduce a new Canada Disability Benefit for low-income Canadians with disabilities aged 18-64.
- Implement the proposed increase to OAS by 10% next year for seniors 75 and over; increase the GIS by \$500 for single seniors and \$750 for couples, starting at age 65; and increase the Canada Pension Plan and Quebec Pension Plan survivor's benefit by 25%.
- Double the Home Accessibility Tax Credit, to \$20,000.
- Introduce a Career Extension Tax Credit to help seniors who wish to stay in the workforce.

- Permanently eliminate the Federal interest on Canada Student Loans and Canada Apprentice Loans and increase the repayment assistance threshold to \$50,000 for Canada Student Loan borrowers who are single (to defer the requirement to repay their loans until they earn at least \$50,000 annually).

Economy / Pandemic supports

- Expand the Canada Workers Benefit to support additional Canadians in low-wage jobs.
- Move forward with a stronger and more inclusive Employment Insurance ("EI") system that addresses gaps made obvious during COVID-19, including a new EI benefit for self-employed Canadians to provide unemployment assistance comparable to EI (for up to 26 weeks), and an EI Career Insurance Benefit to provide additional support beyond regular EI for those who have worked continuously for the same employer for five or more years and are laid off when the business closes.
- Extend the deduction for work-from-home-expenses for an additional two years, through the 2022 tax year, and increase the deductible amount to \$500 (from \$400).
- Extend the Canada Recovery Hiring Program ("CRHP") to March 31, 2022, and provide the tourism industry with temporary wage and rent support of up to 75% of eligible expenses between September 2021 and May 31, 2022.

Other

- Significantly increase the resources of the Canada Revenue Agency (by up to \$1 billion) to combat aggressive tax planning and tax avoidance.
- Modernize the general anti-avoidance rule regime in order to focus on economic substance (and restrict the ability of Federally-regulated industries to use tiered structures as a form of corporate tax planning).
- Work with international partners to implement a global minimum tax.
- Eliminate flow through shares for oil, gas, and coal projects.
- Reform the Scientific Research and Experimental Development ("SR&ED") Program to reduce administration and better promote innovation, productivity and new jobs.

NDP election platform

As noted previously, given the re-election of the Federal Liberals in a minority government, it will be necessary for the Liberals to work with at least one other political party to pass any tax measures from their mandate. Given the allegiances with the Federal New Democratic Party (“NDP”) from the previous parliamentary session and the commonalities in their respective 2021 election platforms, it is likely that the Liberal party will continue to work with the NDP to pass legislation. It is therefore noteworthy to highlight some of the common measures in the Liberal and NDP election platforms to identify possible influences on forthcoming tax legislation. Specifically, the NDP outlined the following measures in their 2021 [election platform](#) which mirror those in the Liberal platform:

- \$10/day childcare;
- Doubling of the First-Time Home Buyers Tax Credit;
- An extension of wage and rent subsidies (and a hiring bonus to pay the employer portion of EI and CPP for new or rehired staff);
- 20% Foreign Buyer’s Tax on residential real estate;
- COVID-19 excess profit tax; and
- Luxury goods tax on yachts and private jets.

Other notable income tax measures included in the NDP platform include the following:

- Increase capital gains inclusion rate to 75% (from 50%);
- 1% tax on wealth over \$10MM;
- Increase corporate income tax rate by 3% to 18% (but maintaining the “small business deduction” at its current rate);
- Increase top Federal marginal rate by 2% (to 35%); and
- Income tax averaging for artists and cultural workers.

Conclusion

Following the re-election of the Federal Liberal government it is likely that important personal and corporate tax changes will be introduced, possibly as soon as an Economic Update this fall or a Federal Budget next spring. Given the numerous income tax measures outlined in the election platforms of the Liberals and the other Federal political parties, we recommend that you consult with your external tax and legal advisors for specific direction and advice on possible forthcoming tax changes that could impact your particular situation.

This document is not intended to express any view from BMO Financial Group on the likelihood or appropriateness of any forthcoming tax policy measures.

For more information, speak with your BMO financial professional.



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