Department of Finance Canada | Ministère des Finances Canada

Report on Federal Tax Expenditures

Concepts, Estimates and Evaluations

2022

Canada

Cette publication est également disponible en français.

Cat. No.: F1-47E-PDF
ISSN: 2370-6597

Table of Contents

Preface

This document reports on the estimated fiscal cost of federal tax expenditures, sets out the approach used in developing these estimates and projections, and provides detailed information on each tax expenditure. The Department of Finance Canada first reported on federal tax expenditures in 1979, and has published estimates of tax expenditures for personal and corporate income taxes as well as for the Goods and Services Tax (GST) since 1994. Over the years, this report has become a key component of the Government's reporting on the federal tax system, and has contributed significantly to the public dialogue on federal tax policies—a role it continues to play today.

This report is intended to facilitate analysis of the tax expenditures and indicate their role within the tax system. Information provided includes a description of each measure and of its objectives, cost estimates and projections (for 2016 to 2023 in this year's report), legal references, historical information, as well as references to key federal government spending programs that are relevant to the policy area of tax expenditure to better inform Canadians and Parliamentarians about related programs. The report will continue to be updated every year, providing a convenient, easily accessible point of reference for information on federal tax expenditures.

Evaluations and analytical papers addressing specific tax measures or aspects of the tax system are published every year as part of this report. This year's edition includes a Gender-Based Analysis Plus (GBA+) of tax expenditures accounting for the indirect benefits of refundable credits, a profile of claimants and beneficiaries of deductions of employment related expenses, a distributional analysis of effective marginal tax rates, and an evaluation of wage subsidy programs.

Finally, in order to provide Canadians and Parliamentarians with a broader perspective on government expenditures, the publication of this report will continue to be coordinated with the tabling of the Main Estimates in the House of Commons by the President of the Treasury Board.

Introduction

The principal function of the tax system is to raise the revenues necessary to fund government expenditures. The tax system can also be used to achieve public policy objectives through the application of specific measures such as preferential tax rates, exemptions, deductions, deferrals and tax credits. These measures are often described as "tax expenditures" because they are used to achieve a policy objective that deviates from the core function of the tax system, at the cost of lower tax revenues.

Tax expenditure reporting is considered an international best practice to foster government budgetary and fiscal transparency. The International Monetary Fund and the Organisation for Economic Co-operation and Development have both issued guidelines that provide for the annual reporting of the cost of tax expenditures.[1]

This report adopts a broad definition of the concept of tax expenditures and provides information on a wide range of federal tax measures that are considered to depart from a "benchmark" tax structure that is characterized only by the most fundamental aspects of a tax system—for instance, the application of a general tax rate to a broadly defined tax base. This broad approach provides greater transparency by ensuring that information is being disclosed on a wide range of tax measures, including measures that may not be considered tax preferences. In addition to providing information on tax expenditures, this report provides information on a number of measures that may be considered part of the benchmark tax system and that are of particular interest from a tax policy perspective. Overall, this report provides information on over 200 different income tax and GST measures.

This report is divided into four parts:

- Part 1 introduces the concepts of "tax expenditure" and "benchmark tax system", sets out the approach used in estimating and projecting the fiscal cost of federal tax expenditures, and discusses the interpretation of the estimates and projections.
- Part 2 presents the estimates of the fiscal cost of federal tax expenditures for the years 2016 to 2023 and describes changes that have been made to tax expenditures since the last edition.
- Part 3 provides detailed descriptions of the tax expenditures, including their objectives.
- Part 4 presents a GBA+ of tax expenditures accounting for the indirect benefits of refundable credits, a profile of claimants and beneficiaries of the deductions of other employment expenses and union and professional dues, a distributional analysis of effective marginal tax rates, and an evaluation of wage subsidy programs.

[1] International Monetary Fund, *Manual on Fiscal Transparency*, Fiscal Affairs Department, 2007; Organisation for Economic Co-operation and Development, *OECD Best Practices for Budget Transparency*, 2002.

Part 1

Tax Expenditures and the Benchmark Tax System: Concepts and Estimation Methodologies

Introduction

Part 1 provides methodological information on the tax expenditures and the calculation of their fiscal cost in order to facilitate the understanding of the estimates presented in Part 2. It is divided into three sections:

- The first section discusses the concepts of “tax expenditure” and “benchmark tax system” and presents the key features of the benchmark tax system that have been retained for the purpose of this report.
- The second section provides methodological information on the calculation of the cost estimates and projections.
- The third section discusses how to interpret the cost estimates and identifies some caveats in that respect.

Tax Expenditures and the Benchmark Tax System

Tax expenditure reporting is considered an international best practice in terms of government budgetary and fiscal transparency, and an increasing number of countries are adopting this practice. The scope and coverage of tax expenditure reporting vary among countries. Some countries provide information only for narrowly defined categories of tax measures, such as “tax preferences” or “tax subsidies”. Most countries, however, have adopted the practice of reporting information on a larger number of tax measures that they consider to be departures from a “benchmark” tax system. This practice, which has been retained for the purpose of this report, contributes to transparency by providing an objective basis for selecting which tax measures to include in the report.

The definition of “tax expenditure” thus depends on how the benchmark tax system is defined. This report takes a broad approach in which the benchmark tax structure is characterized by only the most fundamental aspects of the tax system. This approach ensures that information is reported on a wide range of tax measures, including measures that may not be considered tax preferences or substitutes to direct program spending. This approach is also simpler and less subject to interpretation than the alternative approach of defining tax expenditures in reference to a “normative” tax system that is considered optimal from an economic and tax policy perspective.

The following two sections describe the features of the personal and corporate income tax system and of the GST that are considered to be part of the federal benchmark tax system for the purpose of identifying the tax expenditures included in this report. The elements of the benchmark tax system include the benchmark unit of taxation, taxation period, tax base and tax rate structure, among other features. Certain tax arrangements with provincial and territorial governments are also reflected in the benchmark tax system.

Benchmark Tax System for the Personal and Corporate Income Tax

The benchmark for the personal and corporate income tax system, as defined for the purpose of this report, has the following characteristics:

Unit of Taxation

- The benchmark unit of taxation for the personal income tax is the individual or trust, while the benchmark unit of taxation for the corporate income tax is the single corporation as a separate legal entity.[2]
- The possibility for income earned by a trust to flow through to a beneficiary without attracting tax at the trust level is considered to be part of the benchmark income tax system.

[2] For income tax purposes, trusts are deemed to be individuals and are thus subject to tax as individuals. Unless otherwise specified, a reference to personal income taxation encompasses the taxation of trust income.

Taxation Period

- The benchmark taxation period is the calendar year for individuals and trusts and the fiscal period for corporations.[3] Income is taxed as earned, on an accrual basis.
- The possibility for certain trusts and estates to have non-calendar taxation years is considered to be part of the benchmark tax system.
- Under the benchmark, business and capital losses not deducted in the taxation period in which these losses arose can be carried over to prior or subsequent taxation periods in recognition of the cyclical nature of business activity and investment.

Tax Base

- The benchmark personal and corporate income tax base comprises income from most sources, including income from employment, pension income, profits from a business and from investment, capital gains, and government transfers.[4] However, the following are considered not to be income subject to tax under the benchmark tax system:
  - Non-market transfers of money and property between taxpayers, such as gifts, inheritances and spousal and child support payments, since such amounts are generally paid out of income previously subject to tax.
  - The benefits derived from non-market household services, such as those provided by homemakers.
  - Imputed rents on owner-occupied dwellings (i.e., the benefits derived by homeowners from occupying their homes).
- Taxpayers resident in Canada are subject to tax on their worldwide income, while non-residents are taxable in Canada on their income from Canadian sources only.
- Current expenses incurred to earn taxable business or property income are deductible in the year incurred. In contrast, expenses incurred to earn employment income are not deductible. Accounting or financial reserves claimed in respect of contingent liabilities are not deductible.
- The cost of a capital asset that contributes to earnings beyond the year in which the cost is incurred is deductible, once the asset is first used for the purpose of earning business income, at a rate that allocates the cost over the period during which the capital asset contributes to earnings—generally, the useful life of the asset. It is presumed that the capital cost allowance rates that are prescribed in the *Income Tax Regulations* permit the deductibility of the costs of depreciable capital assets over the useful lives of these assets, with the exception of the specific accelerated rates that are applicable to certain classes of assets.
- Losses can be deducted against income, but the excess of losses over income in a given taxation period is not refundable (as noted, unused losses can be carried over to prior or subsequent taxation periods). Losses can be deducted against income from any source, except for capital losses, which are only deductible against capital gains.

---

[3] A corporation's fiscal period is any period of 53 weeks or less.

[4] The benchmark income tax base can be considered a variant of the comprehensive income tax base as was first defined by economists Robert M. Haig and Henry C. Simons. The comprehensive income tax base would require the taxation of real current additions to purchasing power, or real increases in wealth, which would cover worldwide income from all sources—labour income, rents, dividends, interest and capital gains (adjusted for inflation), transfers, imputed rent on owner-occupied dwellings, the imputed value of household services, and gifts and inheritances. A strict application of the Haig-Simons base would make corporate income tax redundant since income earned at the corporate level would be taxed as it accrues to individuals.

Tax Rates and Income Brackets

- The benchmark personal income tax rate and bracket structure is the rate and bracket structure as it exists at any given time. The credit for the Basic Personal Amount is viewed as being part of the existing rate structure, because this credit is universal in its application and effectively provides a zero rate of tax up to an initial level of income. The taxation of most trusts at the top personal income tax rate is intended to limit the use of trusts for tax planning, and is therefore considered to be part of the benchmark.
- The benchmark corporate income tax rate is the statutory general corporate income tax rate in effect at any given time.[5]

Treatment of Inflation

- The benchmark personal and corporate income tax base considers income on a nominal basis. The indexation of the personal income tax brackets and the Basic Personal Amount to inflation is considered to be part of the benchmark.

Avoidance of Double Taxation

- Measures that provide relief from double taxation are considered part of the benchmark income tax system. Examples of relief from double taxation include:
  - Individuals and corporations are taxed separately; however, recognition is given for taxes presumed to have been paid on a corporation's income when it is subsequently distributed and subject to tax at the individual level.
  - Double taxation is also avoided in situations where an amount on which a corporation has paid tax is transferred to another corporation, for instance when a taxable Canadian corporation pays a dividend to another Canadian corporation.
  - Relief from double taxation in the international context is provided in Canada in respect of income from foreign sources earned by Canadians and Canadian corporations.[6]

Taxation of Governments and Governmental Entities

- Constitutional immunity from taxation by virtue of section 125 of the *Constitution Act, 1867* is recognized as part of the benchmark income tax system. Accordingly, neither the federal nor the provincial governments (nor their Crown agents) are liable to taxation by the other.
- Federal Crown corporations and other federal government entities are not subject to federal income tax.
- Arrangements between the federal government and provincial and territorial governments to share tax bases among the two levels of government are reflected in the benchmark tax system.

---

5 It represents the statutory rate after the federal abatement and general rate reduction. As such, the benchmark corporate income tax rate has been 15% since 2012.

6 There are three possible benchmarks for taxing the active business income of foreign affiliates of Canadian corporations: (i) that income could be taxable in Canada as it accrues, with relief provided to the extent foreign taxes were paid on the income, consistent with a pure worldwide taxation approach whereby Canadian resident taxpayers are taxed on their worldwide income as it is earned; (ii) that income could be taxable in Canada at the time it is paid out as a dividend to the Canadian corporation; or (iii) that income could be exempt from tax in Canada, both when that income is earned and at the time it is paid out as a dividend to the Canadian corporation, consistent with a territorial approach whereby only Canadian-source business income is taxed in Canada. The three possible benchmarks would have different implications for measuring tax expenditures—see the description of the measure "Tax treatment of active business income of foreign affiliates of Canadian corporations and deductibility of expenses incurred to invest in foreign affiliates" in Part 3 of this report.

Other Features

- Provisions exist to prevent certain forms of tax planning, such as the use of a holding corporation to defer tax on income from portfolio investment. These provisions are considered to be part of the benchmark as they are intended to improve the functioning of the tax system rather than to achieve other non-tax objectives.
- Non-resident withholding tax is imposed on payments to non-residents at the statutory rate of 25% or at the general rate provided for the particular type of payments under the applicable treaty.[7]
- Branch tax is imposed on the income derived by non-resident corporations from a business carried on in Canada and that is not reinvested in Canada, at the statutory rate of 25% or at the applicable treaty rate.

Benchmark Tax System for the Goods and Services Tax

The benchmark for the GST, as defined for the purpose of this report, has the following characteristics:[8]

Unit of Taxation

- The GST is intended to be borne by final consumers—in general, households.

Taxation Period

- There is no specific benchmark taxation period relevant to the determination of GST liabilities—GST is generally payable when a taxable supply is made or imported and remitted in accordance with the supplier's required filing frequency, whether it be monthly, quarterly or annual.

Tax Base

- The benchmark GST base is consumption broadly defined and comprises all goods and services consumed in Canada. As such, the benchmark for the GST provides that the tax applies on a "destination basis"—that is, at the point of consumption in Canada—and that it applies to goods and services imported into Canada, but not to goods and services exported from Canada.

Multi-Stage System

- The benchmark for the GST provides that the tax is imposed using a multi-stage system under which tax is applied to the sales of goods and services at all stages of the production and marketing chain. At each stage of production, businesses can claim tax credits to recover the GST paid on their business inputs, so that the GST effectively applies only to the value added at each stage. Since the only tax that is not refunded is the tax collected on sales to final consumers, the GST is effectively imposed on final consumption.
- The fact that certain non-commercial entities, such as governments and non-profit organizations, cannot claim input tax credits to recover the GST paid on inputs used to supply goods and services that are not subject to the GST is also treated as part of the benchmark. This results in the GST being effectively imposed on these entities in respect of the value added at earlier stages in the supply of such goods and services, unless these entities continue to exercise their Crown immunity either through the use of tax exemption certificates or by paying the GST upfront and subsequently claiming a rebate in respect of the GST paid. In certain situations, as described below, such rebates are also considered part of the GST benchmark system.

---

7 Non-resident withholding tax is often considered to act as a proxy for the income tax that would be payable had the payments been made to Canadian residents; hence the inclusion of this tax in the scope of this report.

8 A number of provinces have replaced their retail sales taxes with the Harmonized Sales Tax (HST). The base of the HST is virtually identical to that of the GST, and the HST is applied at a rate equal to the rate of the GST plus a provincial component that varies by province and is determined by each province. Sections of this report that refer to the GST/HST apply to both the federal and provincial portions of the tax whereas references to the GST apply only to the federal portion.

Tax Rate

- The benchmark rate structure for the GST is the GST rate that applies in any given year (5% since January 1, 2008).

Taxation of Governments and Governmental Entities

- As with the income tax benchmark, constitutional immunity from taxation by virtue of section 125 of the *Constitution Act, 1867* is recognized as part of the benchmark GST system. Accordingly, neither the federal nor the provincial governments (nor their Crown agents) are liable to taxation by the other.
- However, to simplify the operation of the GST for transactions involving governments and their agents, the GST applies to purchases by all federal entities (e.g., federal departments and Crown corporations). Federal Crown corporations are therefore subject to the GST in the same manner as any other business entity; however, the rebating of the GST paid by those entities under a federal remission order is also considered part of the benchmark.
- Furthermore, reciprocal tax agreements signed between the federal government and most provincial and territorial governments are recognized in the GST benchmark system. Under these agreements, governments agree to pay each other's general sales taxes and specific taxes on goods and services under certain circumstances. As a result, many provincial Crown corporations are also subject to the GST in the same manner as business entities. Provincial and territorial governments and certain of their agents identified in the reciprocal tax agreements continue to exercise their Crown immunity from GST, either through the use of exemption certificates or through GST rebates. Rebates claimed as per these agreements are also viewed as part of the GST benchmark system.
- Most supplies made by public service bodies (municipalities, universities and public colleges, schools, and public hospitals) are exempt. That is, supplies such as educational or health services are generally not taxed, but public service bodies cannot claim input tax credits to recover the GST paid on their inputs in the way businesses can. Instead, they are generally entitled to claim full or partial rebates of the GST paid on the inputs used to provide their exempt supplies. The non-taxation of the outputs and the rebates paid to public service bodies are not part of the GST benchmark system.

Main Types of Tax Expenditures

On the basis of the above definition of the benchmark tax system, it is possible to identify eight main types of tax expenditures:

Type of Tax Expenditures	Examples
The exemption from tax of certain taxpayers.	Registered charities and non-profit organizations are exempt from income tax. Transportation, communications and iron ore mining corporations are exempt from branch tax.
The exemption from income tax of certain items of income or gains.	Capital gains realized on certain donated assets are not subject to income tax.
The exemption from GST or zero-rating of certain supplies of goods or services.[9]	GST is not charged on basic groceries, health services and financial services. Vendors of zero-rated goods and services, such as suppliers of groceries, are entitled to claim input tax credits to recover the full amount of GST they paid on inputs used to produce or market zero-rated products. In contrast, vendors of exempt goods and services, such as financial institutions, are not entitled to claim input tax credits to recover the GST they paid on their inputs.
Tax rates that depart from the benchmark tax rates.	The income of small incorporated businesses is taxed at a preferential tax rate.
Tax credits, rebates and refunds.	A credit can be claimed against income tax payable in respect of above-average medical expenses incurred by individuals. A rebate is available in respect of the GST paid by public sector bodies (e.g., schools, hospitals) on purchases related to their supply of GST-exempt goods and services.
Provisions that permit the transfer of tax attributes among taxpayers or otherwise extend the unit of taxation.	Couples are allowed to split pension income for income tax purposes. Assets can be transferred between spouses or related corporations on a rollover basis.
Provisions that permit the deferral of tax or the depreciation of a capital asset faster than its useful life.	Taxation of contributions to a Registered Retirement Savings Plan and investment income earned within such a plan is deferred until these amounts are withdrawn from the plan. The cost of certain vessels can be depreciated at an accelerated rate.
Recognition is given for income tax purposes to expenses incurred to earn employment income or income that is not subject to income tax, or expenses not incurred to earn income.	Employed artists can deduct certain costs related to their employment. Charitable donations made by corporations are deductible in determining taxable income.

9 No GST is charged on exempt goods and services, while the GST applies on zero-rated goods and services, but at a zero GST rate. Vendors of zero-rated goods and services are entitled to claim input tax credits to recover the full amount of GST they paid on inputs used to produce zero-rated products; in contrast, vendors of exempt goods and services are not entitled to claim input tax credits to recover the GST they paid on their inputs.

Calculation of the Tax Expenditure Estimates and Projections

The value of a tax expenditure is calculated by estimating the revenues that the federal government forgoes as a result of the measure. This involves comparing the amount of revenues actually collected with the amount of revenues that would be collected in the absence of the measure, accounting for any changes in income-tested entitlements and assuming all else is unchanged. The method used to derive cost projections, as well as the period over which these projections are to be derived, vary depending on how the cost estimates are obtained. The cost of federal tax expenditures is projected up to 2023; as a result of delays in the availability of data, however, some of the values developed for the historical period are also projections.

The following describes how the estimates and projections presented in Part 2 and Part 3 are generally calculated. Specific information on the estimation and projection methods used for each tax expenditure can be found in the descriptions of the tax expenditures presented in Part 3 of this report. The estimation of the value of tax expenditures that are timing preferences, such as tax deferrals and provisions that accelerate the deductibility of capital costs, raises particular issues that are discussed in the annex to this part. The inclusion in the report of items for which estimates and projections are not available reflects the intention to provide information on measures that are part of the tax system even if it is not always possible to determine their fiscal impact.

Personal Income Tax Expenditures

For most income tax expenditures, the forgone revenues are estimated using micro-simulation models that calculate tax revenues and income-tested entitlements (in the case of individuals) with and without a given tax expenditure for each taxpayer. These models generally optimize the tax situation of each taxpayer in the counterfactual scenario where the measure under consideration is not in place by assuming that the taxpayer would use all available deductions or credits to offset a potential increase in taxes payable.

The majority of the personal income tax expenditure estimates are calculated using the Department of Finance Canada's personal income tax micro-simulation model (the T1 model). The micro data used in the T1 model is based on initial assessment data available a year and a half after the close of the respective tax year. Tax expenditure estimates based on the T1 model may be slightly underestimated relative to estimates based on a more mature database, with the degree of underestimation varying by measure.

Each tax expenditure accounts for changes in federal personal income tax as well as changes in income-tested entitlements delivered by the Canada Revenue Agency (e.g., child benefits and the GST/HST Credit). Tax expenditures whose costs cannot be estimated using the T1 model due to the complexity of these measures or the absence of individual tax return data are estimated using supplementary data obtained from the Canada Revenue Agency, Statistics Canada and a number of other sources (e.g., other government departments and industry associations).

There is a year and a half lag in the availability of the income tax return data used in the T1 model, and the value of personal income tax expenditures presented in this edition are therefore typically estimated using observed data up to 2019. Projections of personal income tax expenditures for subsequent years are calculated using the T1 model, which projects population, income and tax parameters to future years. Population growth is assumed to follow Statistics Canada's medium-growth population forecast by age, gender and province. Income growth assumptions, which vary by main sources of income, are consistent with the underlying forecasts used in the Department of Finance Canada's 2021 *Economic and Fiscal Update*.

In addition, the projected costs of personal income tax expenditures account for future changes to tax parameters, such as legislated changes and the indexation of tax parameters. Assumptions related to indexation are consistent with the observed Consumer Price Index and forecasts used in the *Fall Economic Statement*. In many cases, projections derived using the T1 model are also complemented by comprehensive aggregate statistics for the most recent taxation year available.

Due to the COVID-19 pandemic, T1 model projections for the 2020 and 2021 tax years have been completed using a modified approach. In order to recognize that a significant number of individuals lost their jobs or had significantly reduced employment or self-employment income, and were in receipt of Employment Insurance and COVID-19-related relief measures, adjustments were completed to alter the projected taxfiler population for these tax years based on information from Statistics Canada's Labour Force Survey, administrative data on the COVID-related measures, T-slip data, and internal projections. These adjustments to the representative taxfilers effectively removed employment and self-employment income from random taxfilers in a way that was broadly consistent with the impacts on the labour force observed from the Labour Force Survey and 2020 T4 slips, as well as consistent with internal projections reflecting the expected macroeconomic effects of the pandemic. Employment Insurance and COVID-19-related benefits were then imputed to these individuals in a way that matched the figures coming from administrative data and internal projections. Other sources of income continue to be projected based on internal projections. These model enhancements, as well as the economic uncertainty created from the pandemic, will create more variance in the estimates than in previous years.

Projections for personal income tax expenditures that are not calculated using the T1 model are either based on forecast changes in underlying economic variables or on historical trends. The projection periods for these tax expenditures will vary depending on the data sources used; exact projection periods are indicated in the descriptions of the tax expenditures found in Part 3.

Personal income tax expenditures accruing to trusts are estimated using a micro-simulation model for trust income taxation, and are projected on the same basis as personal income tax expenditures accruing to individuals or corporate income tax expenditures, depending on the measure. In general, forgone revenues are estimated under the assumption that there is no change in the amounts of trust income that are allocated to beneficiaries. Exceptions to this approach are noted in the methodological information provided in Part 3 of this report. Forgone revenues are also estimated under the assumption that there is no change in the level of unit redemptions by mutual fund trusts. Mutual fund trusts are eligible, upon the redemption of trust units, to a refund of the tax paid at the trust level on taxable capital gains (see the description of the measure "Refundable capital gains tax for investment corporations, mutual fund corporations and mutual fund trusts" in Part 3 of this report for more details). As such, the cost that may be associated with a particular tax expenditure that is of benefit to mutual fund trusts (such as the partial inclusion of capital gains) could ultimately be offset by lower capital gains refunds claimed by mutual fund trusts. This interaction is not accounted for in the estimation model (as each measure is estimated independently); therefore care should be taken in interpreting the estimates.

Corporate Income Tax Expenditures

Similar to personal income tax expenditures, forgone revenues for many corporate income tax expenditures are estimated using the Department of Finance Canada's corporate income tax micro-simulation model (the T2 model). This model simulates changes to corporate income taxes using corporation tax return data for the entire population of tax-filing corporations. The T2 model calculates taxes payable on the basis of adjusted tax provisions, and takes into account the availability of unused tax credits, tax reductions, tax deductions and losses that would be used by corporations to minimize their tax liability. Other corporate income tax expenditures are estimated using supplementary data obtained from the Canada Revenue Agency, Statistics Canada and a number of other sources (e.g., other government departments and industry associations).

The value of corporate income tax expenditures that are calculated using the T2 model must be projected for years beyond 2019. Projections are not derived from the T2 model, but rather are mainly based on the Department of Finance Canada's forecast of total corporate taxable income in the 2021 *Economic and Fiscal Update*—which would include the projected impact of COVID-19—and on legislated changes to corporate tax parameters. In many cases, preliminary data from the most recent income tax returns are also used to inform the projections. Projections for other corporate income tax expenditures are based on forecast changes in underlying economic variables (again relying on the *Economic and Fiscal Update*) or on historical trends. The years of the projections are indicated in the descriptions of the tax expenditures found in Part 3.

GST Expenditures

The value of GST expenditures cannot be estimated using a tax micro-simulation model, as sufficient micro-data on the amounts of GST paid on most transactions are unavailable. Rather, the value of most GST rebates is estimated using administrative data obtained from the Canada Revenue Agency, and the value of GST exemptions and zero-rating provisions is estimated using the Department of Finance Canada's Goods and Services Tax Model. This simulation model makes use of product-level and industry-level data from Statistics Canada's Canadian System of National Accounts (more specifically from the Supply and Use Tables and National Income and Expenditure Accounts) to estimate the amount of GST payable on finely defined expenditure categories. The value of other GST expenditures is derived either from administrative data or other supplementary data from a variety of sources (e.g., *Public Accounts of Canada*).

There is a one- to two-year lag in the availability of complete administrative data used to estimate the tax expenditures associated with most GST rebates and certain other measures. Projections for years beyond 2019 are derived from the most recent complete administrative data and forecasts of related economic variables provided in the Department of Finance Canada's 2021 *Economic and Fiscal Update* or by third parties. As for GST expenditures estimated using the Goods and Services Tax Model, the values shown for 2016 and 2017 for these tax expenditures are based on the most recent Supply and Use Tables (which are available with a three-year lag) and projected for the following years. Projections are derived from forecasts of related economic variables provided in the 2021 *Economic and Fiscal Update* or by third parties which would include the projected impact of COVID-19. In many cases, preliminary aggregate data for 2018 and 2019 are also used to inform the projections.

Interpretation of the Estimates and Projections

A number of caveats apply to the interpretation of the tax expenditure estimates and projections, which reflect the methods and data used to calculate these estimates and projections. These caveats are discussed in the following sections.

Federal-Provincial Interaction

The forgone revenue estimates presented in this report relate to federal revenues only. The federal and provincial tax and benefit systems interact with each other to varying degrees, and as a result changes to tax expenditures in the federal system may have consequences for provincial revenues. Any such provincial revenue effects are not taken into account in this publication. Information on provincial tax expenditures can be obtained by consulting the tax expenditure reports that are produced by certain provinces (see references at the end of this part).

Static Estimates and Projections

The estimates and projections presented in this report represent the amounts by which federal revenues are reduced due to the existence of each tax expenditure, assuming all other factors remain unchanged. More specifically, the estimates and projections reflect the following three assumptions:

Absence of Behavioural Responses

It is assumed that the existence of a tax expenditure does not affect taxpayer behaviour. This omission of behavioural responses in the calculation methodology generates cost estimates and projections that may exceed the revenue gains that would result if a particular provision were eliminated, since in many instances the removal of a tax expenditure would cause taxpayers to change their behaviour to minimize the amount of tax they would have to pay.

The effects of this assumption can be illustrated for the income tax by considering the taxation of capital gains. The cost of the partial inclusion of capital gains is estimated on the basis of the amount of capital gains realized by taxpayers. However, should the inclusion rate for capital gains be increased, it is likely that taxpayers would react by postponing certain transactions on capital assets in order to reduce the burden of the resulting tax increase. This would reduce the expected revenue gains for the government of increasing the inclusion rate, an effect that is not taken into account when estimating this tax expenditure. Thus, the value of the tax expenditure can be considerably different from the estimated revenue gain that the government would project if it were to eliminate the measure.

No Impact on Economic Activity

Similarly, the estimates and projections do not take into account the potential impact of a particular tax expenditure on the overall level of economic activity, and thus on aggregate tax revenues. This could also mean that the estimate of the revenue that is forgone by the government because of a tax expenditure may not correspond to the increase in revenues that would result from repealing the tax expenditure. For example, eliminating a particular tax expenditure may affect the level of consumption or economic activity, which in turn could cause a further change in the amount of tax revenue collected. Eliminating a tax expenditure would also mean that the government would have more funds available to increase spending, reduce taxes or pay down debt—actions that could have additional dynamic effects on the economy and on tax revenues.

Consequential Government Policy Changes

A third reason for differences between the estimates of forgone revenues and the revenue impact of eliminating a tax expenditure is that the former ignore potential transitional provisions and other consequential government policy changes that might accompany the elimination of a particular measure. For example, if the government were to eliminate a particular tax deferral, it could require the deferred amount to be brought into income immediately. Alternatively, it might prohibit new deferrals but allow existing amounts to continue to be deferred, perhaps for a specified period of time.

Independent Estimates and Projections

The amounts by which federal revenues are reduced due to the existence of tax expenditures are estimated independently for each tax expenditure, assuming that all other tax provisions remain unchanged. However, aggregating the cost of individual tax expenditures can provide a biased estimate of the total cost of a particular group of tax expenditures or of all tax expenditures combined, which is another reason why the elimination of a tax expenditure would not necessarily yield the full amount of revenues shown in this report.

The value of a group of tax expenditures may not correspond to the sum of the value of each tax expenditure in that group for two main reasons: the income tax rate structure is progressive, and tax measures interact with one another.

Progressive Income Tax Rates

The combined effect of claiming a number of income tax exemptions and deductions may be to move an individual to a lower tax bracket than would have applied had none of the tax measures existed. To the extent that this occurs, aggregation of the individual estimates may understate the true cost to the federal government of maintaining all tax measures. For example, consider an individual whose taxable income was $1,000 below the level at which he or she would move from the 15% into the 20.5% tax bracket. Imagine that this taxpayer arrives at this level of taxable income by using two tax deductions of $1,000 each (e.g., the deductions for child care expenses and for Registered Retirement Savings Plan contributions). Eliminating either deduction by itself would increase taxable income by $1,000 and the taxpayer's federal tax liability by $150. Eliminating both measures simultaneously, however, would not raise the tax liability by $300 ($150 + $150), but rather by $355 ($150 + $205), given the higher tax rate that would then apply to the second tranche of $1,000 that is added to the individual's income.

While there is only one statutory tax rate for corporations, the preferential tax rate for small businesses creates a de facto progressive tax rate schedule for some corporations. In this way, the above argument is valid for the corporate income tax system as well.

Interaction of Tax Expenditures

Tax expenditures may interact, and some of these interactions may not be reflected when calculating the cost of each tax expenditure separately. Adding the fiscal cost of several tax expenditures without properly adjusting for such interactions may therefore provide an inaccurate measure of the total cost of these tax expenditures.

For instance, there may be interactions between deductions and between non-refundable income tax credits in situations where a taxpayer has more deductions than needed to reduce his or her taxable income to zero or more non-refundable credits than needed to reduce tax payable to zero. As an example, in a situation where a taxpayer has $1,000 in income and claims two deductions of $600 each, eliminating each deduction independently would only increase the taxpayer's taxable income by $400 (since the other $600 deduction would still be claimed), but the combined impact of simultaneously eliminating the two deductions would be to increase taxable income to $1,000. Similarly, some taxpayers may need to use only one of several non-refundable credits available to reduce their tax liability to zero. As a result, in some cases, the revenue gain obtained from eliminating such credits one by one would be zero but their combined effect would be positive.

Another example is the interaction between pension income splitting and the Pension Income Credit, which potentially allows couples that split pension income to increase the combined amount of Pension Income Credit they can claim. For instance, a one-earner couple with total pension income of $60,000 and no other income could split income equally between the two spouses to allow the spouse with no income to claim the full value of the Pension Income Credit. The tax expenditure associated with the increased amount of Pension Income Credit being claimed is captured in the forgone revenue estimates of both pension income splitting and the Pension Income Credit. Therefore, adding the costs of these two tax expenditures would mean counting twice the tax expenditure that is attributable to the interaction between these two measures, resulting in the overestimation of the total cost of these two measures.

Another example is the interaction between GST exemptions and GST rebates. A number of services that are provided in a non-commercial context are exempt from GST, and institutions that provide these services are generally eligible for rebates on GST paid on their purchases. Although the exemptions and rebates are presented as two different tax expenditures, they are not independent. If a particular exemption were repealed, the institutions providing the exempt services would begin charging GST on their supplies and receive input tax credits. The institutions would no longer require the related rebates since the GST paid on their purchases would be relieved via input tax credits. In this report, the value of GST exemptions is calculated as the tax revenues the government would raise by taxing exempt services, net of the input tax credits that providers would then receive. However, due to data limitations, the tax expenditure estimates for GST exemptions do not account for the savings that would occur given that rebates would no longer be provided. As such, this results in an overestimation of the tax expenditures related to GST exemptions.

Changes in the Estimates and Projections

The estimated and projected costs of a tax expenditure may vary from year to year or may be revised in a subsequent edition for any particular year. Variations and revisions may be attributable to a number of factors, including the following:

Legislative Changes

Changes may have been announced to a tax expenditure that increase or reduce its estimated or projected cost. Proposed changes are taken into account for the purpose of estimating the cost of a measure, even if the enacting legislation has not received Royal Assent by the time of production of this report. Information on changes to tax expenditures since the last edition of this report is provided in Part 2, while important historical changes are noted in the descriptions of the tax expenditures in Part 3.

Broad-based changes to the tax system may affect tax expenditure estimates and projections to the extent that these changes modify the effective tax rates otherwise faced by taxpayers under the benchmark tax system, including because the changes would affect the number of individuals who do not pay tax. Specifically, a reduction (increase) in the effective tax rate under the benchmark tax system will generally result in lower (higher) tax expenditure estimates and projections. For instance, many personal income tax expenditures were affected by the reduction in the second personal income tax rate to 20.5% from 22% and the introduction of a personal income tax rate of 33% on taxable income in excess of $200,000 that came into effect in 2016.

Revisions to the Projections

As with any other projections, the projections of tax expenditures are inherently subject to forecast errors as they are based on historical data and expected economic outcomes. As a result, the projected values of tax expenditures may be revised substantially as more recent forecasts and data become available, and actual values may differ significantly from projected values. More important revisions can be expected for tax expenditures that are particularly sensitive to business or market cycles or to other economic parameters that are difficult to forecast.

Changes in Data and Methodology

Revisions to past estimates and projections may reflect the availability of new or improved data as well as changes to the estimation or projection methodology. In particular, updated corporate tax data for historical years may show substantial changes to the tax position of certain corporations due to the impact of loss carrybacks or tax reassessments. Significant changes to the methodology are mentioned in the descriptions of the tax expenditures in Part 3.

Gender-based Analysis Plus

In order to further advance the Government's priorities for gender equality and strengthen the use of GBA+ in decision-making, the Government has committed to better integrate gender into the budget priority-setting process. Through the *Canadian Gender Budgeting Act* of 2018, GBA+ was made part of the federal government's budgetary and financial management processes, requiring that, once a year, the Minister of Finance make available to the public analysis on the impacts of tax expenditures in terms of gender and diversity. In keeping with the requirement of the legislation, this edition of the report features a GBA+ of personal income tax expenditures, taking into account the indirect impact of refundable credits on the calculation and distribution of benefits.

Additional Resources

For additional information on tax expenditures and the Canadian tax system, readers are invited to consult the following resources:

Department of Finance Canada website**: www.canada.ca/en/department-finance.html**
Tax Policy: **www.canada.ca/en/department-finance/programs/tax-policy.html**
Budgets: **www.canada.ca/en/department-finance/services/publications/federal-budget.html**
Fiscal Reference Tables: **www.canada.ca/en/department-finance/services/publications/fiscal-reference-tables.html**

Canada Revenue Agency website: **www.canada.ca/en/revenue-agency.html**
Tax statistics: **www.canada.ca/en/revenue-agency/programs/about-canada-revenue-agency-cra/income-statistics-gst-hst-statistics.html**
Tax rates and parameters: **www.canada.ca/en/revenue-agency/services/tax/rates.html**

Statistics Canada website: **www.statcan.gc.ca**

Provincial tax expenditure reports:

Newfoundland and Labrador—*Estimates 2021*, Appendix I
https://www.gov.nl.ca/budget/2021/reports-and-publications/

Nova Scotia—*Budget 2021-22*, Estimates and Supplementary Detail
https://beta.novascotia.ca/documents/budget-documents-2021-2022

Quebec—*Tax Expenditures, 2020 edition* (available in French only)
http://www.budget.finances.gouv.qc.ca/budget/outils/depenses-fiscales/index.asp

Ontario—*Taxation Transparency Report, 2021*
https://budget.ontario.ca/2021/fallstatement/transparency.html

Manitoba—*Budget 2021*, Estimates of Expenditure
https://gov.mb.ca/budget2021/index.html

Saskatchewan—*2021-22 Provincial Budget*, Estimates
https://www.saskatchewan.ca/government/budget-planning-and-reporting/budget-2021-22/budget-documents

Alberta—*Budget 2021—2021-24 Fiscal Plan*
https://www.alberta.ca/budget-documents.aspx#21-22

British Columbia—*Budget and Fiscal Plan 2021/22 - 2023/24*, Appendix A1, Tax Expenditures
https://www.bcbudget.gov.bc.ca/2021/downloads.htm#gotoAllMaterials

Annex—Estimating the Value of Tax Deferrals, Accelerated Depreciation Provisions and Other Timing Preferences

Certain tax measures defer income taxes from the current taxation year to a later one—for example, by accelerating deductions or by deferring income inclusions. Estimating the cost of tax deferrals presents a number of methodological challenges since, even though the tax is not currently received, it may be collected at some point in the future.

The cost of timing preferences such as these (with the exception of accelerated deductibility provisions—see explanation below) is presented in this report on a nominal cash-flow basis. On that basis, deferred income taxes from current-year activities represent a cost to the government while income taxes on prior-year activities for which the deferral has been completed are a revenue gain. Thus, if the level of activity in question were constant from year to year—that is, in a steady state—the two amounts would cancel each other out and the tax expenditure would be zero. An increase over time in the level of activity would tend to produce a positive tax expenditure, while a decrease would tend to produce a negative tax expenditure.

The cost of timing preferences could also be presented on a net present-value basis to emphasize the cost to the government that relates to the time value of money. There can be a cost to the government and a benefit to the taxpayer when tax deferrals are considered on a present-value basis, even when the cash-flow basis of measurement suggests that, in a steady state, there is no overall cost to the government. Because of the time value of money, a reduction in tax of a given amount today more than offsets a tax increase of the same nominal amount in a future period. This can be demonstrated with a calculation of the value of the implicit interest-free loan that is provided to the taxpayer when taxes are deferred to a later year. For example, if a taxpayer is able to defer $100 in income tax for one year, and the discount rate is 8%, then the present value of the future obligation is $92.59 and the taxpayer has received a benefit of $7.41 in today's dollars. There is an equivalent implicit interest cost to the government. On a present-value basis, unlike the cash-flow basis, a tax deferral would result in a positive tax expenditure in the steady state. The net present value of the tax expenditure associated with a tax deferral can also be affected by tax rates, for instance when a deduction is accelerated while tax rates are decreasing.

Estimating the net present value of the tax expenditure associated with a tax deferral with a reasonable degree of accuracy is very challenging when activities are not in a steady state and when precise projections cannot be derived over a relatively long horizon. For instance, estimating the net present value of the tax expenditures associated with the accelerated deductibility of capital costs and flow-through share deductions would require estimating future business cycles and economic conditions in the mining and oil and gas sectors, while estimating the net present value of the tax expenditures associated with Registered Pension Plans and Registered Retirement Savings Plans would require robust long-term projections of contributions and withdrawals. Given these challenges, this publication does not report on the present value of tax expenditures associated with tax deferrals.

The following section provides four examples of the calculation of the cost of timing preferences.

Registered Pension Plans, Pooled Registered Pension Plans and Registered Retirement Savings Plans

The cost of Registered Pension Plans, Pooled Registered Pension Plans and Registered Retirement Savings Plans presented in Part 2 and Part 3 is estimated on a cash-flow basis. The net cost of these plans in a given year is the revenue forgone associated with the deductibility of contributions to the plans made during the year and the non-taxation of investment income earned within these plans during the year, minus the taxes collected on withdrawals from these plans made in the year. The cost of these plans on a net present-value basis would be a measure of the net revenue forgone in today's dollars due to the contributions made in a given year, taking into account the fact that the deferred tax will be collected in the future when the contributions and investment income earned on them are withdrawn.

Accelerated Capital Cost Allowance

Where a tax deduction is allowed for the cost of capital investments, the deduction is normally required to be spread over a number of years. This is based on the principle that capital assets are not consumed in the period in which they are acquired, but instead contribute to earnings over several years. Therefore, the deduction is normally allowed at a rate which allocates the cost of the asset over the period that the asset contributes to earnings—the asset's useful life. Allocating the deduction for capital costs over the useful life of assets ensures that the tax system is neutral in its treatment of assets with different useful lives.[10]

For tax purposes, firms calculate their deductions for depreciable capital assets under the rules set out in the *Income Tax Act* and *Income Tax Regulations*. The allowable deduction rates for depreciable capital assets are set out in the capital cost allowance (CCA) system. This system generally allows for a portion of the original capital cost of an asset or group of assets to be deducted each year. In most cases, each successive year, a fixed percentage is applied to the declining balance of undeducted costs remaining. A similar system applies to deductions for intangible expenses in the natural resource sectors that are capital in nature, such as the costs of exploration and development.

The rate at which certain capital costs can be deducted for tax purposes is, in some cases, more rapid than would be permitted under the useful life benchmark. Examples are the provision of accelerated CCA or immediate expensing for certain tangible capital assets (e.g., machinery and equipment used in manufacturing and processing, specified clean energy equipment, Canadian vessels) and of the immediate deduction of certain intangible expenses that are capital in nature in that they contribute to earnings over several years (e.g., advertising costs, expenditures on research and development).

These provisions result in tax deductions that are higher (as compared with the useful life benchmark) in the initial years of the life of an asset and lower in later years. While the total amount deducted over the life of the asset (equal to the original cost) is not affected, the acceleration in the deduction results in a deferral of tax. Given the time value of money, this can be an important financial benefit to firms. Changes in the timing of tax receipts can also have an important impact on the government's fiscal position in the short term.

The cost for a given year of the accelerated deductibility of capital costs, measured on a cash-flow basis, equals the revenue forgone as a result of the additional capital costs being deducted in the year relative to the amounts that would have been deducted in absence of the measure. Accelerated deductions imply a larger cost in the early years and a smaller cost in the later years in comparison to the situation with no accelerated deductions. The cash-flow cost for a given year accounts for the fiscal impact of investments made in that year, but also of investments made in earlier years. For that reason, the net cash-flow cost could be positive or negative depending on past, current and projected investments, and is not necessarily equal to the amount of revenue that would be gained in the short run if the accelerated deductibility were to be eliminated for new investments.

The cost of accelerating the deductibility of capital costs, measured on a present-value basis, would reflect the expected stream of deductions in the future in respect of an investment or a group of investments made at a particular time. Under this approach, the tax expenditure would be estimated by comparing the discounted present value of tax payments associated with a given investment or group of investments made at a particular point in time over the life of those investments, with and without the accelerated deduction in place.

More information on the estimation of the tax expenditures associated with the accelerated deductibility of capital costs can be found in the study "Tax Expenditures for Accelerated Deductions of Capital Costs" that was published in the 2012 edition of this report.

[10] The determination of the useful life of an asset involves the assessment of a variety of factors, including statistical estimates of the rate of economic depreciation applying to the asset, industry data on the engineering life of the asset and the repairs needed to keep it operating, and the treatment accorded to the asset for financial accounting purposes.

Historically, annual tax expenditure estimates were not usually provided for accelerated deductibility provisions because adequate data are not generally available to calculate them with a reasonable degree of accuracy, and because many simplifying assumptions would be required to model the pattern of deductions that would be claimed in the absence of these provisions. However, the 2019 edition of the report presented the combined incremental tax expenditure estimates of the three accelerated capital cost allowance measures announced in the 2018 *Fall Economic Statement* under “Accelerated Investment Incentive”. Going forward, tax expenditure estimates will generally be provided for new accelerated deductibility provisions.

Flow-Through Share Deductions

An investor buying a flow-through share, in addition to receiving an equity interest in the issuing corporation, is also entitled to claim deductions on account of Canadian Exploration Expenses, Canadian Development Expenses and Canadian Renewable and Conservation Expenses transferred to the investor by the corporation.[11] On a cash-flow basis, the cost of this tax expenditure, for a given year, is equal to the amount of revenue forgone as a result of the transferred deductions claimed by investors in that year less the estimated incremental revenue gain associated with the zero cost base for flow-through shares sold by investors in that year. The transfer of unused deductions from the issuing corporations to the investors entails a cost to the government when the deductions are claimed by the investors earlier than they would have been claimed by the corporations or where the investors face higher tax rates than the issuing corporations. The fact that flow-through shares are deemed to have a zero cost base for tax purposes means that the gains realized by investors when the shares are sold will be larger than they would otherwise have been, resulting in more taxes being paid on the incremental capital gains.[12] On a present-value basis, the cost of this tax expenditure would be calculated by comparing the discounted present value of the deductions and capital gains, with and without the flow-through mechanism.

The estimates and projections of the cost of this tax expenditure presented in this report are on a cash-flow basis and represent an upper-bound of the cost, since it is effectively assumed that the issuing corporations would never have been able to deduct the transferred expenses.[13]

Deductibility of Contributions to a Qualifying Environmental Trust

A qualifying environmental trust is an arm’s length trust to which companies operating certain sites like mines and waste disposal sites are required by law to make contributions in order to pre-fund site reclamation costs. Since general income tax rules do not permit a deduction for contingent expenses, a deduction for prepaying such costs would normally only be allowed when the reclamation costs are actually incurred. In the absence of relief, this could give rise to cash-flow issues since no tax recognition would be provided when the contributions are made. Further, since reclamation expenses are normally paid after the closure of a site when it is no longer producing revenues, the company (particularly if it is a single-site company) may not have any taxable income against which to claim the expenses.

---

[11] For additional information on flow-through shares, see the study “Flow-Through Shares: A Statistical Perspective” published in the 2013 edition of this report.

[12] The incremental portion of the gain is the difference between the zero cost base and the price at which the company would have been able to issue regular common shares.

[13] Limited data is available to determine when, if ever, the expenses being flowed through would otherwise have been deducted by the issuing corporations. Available data indicates, for example, that 96% of corporations that flowed through expenses to investors for the 2013 taxation year were not taxable in that year and thus not in a position to immediately deduct the expenses themselves. Many junior exploration corporations in Canada, particularly in the mining sector, never become taxable entities. It is a common business model that once an exploitable resource is found, the resource will be sold to a larger corporation or group with more experience developing and operating extraction projects.

In response to these issues, it is possible to deduct a contribution made to a qualifying environmental trust in the year the contribution is made, provided that the contributor is a beneficiary under the trust. Income earned in the trust is subject to tax each year under Part XII.4 of the *Income Tax Act*. The income taxed in the trust is also considered taxable income of the corporation that established it, but the corporation receives a refundable tax credit equal to its share of the tax paid by the trust. The net result is that trust income is effectively taxed at the marginal tax rate applicable to the corporation, rather than the rate applicable to the trust. Amounts withdrawn from the trust to fund reclamation costs—both the original capital and income earned on it—are included in the recipient's income when withdrawn. As a result, the investment income is included in taxable income twice. Typically, however, the recipient will be able to deduct the reclamation costs incurred against the above income inclusion, resulting in no net tax cost at the time of withdrawal.

The inclusion of trust income in taxable income twice—once when earned and a second time when withdrawn—offsets in whole or in part (depending on whether the corporation's discount rate equals or exceeds the net rate of return earned by the capital invested in the trust) the present value benefit to the corporation of bringing forward the deduction for reclamation costs to the time when the funds are first contributed. The nominal value (ignoring the time value of money) of this tax expenditure over the life of a particular project may be negative as a result of the double inclusion in taxable income of the trust earnings. It will tend to be positive, however, if the company is taxable at the time of the contribution to the trust (so that the upfront deduction is available), but not taxable at the time of withdrawal (which could well be the case for a single-mine operation once the mine ceases to operate).

Part 2

Tax Expenditure Estimates and Projections

Introduction

Part 2 presents the estimates of the fiscal cost of federal tax expenditures for the years 2016 to 2023. It presents estimates for a wide range of tax expenditures, measures that are not considered tax expenditures (i.e., measures that are considered part of the benchmark tax system), and refundable tax credits that are classified as transfer payments. To increase transparency in government reporting on support to the fossil fuel sector, a second table grouping tax expenditures that provide such support is also presented. These estimates are followed by a third set of tables that present background statistics on total tax revenues by tax base, as well as some other useful statistics, such as the number of filers and tax paid by income tax bracket. Finally, key changes that have been made to tax expenditures since the last edition are described.

Notes:

The elimination of a tax expenditure would not necessarily yield the full tax revenues shown in the table. See Part 1 of this report for a discussion of the reasons for this.

A structural measure is one whose main objective is internal to the tax system. The classification of a measure as structural or non-structural is not indicative of the relevance and performance of the measure. A measure could pursue both structural and non-structural objectives, in which case it is categorized based on an assessment of whether the structural or non-structural component predominates (see explanation in the introduction to Part 3 of the report).

Amounts under $500,000 are reported as “S” (“small”), amounts between $500,000 and $5 million are rounded to the nearest $1 million, and amounts above $5 million are rounded to the nearest $5 million.

Symbols:

n.a.	No data available to support a meaningful estimate or projection
–	Tax expenditure not in effect
X	Not published for confidentiality reasons
PIT	Personal income tax (excluding trusts)
TRU	Personal income tax with respect to trusts
CIT	Corporate income tax
GST	Goods and Services Tax

Table
Estimates and Projections
millions of dollars

		Estimates				Projections			
		2016	2017	2018	2019	2020	2021	2022	2023
TAX EXPENDITURES									
ARTS AND CULTURE									
Structural									
Deduction for self-employed artists	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Non-structural									
Children's Arts Tax Credit (phased out)	PIT	25	–	–	–	–	–	–	–
BUSINESS – FARMING AND FISHING									
Structural									
Cash basis accounting	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Deferral of income from destruction of livestock	PIT	-1	2	-2	S	S	n.a.	n.a.	n.a.
	CIT	S	3	S	1	1	n.a.	n.a.	n.a.
Deferral of income from sale of livestock in a region of drought, flood or excessive moisture	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Non-structural									
Deferral of capital gains through intergenerational rollovers of family farms or fishing businesses	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Deferral of income from grain sold through cash purchase tickets	PIT	10	-5	-10	-20	20	45	n.a.	n.a.
	CIT	10	-5	-10	-20	20	-1	n.a.	n.a.
Exemption for insurers of farming and fishing property (repealed)	CIT	10	10	20	–	–	–	–	–
Patronage dividends paid as shares by agricultural cooperatives	PIT	2	2	2	S	1	1	1	1
	CIT	5	4	4	S	3	3	3	3
Tax treatment of farm savings accounts (AgriInvest and Agri-Québec)	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Zero-rating of agricultural and fish products and purchases	GST	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
BUSINESS – NATURAL RESOURCES									
Non-structural									
Accelerated capital cost allowance for liquefied natural gas facilities (sunset in 2024)	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	X	X	X	X	X	X	X	X
Accelerated capital cost allowance for mining and oil sands assets (phased out)	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Accelerated deductibility of some Canadian Exploration Expenses (phased out)	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Table
Estimates and Projections
millions of dollars

		Estimates				Projections			
		2016	2017	2018	2019	2020	2021	2022	2023
BUSINESS – NATURAL RESOURCES *(cont'd)*									
Corporate Mineral Exploration and Development Tax Credit (phased out)	CIT	3	65	80	4	40	40	40	40
Earned depletion (phased out)	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	S	S	S	S	S	S	S	S
Flow-through share deductions	PIT	85	120	75	105	140	155	155	150
	CIT	45	50	45	25	35	40	30	30
Mineral Exploration Tax Credit for flow-through share investors (sunset in 2024)	PIT	55	65	50	60	95	100	90	90
Reclassification of expenses under flow-through shares (phased out)	PIT	-5	-2	-4	-3	-2	-1	-1	-1
	CIT	S	S	-1	-1	S	S	S	S
BUSINESS – RESEARCH AND DEVELOPMENT									
Non-structural									
Expensing of current expenditures on scientific research and experimental development	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Scientific Research and Experimental Development Investment Tax Credit (non-refundable portion for CIT)	PIT	S	1	1	1	S	S	S	S
	CIT	1,445	1,550	1,415	1,445	1,410	1,465	1,525	1,635
BUSINESS – SMALL BUSINESSES									
Structural									
Small suppliers' threshold	GST	225	225	240	295	210	235	250	260
Non-structural									
Deduction of allowable business investment losses	PIT	35	40	35	50	40	40	35	35
	TRU	S	S	1	S	S	S	S	S
	CIT	10	10	10	10	10	10	10	10
Non-taxation of provincial assistance for venture investments in small businesses	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Preferential tax rate for small businesses	CIT	3,535	3,760	4,165	4,905	5,670	5,905	6,075	6,600
Rollovers of investments in small businesses	PIT	25	10	15	10	10	10	10	10
BUSINESS – OTHER									
Structural									
Deductibility of costs of capital assets and eligibility for investment tax credits before asset is put in use	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Deductibility of earthquake reserves	CIT	S	S	S	S	S	1	S	S

Table
Estimates and Projections
millions of dollars

		Estimates				Projections			
		2016	2017	2018	2019	2020	2021	2022	2023
BUSINESS – OTHER *(cont'd)*									
Deferral through five-year capital gain reserve	PIT	15	20	20	15	15	15	15	15
	TRU	-2	4	5	-2	2	2	2	2
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Deferral through rollover of capital gains and capital cost allowance recapture in respect of involuntary dispositions	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Deferral through use of billed-basis accounting by professionals and professional corporations	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Exemption from branch tax for transportation, communications, and iron ore mining corporations	CIT	S	30	10	20	40	20	25	25
Exemption from GST for domestic financial services	GST	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Expensing of advertising costs	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Expensing of incorporation expenses	CIT	–	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Holdback on progress payments to contractors	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	10	25	50	40	45	50	50	55
Tax status of certain federal Crown corporations	CIT	X	X	X	X	X	X	X	X
Non-structural									
Accelerated capital cost allowance for manufacturing or processing machinery and equipment (sunset in 2025)	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Accelerated capital cost allowance for vessels	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Accelerated Investment Incentive (sunset in 2027)	PIT CIT	–	–	385	3,755	2,410	1,635	1,680	1,585
Atlantic Investment Tax Credit (non-refundable portion for CIT)	PIT	10	10	10	10	10	10	10	10
	CIT	115	510	245	215	130	130	115	115
Deferral for asset transfers to a corporation and corporate reorganizations	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Deferral through 10-year capital gain reserve	PIT	35	45	40	40	35	40	40	40
Deferral through rollover of capital gains and capital cost allowance recapture in respect of dispositions of land and buildings	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Expensing of employee training costs	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Foreign Convention and Tour Incentive Program	GST	25	25	5	5	1	2	5	5

Table
Estimates and Projections
millions of dollars

		Estimates				Projections			
		2016	2017	2018	2019	2020	2021	2022	2023
BUSINESS – OTHER *(cont'd)*									
Immediate expensing for small businesses	CIT	–	–	–	–	–	600	840	945
Lifetime Capital Gains Exemption	PIT	1,500	1,755	1,855	1,805	2,025	2,135	2,320	2,395
Non-deductibility of advertising expenses in foreign media	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	S	S	S	S	S	S	S	S
Special tax rate for credit unions (phased out)	CIT	10	S	–	–	–	–	–	–
DONATIONS, GIFTS, CHARITIES AND NON-PROFIT ORGANIZATIONS									
Non-structural									
Additional deduction for gifts of medicine	CIT	X	X	X	X	X	X	X	–
Charitable Donation Tax Credit	PIT	2,735	2,900	2,980	3,060	3,200	3,305	3,415	3,515
	TRU	15	35	30	30	30	35	35	35
Deductibility of charitable donations	CIT	450	635	690	835	745	780	805	875
Deduction for certain contributions by individuals who have taken vows of perpetual poverty	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Exemption from GST for certain supplies made by charities and non-profit organizations	GST	1,205	1,250	1,330	1,410	1,380	1,400	1,485	1,610
First-Time Donor's Super Credit (sunset in 2017)	PIT	4	4	–	–	–	–	–	–
Non-taxation of capital gains on donations of cultural property	PIT	10	5	5	3	5	5	5	4
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Non-taxation of capital gains on donations of ecologically sensitive land	PIT	3	2	3	2	2	3	3	3
	TRU	S	S	S	S	S	S	S	S
	CIT	S	2	1	1	S	1	1	1
Non-taxation of capital gains on donations of publicly listed securities	PIT	75	95	75	125	105	105	110	110
	TRU	1	1	2	1	1	1	1	1
	CIT	65	100	75	190	115	140	150	155
Non-taxation of non-profit organizations	PIT	65	100	130	95	40	85	120	155
	CIT								
Non-taxation of registered charities	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Rebate for poppies and wreaths	GST	X	X	X	X	X	X	X	X
Rebate for qualifying non-profit organizations	GST	70	75	80	80	70	75	80	85
Rebate for registered charities	GST	310	315	320	330	285	295	305	320
EDUCATION									
Structural									
Deduction for tuition assistance for adult basic education	PIT	2	2	2	2	3	3	2	2
Education Tax Credit (phasing out)	PIT	730	400	325	250	195	115	45	S

Table
Estimates and Projections
millions of dollars

		Estimates				Projections			
		2016	2017	2018	2019	2020	2021	2022	2023
EDUCATION *(cont'd)*									
Textbook Tax Credit (phasing out)	PIT	115	65	55	40	30	20	5	S
Tuition Tax Credit	PIT	1,315	1,455	1,630	1,770	2,085	2,050	2,030	2,100
Non-structural									
Exemption from GST for tuition and educational services	GST	785	820	900	950	955	970	1,005	1,025
Exemption of scholarship, fellowship and bursary income	PIT	265	365	470	475	500	575	490	465
Rebate for book purchases made by certain organizations	GST	15	15	15	15	10	15	10	10
Rebate for schools, colleges and universities	GST	745	830	885	860	790	840	875	900
Registered Education Savings Plans	PIT	135	110	110	120	100	115	145	150
Student Loan Interest Credit	PIT	40	45	50	55	25	25	15	55
EMPLOYMENT									
Structural									
Apprentice vehicle mechanics' tools deduction	PIT	3	3	3	3	3	3	3	3
Canada Employment Credit	PIT	2,295	2,385	2,495	2,600	2,750	2,790	2,785	2,880
Child Care Expense Deduction	PIT	1,215	1,240	1,270	1,270	900	1,040	995	950
Deductibility of certain costs incurred by musicians	PIT	1	S	1	1	1	1	1	1
Deductibility of expenses by employed artists	PIT	S	S	S	S	S	S	S	S
Deduction for tradespeople's tool expenses	PIT	2	2	2	2	2	2	2	2
Deduction of other employment expenses	PIT	915	920	910	925	1,195	1,290	1,220	1,105
Deduction of union and professional dues	PIT	955	975	1,030	1,075	1,090	1,145	1,210	1,255
Moving expense deduction	PIT	100	110	110	110	105	110	115	120
Non-taxation of allowances for diplomats and other government employees posted abroad	PIT	30	30	35	35	35	35	n.a.	n.a.
Non-taxation of allowances for members of legislative assemblies and certain municipal officers (repealed)	PIT	20	20	20	–	–	–	–	–
Non-taxation of benefits in respect of home relocation loans (repealed)	PIT	S	S	–	–	–	–	–	–
Non-taxation of certain non-monetary employment benefits	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Rebate to employees and partners	GST	55	50	50	50	40	45	45	50
Non-structural									
Apprenticeship Job Creation Tax Credit	PIT	2	2	2	1	1	1	1	1
	CIT	80	85	85	90	95	90	95	95

Table
Estimates and Projections
millions of dollars

		Estimates				Projections			
		2016	2017	2018	2019	2020	2021	2022	2023
EMPLOYMENT *(cont'd)*									
Employee benefit plans	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Employee stock option deduction	PIT	550	655	770	905	930	990	1,040	1,085
Non-taxation of income earned by military and police deployed to international operational missions	PIT	15	40	40	40	30	40	n.a.	n.a.
Northern Residents Deductions	PIT	220	225	230	230	230	255	265	265
ENVIRONMENT									
Structural									
Deductibility of contributions to a qualifying environmental trust	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	60	60	60	50	45	55	55	55
Non-structural									
Accelerated capital cost allowance for clean energy generation equipment (Class 43.2 sunset in 2024)	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Accelerated capital cost allowance for zero-emission automotive equipment and vehicles (sunset in 2027)	PIT								
	CIT	–	–	–	2	15	20	15	10
Accelerated deductibility of Canadian Renewable and Conservation Expenses	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Public Transit Tax Credit (repealed)	PIT	190	105	–	–	–	–	–	–
Rate reduction for zero-emission technology manufacturers	CIT	–	–	–	–	–	–	10	10
FAMILIES AND HOUSEHOLDS									
Structural									
Adoption Expense Tax Credit	PIT	2	2	2	2	1	2	2	2
Canada Caregiver Credit	PIT	–	190	220	225	230	235	240	245
Caregiver Credit (replaced)	PIT	145	–	–	–	–	–	–	–
Eligible Dependant Credit	PIT	905	940	980	1,015	1,185	1,215	1,240	1,265
Family Caregiver Tax Credit (replaced)	PIT	75	–	–	–	–	–	–	–
Goods and Services Tax/Harmonized Sales Tax Credit	GST	4,440	4,550	4,650	4,935	10,450	5,055	5,140	5,060
Infirm Dependant Credit (replaced)	PIT	5	–	–	–	–	–	–	–
Spouse or Common-Law Partner Credit	PIT	1,575	1,715	1,740	1,740	1,615	1,815	1,960	2,045
Non-structural									
Deferral of capital gains through transfers to a spouse, spousal trust or alter ego trust	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Exemption from GST for child care	GST	170	185	195	205	160	180	220	235
Exemption from GST for personal care services	GST	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Table
Estimates and Projections
millions of dollars

		Estimates				Projections			
		2016	2017	2018	2019	2020	2021	2022	2023
FAMILIES AND HOUSEHOLDS *(cont'd)*									
Inclusion of the Universal Child Care Benefit in the income of an eligible dependant (replaced)	PIT	5	–	–	–	–	–	–	–
Investment Tax Credit for Child Care Spaces (phased out)	PIT	S	S	S	S	S	S	S	S
	CIT	S	S	S	S	S	S	S	S
Non-taxation of up to $10,000 of death benefits	PIT	5	5	5	5	10	10	10	10
Tax treatment of alimony and maintenance payments	PIT	95	95	95	120	100	110	125	135
Zero-rating of feminine hygiene products	GST	45	50	50	50	55	55	55	60
HEALTH									
Structural									
Disability supports deduction	PIT	3	3	3	3	3	3	3	3
Disability Tax Credit	PIT	1,030	1,090	1,150	1,200	1,250	1,300	1,350	1,400
Medical Expense Tax Credit	PIT	1,435	1,550	1,645	1,700	1,750	1,800	1,850	1,900
Non-structural									
Exemption from GST for health care services	GST	840	925	955	1,015	745	840	1,095	1,175
Exemption from GST for hospital parking	GST	15	15	15	15	10	15	20	20
Home Accessibility Tax Credit	PIT	10	15	15	15	20	20	20	20
Non-taxation of benefits from private health and dental plans	PIT	2,480	2,840	3,050	3,170	3,210	3,450	3,810	3,990
Rebate for hospitals, facility operators and external suppliers	GST	630	665	695	745	980	1,035	1,070	1,095
Rebate for specially equipped motor vehicles	GST	S	S	S	S	S	S	S	S
Registered Disability Savings Plans	PIT	50	60	65	70	70	80	85	95
Surtax on the profits of tobacco manufacturers (phased out)	CIT	X	X	–	–	–	–	–	–
Zero-rating of face masks and face shields	GST	–	–	–	–	3	75	75	20
Zero-rating of medical and assistive devices	GST	430	440	460	480	480	530	530	540
Zero-rating of prescription drugs	GST	825	850	880	900	925	980	980	1,000
HOUSING									
Structural									
Exemption from GST for sales of used residential housing and other personal-use real property	GST	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Non-structural									
Exemption from GST for certain residential rent	GST	1,755	1,820	1,895	2,000	2,205	2,230	2,335	2,450

Table
Estimates and Projections
millions of dollars

		Estimates				Projections			
		2016	2017	2018	2019	2020	2021	2022	2023
HOUSING *(cont'd)*									
Exemption from GST for short-term accommodation	GST	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
First-Time Home Buyers' Tax Credit	PIT	115	110	105	110	130	145	130	130
Non-taxation of capital gains on principal residences	PIT	6,980	6,625	5,305	5,165	7,995	10,630	9,925	10,140
Rebate for new housing	GST	520	510	495	420	425	405	385	365
Rebate for new residential rental property	GST	170	160	170	205	190	220	230	205
INCOME SUPPORT									
Non-structural									
Non-taxation of certain veterans' benefits	PIT	220	205	200	200	185	180	180	175
Non-taxation of Guaranteed Income Supplement and Allowance benefits	PIT	175	225	225	235	240	235	235	245
Non-taxation of investment income on certain amounts received as damages in respect of personal injury or death	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Non-taxation of RCMP pensions and other compensation in respect of injury, disability or death	PIT	30	35	40	50	55	60	60	65
Non-taxation of social assistance benefits	PIT	240	265	300	330	370	350	330	320
Non-taxation of workers' compensation benefits	PIT	640	675	720	755	860	800	795	800
INTERGOVERNMENTAL TAX ARRANGEMENTS									
Structural									
Income tax exemption for certain public bodies	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Rebate for municipalities	GST	2,285	2,515	2,665	2,760	2,745	2,925	2,985	3,070
Refunds for Indigenous self-governments	GST	5	10	10	10	10	10	10	10
Non-structural									
	PIT	1	1	2	1	1	1	1	1
Logging Tax Credit	TRU	X	X	X	X	X	X	X	X
	CIT	25	50	75	20	60	55	55	55
INTERNATIONAL									
Structural									
Deductibility of countervailing	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
and anti-dumping duties when paid	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Exemption for international shipping	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
and aviation by non-residents	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Non-taxation of certain importations	GST	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Non-taxation of life insurance companies' foreign income	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Travellers' exemption	GST	300	305	310	335	80	100	250	300

Table
Estimates and Projections
millions of dollars

		Estimates				Projections			
		2016	2017	2018	2019	2020	2021	2022	2023
INTERNATIONAL *(cont'd)*									
Non-structural									
Exemptions from non-resident withholding tax	PIT CIT	6,220	6,960	8,750	8,135	7,765	8,735	9,280	9,860
Tax treatment of active business income of foreign affiliates of Canadian corporations and deductibility of expenses incurred to invest in foreign affiliates	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
RETIREMENT									
Non-structural									
Deferred Profit-Sharing Plans	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Partial inclusion of U.S. Social Security benefits	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Pension Income Credit	PIT	1,190	1,195	1,235	1,255	1,270	1,295	1,325	1,365
Pension income splitting	PIT	1,135	1,290	1,380	1,415	1,495	1,625	1,750	1,890
Pooled Registered Pension Plans	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Registered Pension Plans	PIT	25,715	27,890	24,885	29,075	24,180	26,645	29,255	32,995
Registered Retirement Savings Plans	PIT	15,860	17,560	14,880	17,675	15,545	16,380	16,840	18,380
Saskatchewan Pension Plan	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
SAVINGS AND INVESTMENT									
Structural									
$200 capital gains exemption on foreign exchange transactions	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Capital gains exemption on personal-use property	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Tax treatment of investment income from life insurance policies	PIT	205	225	215	230	235	205	220	235
Taxation of capital gains upon realization	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Non-structural									
Labour-Sponsored Venture Capital Corporations Credit	PIT	145	150	155	160	180	175	180	185
Non-taxation of capital dividends	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Partial inclusion of capital gains	PIT	6,250	9,485	8,700	8,440	10,890	10,035	10,465	10,825
	TRU	570	835	700	750	1,125	900	945	990
	CIT	6,600	9,645	11,530	10,940	11,000	10,450	10,975	11,340
Tax-Free Savings Account	PIT	810	1,075	870	1,095	1,515	1,820	2,020	2,200
SOCIAL									
Non-structural									
Age Credit	PIT	3,335	3,450	3,625	3,820	3,925	4,010	4,175	4,455
Credit for subscriptions to Canadian digital news media	PIT	–	–	–	–	10	15	15	20
Deduction for clergy residence	PIT	95	95	95	95	95	100	105	105
Exemption from GST and rebate for legal aid services	GST	45	45	50	50	40	50	55	55
Exemption from GST for ferry, road and bridge tolls	GST	10	10	15	15	10	10	15	15

Table
Estimates and Projections
millions of dollars

		Estimates				Projections			
		2016	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
SOCIAL *(cont'd)*									
Exemption from GST for municipal transit	GST	200	215	215	215	130	170	215	220
Exemption from GST for water, sewage and basic garbage collection services	GST	280	305	320	335	345	365	380	395
Political Contribution Tax Credit	PIT	25	25	30	45	35	45	30	30
Search and Rescue Volunteers Tax Credit	PIT	2	2	2	2	2	2	2	2
Tax-free amount for emergency services volunteers	PIT	3	3	3	3	3	3	3	3
Volunteer Firefighters Tax Credit	PIT	20	20	20	15	20	20	20	20
Zero-rating of basic groceries	GST	4,370	4,525	4,715	4,910	5,405	5,420	5,260	5,410
OTHER									
Non-structural									
Non-taxation of personal property of status Indians and Indian bands situated on reserve	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	GST	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
TAX MEASURES OTHER THAN TAX EXPENDITURES									
BUSINESS – OTHER									
Structural									
Non-capital loss carry-overs	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	TRU	205	370	140	230	150	210	250	300
	CIT	7,245	7,250	7,965	8,805	8,225	8,345	8,485	8,935
Partial deduction of and partial input tax credits for meals and entertainment	PIT	215	210	200	200	130	190	200	215
	CIT	295	310	325	340	225	320	325	355
	GST	180	185	190	185	130	145	175	175
EMPLOYMENT									
Structural									
Non-taxation of strike pay	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Tax treatment of Canada Pension Plan and Quebec Pension Plan contributions and benefits	PIT	9,610	10,075	10,615	11,540	11,745	13,665	15,405	16,910
Tax treatment of Employment Insurance and Quebec Parental Insurance Plan premiums and benefits	PIT	4,215	3,970	4,240	4,330	4,135	4,555	4,885	5,200
INTERGOVERNMENTAL TAX ARRANGEMENTS									
Structural									
Non-taxation of lottery and gambling winnings	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Quebec Abatement	PIT	4,420	4,745	5,130	5,415	5,600	5,930	6,230	6,440
	TRU	60	95	70	90	140	100	105	105

Table
Estimates and Projections
millions of dollars

		Estimates				Projections			
		2016	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
INTERGOVERNMENTAL TAX ARRANGEMENTS *(cont'd)*									
Transfer of income tax points to provinces	PIT	21,265	22,895	24,425	25,260	26,530	28,030	29,445	30,665
	TRU	615	830	525	890	1,105	865	910	950
	CIT	3,000	3,320	3,650	3,435	3,540	3,775	4,040	5,025
INTERNATIONAL									
Structural									
Foreign tax credit for individuals	PIT	1,590	1,650	1,825	1,975	1,970	2,010	2,040	2,065
	TRU	50	40	45	35	40	40	40	40
SAVINGS AND INVESTMENT									
Structural									
Capital loss carry-overs	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	TRU	945	1,275	730	865	890	1,155	1,270	1,395
	CIT	645	590	795	550	1,065	860	880	930
Deduction of interest and carrying charges incurred to earn investment income	PIT	1,455	1,630	1,855	1,945	1,920	2,000	2,050	2,115
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Dividend gross-up and tax credit	PIT	4,475	5,395	4,925	4,850	4,655	5,175	5,520	5,775
	TRU	225	235	280	245	285	340	305	325
Investment corporation deduction	CIT	S	S	S	S	S	S	S	S
Refundable capital gains tax for investment corporations, mutual fund corporations and mutual fund trusts	TRU	3,355	4,480	2,405	4,840	5,920	6,215	6,525	6,720
	CIT	925	1,540	1,125	1,175	1,165	1,215	1,260	1,310
REFUNDABLE TAX CREDITS CLASSIFIED AS TRANSFER PAYMENTS									
Structural									
Credit for the Basic Personal Amount	PIT	33,910	35,050	36,440	38,480	44,775	46,015	47,400	49,975
Non-taxation of payments to Canadian Armed Forces members and veterans in respect of pain and suffering	PIT	170	345	345	295	300	440	400	360
Refundable taxes on investment income of private corporations	CIT	-1,280	-1,800	-2,365	-2,545	-3,190	-3,375	-3,760	-4,000
Special tax computation for certain retroactive lump-sum payments	PIT	1	1	1	2	1	1	1	1
REFUNDABLE TAX CREDITS CLASSIFIED AS TRANSFER PAYMENTS									
10% Temporary Wage Subsidy for Employers	PIT								
	CIT	–	–	–	–	1,295	–	–	–
Atlantic Investment Tax Credit (refundable portion)	CIT	20	20	25	25	30	30	35	35

Table
Estimates and Projections
millions of dollars

		Estimates				Projections			
		2016	2017	2018	2019	2020	2021	2022	2023
REFUNDABLE TAX CREDITS CLASSIFIED AS TRANSFER PAYMENTS *(cont'd)*									
Canada Child Tax Benefit (replaced)	PIT	3,240	–	–	–	–	–	–	–
Canada Child Benefit	PIT	16,860	23,420	23,900	24,300	26,800	24,800	25,500	25,800
Quarterly payments for families with young children entitled to the Canada Child Benefit (2021) – Children's Benefits	PIT	–	–	–	–	560	1,605	–	–
Canada Emergency Rent Subsidy and Lockdown Support	PIT CIT	–	–	–	–	2,080	5,935	–	–
Canada Emergency Wage Subsidy	PIT CIT	–	–	–	–	70,940	29,555	–	–
Canada Recovery Hiring Program	PIT CIT	–	–	–	–	–	945	1,610	–
Canada Training Credit	PIT	–	–	–	–	100	125	140	150
Canadian Film or Video Production Tax Credit	CIT	270	295	270	305	265	255	285	305
Canadian Journalism Labour Tax Credit	PIT	–	–	–	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	–	–	–	30	25	30	35	35
Children's Fitness Tax Credit (phased out)	PIT	145	–	–	–	–	–	–	–
Film or Video Production Services Tax Credit	CIT	225	280	315	335	380	410	360	375
Hardest-Hit Business Recovery Program	PIT CIT	–	–	–	–	–	1,070	975	–
Local Lockdown Program	PIT CIT	–	–	–	–	–	n.a.	n.a.	–
Refundable Medical Expense Supplement	PIT	155	155	165	165	140	155	165	175
Scientific Research and Experimental Development Investment Tax Credit (refundable portion)	CIT	1,280	1,300	1,405	1,855	1,805	1,880	2,000	2,090
Small Businesses Air Quality Improvement Tax Credit	PIT	–	–	–	–	–	–	5	1
	CIT	–	–	–	–	–	–	155	80
Teacher and Early Childhood Educator School Supply Tax Credit	PIT	3	4	5	5	5	10	10	10
Tourism and Hospitality Recovery Program	PIT CIT	–	–	–	–	–	605	535	–
Working Income Tax Benefit (replaced)	PIT	1,185	1,160	1,105	–	–	–	–	–
Canada Workers Benefit	PIT	–	–	–	2,005	950	3,055	3,630	3,630

Tax Expenditures Supporting the Fossil Fuel Sector

Canada has routinely published estimates of its tax expenditures for over two decades, including those that favour the fossil fuel sector. In certain cases, a measure may be available to both fossil fuel producers and non-fossil fuel producers (for example, a measure benefitting the mining sector could benefit coal production, in addition to all other types of minerals and metals). In order to increase transparency, the report presents a separate table focused on tax expenditures that support the fossil fuel sector.

The data in the following table presents information about the revenue forgone for fossil fuel production or exploration, for each tax expenditure that provides support specifically to that sector. For example, "Flow-through share deductions" are an authorized tax shelter arrangement that can be used by corporations in the mining, oil and gas or renewable energy sectors. The revenue forgone presented in the table below for "Flow-through share deductions for oil and gas and coal mining" represents a subset of the amounts listed in the main table, and represents only the portion that can be attributed to fossil fuel exploration and development. In contrast, "Reclassification of expenses under flow-through shares", which is a measure that has been phased out, was only available to corporations in the oil and gas sector. The amounts presented below in this case are the same as those presented in the main table. By construction, it would therefore not be accurate to sum the amounts presented below with those presented in the main table, as these are duplicative.

Table
Estimates and Projections
millions of dollars

		Estimates				Projections			
		2016	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
TAX EXPENDITURES									
FOSSIL FUEL SECTOR									
Non-structural									
Accelerated capital cost allowance for liquefied natural gas facilities (sunset in 2024)[1]	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	X	X	X	X	X	X	X	X
Accelerated capital cost allowance for coal mining and oil sands assets (phased out)[1]	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Accelerated deductibility of some pre-production development expenses of oil sands mines, pre-production development expenses of coal mines, and for oil and gas discovery wells (all phased out)[1]	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Earned depletion for oil and gas and coal mining (phased out)[2]	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	S	S	S	S	S	S	S	S
Flow-through share deductions for oil and gas and coal mining	PIT	10	20	10	5	4	3	2	2
	CIT	20	15	10	10	5	5	4	4
Reclassification of expenses under flow-through shares (phased out)[3]	PIT	-5	-2	-4	-3	-2	-1	-1	-1
	CIT	S	S	-1	-1	S	S	S	S
Atlantic Investment Tax Credit for oil and gas and coal mining (non-refundable portion for CIT, phased out)[4]	PIT	0	0	0	0	0	0	0	0
	CIT	X	X	X	X	X	X	X	X

[1] For more information on the costing of accelerated deductions and the difficulties in providing accurate estimates, see the annex to Part 1.
[2] While corporations have not been able to add expenditures to the earned depletion base since 1989, expenses incurred prior to that year could be pooled and carried forward indefinitely, as is generally the case for depreciable capital expenses.
[3] A negative number represents an increase in revenue. While this measure currently results in an increase in government revenues, it has previously resulted in a cost to government, consistent with the intent of the measure to provide a preference to the oil and gas sector. For more information on the costing of accelerated deductions, see the annex to Part 1.
[4] Unused credits accumulated prior to the complete phase-out of the measure in 2017 can be carried forward indefinitely.

Background Statistics

Federal Revenues, Fiscal Year 2020–2021

	Revenues (billions of dollars)	Share of total revenues (%)	Share of gross domestic product (%)
Personal income taxes	174.8	55.2	7.9
Corporate income taxes	54.1	17.1	2.4
Non-resident withholding taxes	8.1	2.6	0.4
Goods and Services Tax	32.4	10.2	1.5
Other excise duties and taxes and customs import duties	14.6	4.6	0.7
Total tax revenues	284.0	89.7	12.8
Non-tax revenues	32.6	10.3	1.5
Total revenues	316.7	100.0	14.3

Notes: Non-tax revenues include revenues from consolidated Crown corporations, net income from enterprise Crown corporations, returns on investments, foreign exchange revenues, proceeds from the sales of goods and services, proceeds from the pollution pricing framework, and Employment Insurance premium revenues. Totals may not add due to rounding.

Source: Department of Finance Canada, 2021 *Economic and Fiscal Update*.

Federal Personal Income Tax Brackets and Rates, Taxfilers and Taxes Paid, 2019

	Tax Brackets		Taxfilers		Taxes Paid	
	Income range	Rate	Number (millions)	Share (%)	Amount (billions of dollars)	Share (%)
First bracket	Under $47,630	15%	9.1	31	17.9	12
Second bracket	$47,630 - $95,259	20.5%	7.3	25	54.2	35
Third bracket	$95,259 - $147,667	26%	1.7	6	28.5	18
Fourth bracket	$147,667 - $210,371	29%	0.5	2	14.1	9
Fifth bracket	Over $210,371	33%	0.4	1	40.2	26
Taxable filers			18.8	65	154.8	100
Non-taxable filers			10.1	35		
All taxfilers			28.9	100		

Notes: These statistics are presented on a public accounts basis and calculated using the T1 microdata from individual tax returns for the 2019 taxation year provided by the Canada Revenue Agency. Taxes paid reflect the total amount of net federal tax reported on line 42000 of the Income Tax and Benefit Return less the Quebec Abatement. Totals may not add due to rounding.

Source: T1 Income Tax and Benefit Return micro data.

Federal Corporate Taxable Income, Number of Corporations and Taxes Paid (Corporations With Positive Taxable Income), 2019

	Taxable Income		Corporations Reporting Income		Taxes Paid	
	Amount (billions of dollars)	Share (%)	Number (thousands)	Share (%)	Amount (billions of dollars)	Share (%)
Canadian-controlled private corporations	**194.3**	**54**	**1,009.6**	**98**	**25.0**	**52**
Business income taxed at the preferential tax rate for small businesses	84	23	812.7	79		
Other business income taxed at the general rate	77.8	22	123.8	12		
Other income	32.5	9	349.9	34		
Other corporations	**167.2**	**46**	**21.4**	**2**	**23.3**	**48**
Business income taxed at the general rate	163.6	45	21.2	2		
Other income	3.6	1	10.6	1		
Total	**361.5**	**100**	**1,031.0**	**100**	**48.3**	**100**

Notes: The sum of the number of corporations reporting each type of income does not add up to the total number of corporations, as a corporation may report income of more than one type. Totals may not add due to rounding.

Source: T2 Corporation Income Tax Return (Corporation Tax Processing System) data.

Changes to Tax Expenditures Since the 2021 Edition

New tax measures were introduced and others modified since the last edition of this report. Changes affecting tax expenditures in this report are described below. As this report considers tax expenditures as of December 31, 2021, changes announced in Budget 2022 are not listed below or taken into account in the estimates and projections.

Personal Income Tax

Canada Workers Benefit

Budget 2021 enhanced the Canada Workers Benefit (CWB) for taxation years after 2020. The enhancement raised the phase-out threshold from $13,194 to $22,944 for single individuals without children, and from $17,522 to $26,177 for families (both for 2021) and increased the phase-in and phase-out rates. Corresponding changes were also made to the CWB Disability Supplement.

Budget 2021 also introduced a secondary earner exemption to the CWB, a special rule for individuals with an eligible spouse. This exemption allows the spouse or common-law partner with the lower working income to exclude up to $14,000 of their working income in the computation of their adjusted net income for the purpose of the CWB phase-out.

Northern Residents Deduction

Budget 2021 proposed that northern residents no longer be required to receive an employer-provided travel benefit in order to claim the travel component of the Northern Residents Deduction. All northerners would have the option to claim a standard travel expense deduction of up to $1,200 in respect of themselves and their eligible family members. This measure would apply to the 2021 and subsequent tax years.

Child Care Expense and Disability Supports Deductions

As part of the Government of Canada's COVID-19 Economic Response Plan, the Government announced on January 19, 2021 that it would temporarily (for the 2020 and 2021 taxation years) expand the definition of income for the Child Care Expense Deduction and the Disability Supports Deduction to include Employment Insurance (EI) benefits (including EI special benefits, as well as Quebec Parental Insurance Plan benefits). These changes were needed to align the tax treatment of EI benefits with that of the Canada Emergency Response Benefit and other federal COVID-19 emergency income benefits for these two federal deductions.

For those individuals entitled to EI and COVID-19 emergency income benefits in 2020 or 2021, the requirement that the eligible expenses under the two deductions be incurred to earn employment or business income, pursue education, or perform research was also temporarily waived.

Home Office Expense Deduction

The 2021 *Economic and Fiscal Update* announced that the Canada Revenue Agency will extend the simplified approach to claiming home office expenses, first announced in the 2020 Fall Economic Statement, and allow employees working from home in 2021 or 2022 due to COVID-19 with modest expenses to claim up to $500, based on the amount of time working from home, without the need to track detailed expenses.

Teacher and Early Childhood Educator School Supply Tax Credit

The *2021 Economic and Fiscal Update* proposed to increase the credit rate of the Eligible Educator School Supply Tax Credit to 25% from 15%; to ensure that purchased supplies may be eligible no matter where they are used; and to expand the list of eligible durable supplies to include certain electronic devices. These changes would apply to the 2021 and subsequent tax years.

Corporate Income Tax

Canada Emergency Wage Subsidy

On March 27, 2020, as part of Canada's COVID-19 Economic Response Plan, the Government introduced the Canada Emergency Wage Subsidy (CEWS) to encourage employers to keep employees on the payroll and enable them to rehire workers who were laid off as a result of the pandemic.

The program has been modified over time in response to the evolving pandemic. Since the last edition of this report was published, various changes have been made:

- Budget 2021 extended the program until September 25, 2021, with gradually declining subsidy rates, beginning July 4, 2021. The subsidy rates were scheduled to decline from a maximum of 75% starting on June 6, 2021 to 20% starting on August 29, 2021. In addition, starting on July 4, 2021, eligibility was restricted to employers experiencing revenue declines of more than 10%. The wage subsidy for furloughed employees was also extended until August 28, 2021.
- Budget 2021 also announced a new requirement whereby any publicly listed corporation receiving the wage subsidy and found to be paying its top executives more in 2021 than in 2019 would need to repay the equivalent in wage subsidy amounts received for any qualifying period starting after June 5, 2021 and until the end of the wage subsidy program.
- On July 30, 2021, the Government announced that the CEWS for active employees was being further extended for one period until October 23, 2021 and that the maximum subsidy rate was increased from 20% to 40% for the period between August 29 and September 25, 2021. Technical changes to provide increased flexibility in the revenue decline calculation were also announced for organizations that started their operations on or after March 1, 2019.
- The broad-based CEWS program ended on October 23, 2021 and was replaced with three new targeted subsidy programs (see further information under Tourism and Hospitality Recovery Program, Hardest-Hit Business Recovery Program and Local Lockdown Program below).

Canada Emergency Rent Subsidy and Lockdown Support

On October 9, 2020, as part of Canada's COVID-19 Economic Response Plan, the Government announced the introduction of the Canada Emergency Rent Subsidy (CERS) and Lockdown Support. The CERS provides support for organizations that have suffered a decline in revenues through a subsidy on certain rent- and mortgage-related costs. Entities eligible for the CERS with locations that have been significantly affected by a public health order may be eligible for an additional 25% Lockdown Support subsidy.

These programs have been extended and modified over time in response to the evolving pandemic. Since the last edition of this report was published, various changes have been made:

- Budget 2021 extended the CERS until September 25, 2021, with gradually declining subsidy rates, beginning on July 4, 2021. The subsidy rate was scheduled to decline from a maximum of 65% starting on June 6, 2021 to 20% starting on August 29, 2021. In addition, starting on July 4, 2021, eligibility was restricted to employers experiencing revenue declines of more than 10%. Lockdown Support was also extended at its set rate of 25% until September 25, 2021.
- On July 30, 2021, the Government announced that the CERS was being further extended for one period until October 23, 2021 and that the maximum CERS rate was increased from 20% to 40% for the period between August 29 and September 25, 2021. Technical changes to provide increased flexibility in the revenue decline calculation were also announced for organizations that started their operations on or after March 1, 2019.

– The broad-based CERS/Lockdown Support program ended on October 23, 2021 and was replaced with three new targeted programs (see further information under Tourism and Hospitality Recovery Program, Hardest-Hit Business Recovery Program and Local Lockdown Program below).

Tourism and Hospitality Recovery Program

On October 21, 2021, the Government announced a new Tourism and Hospitality Recovery Program, which will provide organizations from the tourism and hospitality industry, such as hotels, tour operators, travel agencies, and restaurants, with a wage and rent subsidy of up to 75% until March 13, 2022. From March 13 to May 7, 2022 the maximum wage and rent subsidy rate will decrease by half. Additional details on the definition of qualifying organizations under this program were contained in legislation that received Royal Assent on December 17, 2021.

Eligible organizations are required to meet two conditions to qualify for this program:

- An average monthly revenue reduction of at least 40% over the course of the first 12 months of the pandemic; and
- A current-month revenue loss of at least 40%.

Lockdown Support under this program is available as a fixed top-up of 25% to the rent subsidy, pro-rated based on the number of days a particular location was affected by a lockdown, until May 7, 2022.

The Government also made legislative amendments to increase the aggregate monthly cap under the rent subsidy from $300,000 to $1 million starting on October 24, 2021.

Hardest-Hit Business Recovery Program

On October 21, 2021, the Government announced a new Hardest-Hit Business Recovery Program, which will provide other non-tourism and hospitality organizations that have faced deep losses with a wage and rent subsidy of up to 50% until March 13, 2022. From March 13 to May 7, 2022 the maximum wage and rent subsidy rate will decrease by half.

Eligible organizations are required to meet two conditions to qualify for this program:

- An average monthly revenue reduction of at least 50% over the course of the first 12 months of the pandemic; and
- A current-month revenue loss of at least 50%.

Lockdown Support under this program is available as a fixed top-up of 25% to the rent subsidy, pro-rated based on the number of days a particular location was affected by a lockdown, until May 7, 2022.

The Government also made legislative amendments to increase the aggregate monthly cap under the rent subsidy from $300,000 to $1 million starting on October 24, 2021.

Local Lockdown Program

On October 21, 2021, the Government announced a new Local Lockdown Program, which will provide the same level of support as the Tourism and Hospitality Recovery Program (i.e., a subsidy of up to 75% until March 13, 2022 and half the subsidy rate thereafter) to organizations that face temporary new local lockdowns, regardless of sector, until May 7, 2022.

To qualify, organizations must have one or more locations subject to a public health restriction (lasting for at least seven days in the current claim period) that requires them to cease activities that accounted for at least approximately 25% of total revenues of the employer during the prior reference period. Eligible organizations are not required to show a 12-month revenue decline over a certain threshold, but are required to show a current-month revenue loss of at least 40% to qualify for this new lockdown program.

On December 22, 2021, the government proposed to temporarily expand this program to include employers subject to capacity-limiting restrictions of 50% or more; and reduce the current-month revenue decline threshold requirement to 25%. This expansion would be in effect from December 19, 2021 until February 12, 2022.

Canada Recovery Hiring Program

Budget 2021 introduced the Canada Recovery Hiring Program for eligible employers that continue to experience qualifying declines in revenues relative to before the pandemic. Eligible employers received a subsidy of up to 50% on the incremental remuneration paid to eligible employees between June 6, 2021 and November 20, 2021. The subsidy rate was scheduled to be gradually reduced from a maximum of 50% (from July 4 to July 31, 2021) to 20% (from October 24 to November 20, 2021).

On October 21, 2021, the Government announced that the subsidy rate would be increased to 50% starting on October 24, 2021 and that the program would be extended at that same rate until May 7, 2022.

Immediate expensing for small businesses

Budget 2021 proposed to introduce immediate expensing in respect of certain property acquired by a Canadian-controlled private corporation (CCPC). This immediate expensing would be available for eligible property acquired by a CCPC on or after April 19, 2021 and that becomes available for use before January 1, 2024, up to a maximum amount of $1.5 million per taxation year. The $1.5 million limit would be shared among associated members of a group of CCPCs. The half-year rule would be suspended for property for which this measure is used. Eligible property would be capital property that is subject to the capital cost allowance rules, other than property included in Classes 1 to 6, 14.1, 17, 47, 49 and 51.

Rate Reduction for Zero-Emission Technology Manufacturers

Budget 2021 proposed a temporary measure to reduce corporate income tax rates for qualifying zero-emission technology manufacturers. Specifically, taxpayers would be able to apply reduced tax rates on eligible zero-emission technology manufacturing and processing income of:

- 7.5%, where that income would otherwise be taxed at the 15% general corporate tax rate; and
- 4.5%, where that income would otherwise be taxed at the 9% small business tax rate.

The reduced tax rates would apply to taxation years that begin after 2021. The reduced rates would be gradually phased out starting in taxation years that begin in 2029 and fully phased out for taxation years that begin after 2031.

Changes to the Accelerated Capital Cost Allowance for Clean Energy Generation Equipment

Budget 2021 proposed to expand the accelerated capital cost allowance for clean energy generation and energy efficient equipment under Classes 43.1 and 43.2 to include equipment used in pumped hydroelectric energy storage, renewable fuel production, hydrogen production by electrolysis of water, and hydrogen refuelling. Certain existing restrictions related to investments in water current, wave and tidal energy, active solar heating, and geothermal energy technologies would also be removed. The expansion of Classes 43.1 and 43.2 would apply in respect of property that is acquired and that becomes available for use on or after April 19, 2021, where it has not been used or acquired for use for any purpose before that date.

Additionally, Budget 2021 proposed to update the eligibility criteria for Classes 43.1 and 43.2 such that certain fossil-fuelled and low efficiency waste-fuelled electrical generation equipment would no longer be eligible. This would apply in respect of property that becomes available for use after 2024.

Small Businesses Air Quality Improvement Tax Credit

The 2021 *Economic and Fiscal Update* proposed a refundable Small Businesses Air Quality Improvement Tax Credit of 25 per cent on eligible air quality improvement expenses incurred by small businesses between September 1, 2021, and December 31, 2022. Businesses would receive the credit on eligible expenses related to the purchase or upgrade of mechanical heating, ventilation and air conditioning (HVAC) systems and the purchase of devices designed to filter air using high efficiency particulate air (HEPA) filters, up to a maximum of $10,000 per location and $50,000 in total.

Goods and Services Tax

Small Suppliers’ Threshold: Implication of GST/HST Collection by Electronic Platforms

The 2020 *Fall Economic Statement* announced a number of changes to the GST/HST system to ensure that the GST/HST applies fairly and effectively to the growing digital economy. As part of this announcement, GST/HST is payable on all supplies to Canadians of goods that are located in Canadian fulfillment warehouses and all platform-based short-term rental accommodation supplied in Canada. Under these changes, an electronic platform that facilitates the supply of goods located in Canadian fulfillment warehouses or short-term accommodation in Canada by underlying vendors that are not registered for the GST/HST would be deemed to be the supplier of the goods or accommodation for purposes of the GST/HST and required to collect and remit tax in respect of these supplies. As a result, the small suppliers’ threshold no longer operates to relieve the tax on these supplies.

The changes were effective July 1, 2021. However, the Canada Revenue Agency is providing flexibility for platform operators who are unable to comply with the new requirements by that date. Therefore, the effects of this measure may not be fully visible until the second half of 2022.

Part 3

Descriptions of Tax Expenditures

Introduction

This part presents detailed information on the tax expenditures presented in this report, a list of which can be found in the "List of Tax Expenditures" section appearing at the end of the report. The following information is provided for each tax expenditure:

Description

A short description is provided of the key design features of the tax expenditure, as applicable on December 31, 2021 (unless otherwise noted).

Type of tax

Whether a measure is a tax expenditure under the personal income tax, the corporate income tax and/or the GST.

Beneficiaries

Indicates the group of taxpayers (e.g., families, seniors, small businesses) benefiting from the tax expenditure.

Type of measure

One of the following types of measures is attributed to the tax expenditure:

Exemption: The non-taxation of certain taxpayers, income or gains.

Exemption and zero-rating under the GST: No GST is charged on exempt goods and services, while the GST applies on zero-rated goods and services, but at a zero GST rate. Vendors of zero-rated goods and services are entitled to claim input tax credits to recover the full amount of GST they paid on inputs used to produce or market zero-rated products; in contrast, vendors of exempt goods and services are not entitled to claim input tax credits to recover the GST they paid on their inputs. A number of GST expenditures are not exemptions or zero-rating provisions from a legal perspective, yet have the effect of not imposing the GST on certain goods and services (e.g., travellers' exemption, small suppliers' threshold). These measures are classified as "other".

Deduction: An amount subtracted from total income in determining net income, or from net income in determining taxable income.

Deemed remittance: A measure that deems a certain amount to be tax already remitted by the taxpayer.

Credit (refundable, non-refundable): An amount subtracted from tax payable. A credit is refundable when any excess of the credit over the amount of tax payable is refunded to the taxpayer.

Rebate and refund: An amount of tax paid that is refunded to the taxpayer.

Preferential tax rate: A tax rate that is lower than the general benchmark rate.

Surtax: A tax that is imposed in addition to the basic tax payable.

Timing preference: A measure that permits the deferral of tax relative to the benchmark tax treatment, for instance by delaying the time income or gains are brought into income, or by accelerating the use of deductions.

Legal reference

Indicates the legal provisions that relate to the tax expenditure. Only the main acting provision is generally indicated, but more than one provision may be indicated when a tax expenditure results from the interaction of multiple key provisions.

Implementation and recent history

Indicates the date or year the tax expenditure was implemented and became effective. Key recent developments are also reported.

Objective

Indicates the objective(s) being pursued by the tax expenditure, as officially stated by the Government when the tax expenditure was introduced or subsequently. When no official statement could be found, the objective currently pursued by the tax expenditure is indicated, as can be determined from the design and effects of the tax expenditure.

For presentation purposes, objectives have been classified in the following standard categories:

Objectives that are internal to the tax system:

- To reduce administration or compliance costs
- To provide relief for special circumstances
- To assess tax liability over a multi-year period
- To prevent double taxation
- To recognize non-discretionary expenses (ability to pay)
- To recognize expenses incurred to earn employment income
- To recognize education costs
- To promote the fairness of the tax system
- To ensure a neutral tax treatment across similar situations
- To implement intergovernmental tax arrangements
- To implement a judicial decision

Other objectives:

- To extend or modify the unit of taxation
- To provide income support or tax relief
- To encourage savings
- To encourage or attract investment
- To encourage investment in education
- To encourage employment
- To support competitiveness
- To support business activity
- To achieve an economic objective - other
- To achieve a social objective

Category

The category indicates whether the measure is structural or non-structural. A structural tax measure is one whose main objective is internal to the tax system (see above list under "Objective"). When a measure pursues both structural and non-structural objectives, it is categorized based on an assessment of whether the structural or non-structural component predominates; for instance, the Home Accessibility Tax Credit supports independent living and as such is classified as non-structural, even though this credit also provides tax recognition for some non-discretionary expenses, which is a structural objective. The classification of a tax expenditure as structural or non-structural is not indicative of the relevance and performance of the measure.

Refundable tax credits (with the exception of the GST/HST Credit) are treated as direct spending for government accounting purposes, and for that reason are assigned to a separate category.

Reason why this measure is not part of benchmark tax system

Indicates the manner(s) in which the tax expenditure is departing from the benchmark tax system (see the section "Main Types of Tax Expenditures" in Part 1 of the report). Measures that are part of the benchmark tax system are indicated as such.

Subject

Tax expenditures are classified based on their subject matter. This classification is provided solely for presentational purposes and is not intended to reflect underlying policy considerations. The following subjects have been identified:

Arts and culture	Families and households
Business - farming and fishing	Health
Business - natural resources	Housing
Business - research and development	Income support
Business - small businesses	Intergovernmental tax arrangements
Business - other	International
Donations, gifts, charities and non-profit organizations	Retirement
Education	Savings and investment
Employment	Social
Environment	Other

Canadian Classification of Functions of Government 2014 code

The Canadian Classification of Functions of Government (CCOFOG) is a classification used by Statistics Canada in reporting government finance, fiscal and public sector statistics. This classification is a variant of the international functional expenditure classification standard that was developed by the Organisation for Economic Co-operation and Development to facilitate international comparisons. The full 2014 CCOFOG can be accessed on the Statistics Canada website at www.statcan.gc.ca.

Other relevant government programs

This provides background information on spending programs of the federal government that are relevant to the policy area of the tax expenditure. Additional information on these programs can be found in the table at the end of Part 3 and in the Departmental Plans and Departmental Results Reports of the relevant departments and agencies.[1]

Source of data

Indicates the source of the data used in calculating the cost estimates and projections for the tax expenditure.

[1] These documents can be accessed on the Government of Canada website (www.canada.ca) under "Government-wide reporting on spending and operations". Departmental Plans were entitled "Reports on Plans and Priorities" prior to the 2017–18 release. Departmental Results Reports were entitled "Departmental Performance Reports" prior to the 2016–17 release.

Estimation method

Provides a short description of the method used to calculate the cost estimates for the tax expenditure. For additional details, see the section "Calculation of the Tax Expenditure Estimates and Projections" in Part 1 of the report.

Projection method

Provides a short description of the method used to calculate the cost projections for the tax expenditure. For additional details, see the section "Calculation of the Tax Expenditure Estimates and Projections" in Part 1 of the report.

Number of beneficiaries

Provides information (when available) on the number of individuals, families, corporations or other organizations that benefit from the tax expenditure. A taxpayer benefits from a measure when the measure reduces his or her net tax payable. Some taxpayers are not taxable and may not get any tax relief from a given measure even though, for instance, they claim a particular deduction or credit on their tax returns. In some cases, in lieu of information on the number of beneficiaries, information on the number of claimants or other information providing some indication of the number of potential beneficiaries is provided.

Cost information

Cost estimates and projections for the tax expenditure, when available, are copied from the table in Part 2 for convenience. Additional details are also provided for some measures.

Cost estimates and projections are presented on a calendar year basis. The fiscal period of a corporation may overlap more than one calendar year; when this is the case, the value of a tax expenditure is allocated to the calendar year in which the corporation's fiscal period ends.

Totals may not add due to rounding.

Notes:

Amounts under $500,000 are reported as "S" ("small"), amounts between $500,000 and $5 million are rounded to the nearest $1 million and amounts above $5 million are rounded to the nearest $5 million.

n.a.	No data available to support a meaningful estimate or projection
n/a	Not applicable
–	Tax expenditure not in effect
X	Not published for confidentiality reasons
P	Projection

10% Temporary Wage Subsidy for Employers

Description	The 10% Temporary Wage Subsidy for Employers was a 3-month measure providing a subsidy equal to 10% of the remuneration paid from March 18 to June 19, 2020, up to $1,375 for each eligible employee. The maximum total was $25,000 per eligible employer, which included corporations eligible for the small business deduction, individuals (excluding trusts), partnerships, non-profit organizations and charities. Eligible employers were able to directly access the subsidy by reducing their remittances of income tax withheld on their employees' remuneration.
Tax	Personal and corporate income tax
Beneficiaries	Businesses, individuals and other organizations
Type of measure	Deemed remittance
Legal reference	*Income Tax Act*, section 153
Implementation and recent history	• As part of Canada's COVID-19 Economic Response Plan, this measure was implemented as of March 18, 2020 and expired on June 19, 2020.
Objective – category	To encourage employment To support business activity
Objective	This measure was intended to support businesses and other organizations that are affected by the pandemic through a subsidy on wages and salaries.
Category	Refundable tax credit
Reason why this measure is not part of benchmark tax system	This measure is classified as a transfer payment for government accounting purposes, and therefore is not considered to be a tax expenditure.
Subject	Employment Business – other
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs relevant to supporting individuals and businesses during the COVID-19 crisis, as part of the Canada's COVID-19 Economic Response Plan. The Canada Emergency Busines Account and programs within the mandate of Innovation, Science and Economic Development Canada also support businesses and other organizations that are affected by the COVID-19 pandemic. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Administrative data provided by the Canada Revenue Agency.
Estimation method	The cost of this measure reflects administrative data provided by the Canada Revenue Agency
Projection method	n/a
Number of beneficiaries	About 265,000 employers claimed this subsidy in 2020.

Cost Information:

Millions of dollars	**2016**	**2017**	**2018**	**2019**	**2020**	**2021 (P)**	**2022 (P)**	**2023 (P)**
Personal and corporate income tax	–	–	–	–	1,295	–	–	–

$200 capital gains exemption on foreign exchange transactions

Description	The first $200 of net capital gains of an individual on foreign exchange transactions is exempt from tax.
Tax	Personal income tax
Beneficiaries	Individuals
Type of measure	Exemption
Legal reference	*Income Tax Act*, subsections 39(1.1) and (2)
Implementation and recent history	• Introduced in Budget 1971. Effective for the 1972 and subsequent taxation years. • Technical legislative changes to move the $200 exception for individuals from subsection 39(2) into subsection 39(1.1) were adopted on June 26, 2013.
Objective – category	To reduce administration or compliance costs
Objective	This measure was introduced to minimize record keeping and simplify administration with respect to modest foreign exchange transactions.
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base.
Subject	Savings and investment
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	n/a
Source of data	No data is available.
Estimation method	No estimate is available.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

Accelerated capital cost allowance for clean energy generation equipment

Description	Specified clean energy generation and energy efficient equipment, such as equipment used to generate electricity and/or heat from renewable energy sources (e.g., wind, solar, small hydro) or from waste (e.g., wood waste, landfill gas) or that makes efficient use of fossil fuels (e.g., high efficiency cogeneration), that is acquired by a taxpayer after February 21, 1994, can be depreciated on a declining-balance basis at an accelerated capital cost allowance (CCA) rate of 30% (Class 43.1). If acquired after February 22, 2005 and before 2025, such equipment can be depreciated on a declining-balance basis at an accelerated CCA rate of 50% (Class 43.2). The eligibility criteria for these two classes are generally the same, except that cogeneration systems that use fossil fuels must meet a higher efficiency standard and electric vehicle charging stations must meet a higher power threshold for Class 43.2 than for Class 43.1, and electrical energy storage equipment must be connected to an electricity generation system that is eligible for Class 43.2. The 2018 *Fall Economic Statement* announced that Class 43.1 and 43.2 property acquired after November 20, 2018 and put in use before 2024 would be eligible for immediate expensing, with a phase-out for property put in use after 2023 (75% deduction in 2024 and 2025, and 55% deduction in 2026 and 2027). Without Class 43.1 and Class 43.2, depending on their nature or use, many of these assets would be depreciated at lower rates of 4%, 8% or 20%. A related measure addresses specified intangible start-up costs of clean energy projects (see the measure "Accelerated deductibility of Canadian Renewable and Conservation Expenses").
Tax	Personal (including trusts) and corporate income tax
Beneficiaries	Businesses using clean or efficient energy generation equipment
Type of measure	Timing preference
Legal reference	*Income Tax Regulations*, subsections 1100(2) and 1104(4), Classes 43.1 and Class 43.2 of Schedule II
Implementation and recent history	• The predecessor Class 34, introduced in 1976, provided an accelerated CCA rate of 50% on a straight-line basis for a range of energy generation and conservation equipment. • Class 43.1 was introduced in Budget 1994, effective for assets acquired after February 21, 1994. • Class 43.2 was introduced in Budget 2005, effective for assets acquired after February 22, 2005 and before 2012. Budget 2007 extended the eligibility for Class 43.2 to assets acquired before 2020. Budget 2018 extended the eligibility for Class 43.2 to property acquired before 2025. • The 2018 *Fall Economic Statement* announced the accelerated investment incentive for specified clean energy equipment included in Classes 43.1 and 43.2 acquired after November 20, 2018 and put in use before 2024. This measure would be gradually phased out starting in 2024, and would no longer be in effect for investments put in use after 2027. • The range of assets covered by these CCA classes has been expanded several times. Most recently, Budget 2021 proposed to expand eligibility to include equipment used in pumped hydroelectric energy storage, renewable fuel production, hydrogen production by electrolysis of water, and hydrogen refuelling. Certain existing restrictions related to investments in water current, wave and tidal energy, active solar heating, and geothermal energy technologies were also proposed to be removed. • Budget 2021 also proposed to update the eligibility criteria for Classes 43.1 and 43.2 such that certain fossil-fuelled and low efficiency waste-fuelled electrical generation equipment would no longer be eligible. This would apply in respect of property that becomes available for use after 2024.
Objective – category	To encourage or attract investment
Objective	This measure encourages businesses to invest in specified clean energy generation and energy efficiency equipment (*Technical Guide to Class 43.1 and 43.2*, Natural Resources Canada, 2013).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure may permit the depreciation of a capital asset faster than its useful life.
Subject	Environment Business – other
CCOFOG 2014 code	70435 - Economic affairs - Fuel and energy - Electricity

	70439 - Economic affairs - Fuel and energy - Fuel and energy not elsewhere classified
Other relevant government programs	Programs within the mandates of Environment and Climate Change Canada, the Impact Assessment Agency of Canada, Parks Canada and Natural Resources Canada also support environment-related objectives. Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Personal income tax: Data on acquisitions by unincorporated businesses of specified clean energy generation equipment is not available. Corporate income tax: T2 Corporation Income Tax Return
Estimation method	No estimate is available – see the Annex to Part 1 for an explanation as to why estimates are not available for this measure. For the estimation method for the incremental cost of the changes announced in the 2018 *Fall Economic Statement*, see the Accelerated Investment Incentive.
Projection method	No projection is available.
Number of beneficiaries	About 780 businesses made additions to Classes 43.1 and 43.2 in 2019. No data is available for unincorporated businesses.

Accelerated capital cost allowance for liquefied natural gas facilities

Description	An accelerated capital cost allowance (CCA) is available for certain property acquired for use in facilities in Canada that liquefy natural gas. The accelerated CCA takes the form of an additional 22% allowance that, combined with the regular CCA rate of 8%, brings the CCA rate up to 30% for liquefaction equipment used in Canada in connection with natural gas liquefaction. A second additional allowance equivalent to 4% brings the CCA rate up to 10% from 6% for non-residential buildings that are part of facilities that are used to liquefy natural gas. These additional allowances may only be claimed against income of the taxpayer that is attributable to the liquefaction of natural gas at the facility.
Tax	Personal (including trusts) and corporate income tax
Beneficiaries	Businesses in the natural gas liquefaction industry
Type of measure	Timing preference
Legal reference	*Income Tax Regulations*, paragraphs 1100(1)(a.3) and (yb), subsection 1101(4i) and paragraph (b) of Class 47 of Schedule II
Implementation and recent history	• Introduced in 2015 (Prime Minister of Canada news release, February 19, 2015). Effective for capital assets acquired after February 19, 2015 and before 2025.
Objective – category	To encourage or attract investment
Objective	This measure is intended to encourage investment in facilities that liquefy natural gas to supply emerging international and domestic markets (Prime Minister of Canada news release, February 19, 2015).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure may permit the depreciation of a capital asset faster than its useful life.
Subject	Business - natural resources
CCOFOG 2014 code	70455 - Economic affairs - Transport - Pipeline and other transport
Other relevant government programs	Programs within the mandate of Natural Resources Canada also support the natural resource sector. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Personal income tax: Data on investment in liquefied natural gas facilities by unincorporated businesses is not available. Corporate income tax: T2 Corporation Income Tax Return
Estimation method	Estimates are not presented due to confidentiality restrictions.
Projection method	Projections are not presented due to confidentiality restrictions.
Number of beneficiaries	A small number of corporations (fewer than 20) made additions to the relevant CCA classes each year. No data is available for unincorporated businesses.

Cost Information:

Millions of dollars	**2016**	**2017**	**2018**	**2019**	**2020 (P)**	**2021 (P)**	**2022 (P)**	**2023 (P)**
Personal income tax	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Corporate income tax	X	X	X	X	X	X	X	X
Total	X	X	X	X	X	X	X	X

Accelerated capital cost allowance for manufacturing or processing machinery and equipment

Description	Machinery and equipment acquired by a taxpayer after March 18, 2007 and before 2016 and that is primarily for use in Canada for the manufacturing or processing of goods for sale or lease can be depreciated on a straight-line basis at an accelerated capital cost allowance (CCA) rate of 50% (Class 29 of Schedule II to the *Income Tax Regulations*). Machinery and equipment acquired after 2015 is depreciable on a declining-balance basis at an accelerated CCA rate of 50% (Class 53). The 2018 *Fall Economic Statement* announced that property in Class 53 acquired after November 20, 2018 and put in use before 2024 would be eligible for immediate expensing, with a phase-out for property put in use after 2023 (75% deduction in 2024 and 2025, and 55% deduction in 2026 and 2027). Machinery and equipment acquired outside of these periods is included in Class 43 and qualifies for a CCA rate of 30% calculated on a declining-balance basis.
Tax	Personal (including trusts) and corporate income tax
Beneficiaries	Businesses in the manufacturing and processing industry
Type of measure	Timing preference
Legal reference	*Income Tax Regulations*, paragraph 1100(1)(ta), subsections 1100(2) and 1104(4), and Classes 29 and 53 of Schedule II
Implementation and recent history	• The accelerated CCA provided at a rate of 50% on a straight-line basis was introduced in Budget 2007, effective for eligible manufacturing and processing machinery and equipment acquired on or after March 19, 2007. • Extended in Budgets 2008, 2009, 2011 and 2013. • Budget 2015 introduced the 50% accelerated CCA on a declining-balance basis, effective for eligible assets acquired after 2015 and before 2026. • The 2018 *Fall Economic Statement* announced immediate expensing of machinery and equipment used for the manufacturing or processing of goods included in Class 53 that is put in use before 2024. This measure would be graduallly phased out starting in 2024, and would no longer be in effect for investments put in use after 2027.
Objective – category	To encourage or attract investment
Objective	This temporary measure provides an incentive for manufacturing and processing businesses to accelerate or increase capital investment (Budget 2008). Providing this incentive for an extended period of time helps to provide businesses with planning certainty for larger projects where the investment may not be completed until several years after the investment decision is made and for longer-term investments with multiple phases (Budget 2015).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure may permit the depreciation of a capital asset faster than its useful life.
Subject	Business – other
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Personal income tax: Data on acquisitions by unincorporated businesses of manufacturing or processing machinery and equipment is not available. Corporate income tax: T2 Corporation Income Tax Return
Estimation method	No estimate is available – see the Annex to Part 1 for an explanation as to why estimates are not available for this measure. For the estimation method for the incremental cost of the changes announced in the 2018 *Fall Economic Statement*, see the Accelerated Investment Incentive.
Projection method	No projection is available.
Number of beneficiaries	About 16,860 corporations made additions to the relevant CCA class in 2019. No data is available for unincorporated businesses.

Accelerated capital cost allowance for mining and oil sands assets

Description	In addition to the regular capital cost allowance (CCA) deduction of 25% per year (Class 41), for assets used in mining, an accelerated CCA has been provided for assets acquired for use in new mines, including oil sands mines, and major mine expansions (i.e., expansions that increase the capacity of a mine by at least 25%). The additional allowance allows the taxpayer to deduct up to 100% of the remaining cost of the eligible assets in computing income for a taxation year, not exceeding the taxpayer's income for the year from the mine (calculated after deducting the regular CCA). This measure has been phased out such that new additions to this class cannot benefit from the additional allowance.
Tax	Personal (including trusts) and corporate income tax
Beneficiaries	Businesses in the mining and oil and gas industry
Type of measure	Timing preference
Legal reference	*Income Tax Regulations*, subsection 1100(1) and Classes 41, 41.1 and 41.2 of Schedule II
Implementation and recent history	• Introduced in Budget 1971, effective 1972. • Extended in Budget 1996 to in-situ oil sands projects (that is, projects that use oil wells rather than open-pit mining techniques to extract bitumen). This change ensured that both types of oil sands projects are accorded the same CCA treatment. Budget 1996 also extended the accelerated CCA to expenditures on eligible assets acquired in a taxation year for use in a mine or oil sands project, to the extent that the cost of those assets exceeds 5% of the gross revenue for the year from the mine or project. • Budget 2007 announced the phasing out by 2015 of the accelerated CCA for oil sands projects. • Budget 2013 announced the phasing out by 2021 of the accelerated CCA for all other mining projects.
Objective – category	To encourage or attract investment
Objective	This measure was introduced to maintain an incentive for mining investment while eliminating the three-year exemption for corporate profits that was previously provided for new mines, which was considered in many circumstances to be too generous (*Proposals for Tax Reform*, 1969).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure may permit the depreciation of a capital asset faster than its useful life.
Subject	Business - natural resources
CCOFOG 2014 code	70441 - Economic affairs - Mining, manufacturing, and construction - Mining of mineral resources other than mineral fuels 7043 - Economic affairs - Fuel and energy
Other relevant government programs	Programs within the mandate of Natural Resources Canada also support the natural resource sector. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Personal income tax: Data on Class 41 expenditures by unincorporated businesses is not available. Corporate income tax: T2 Corporation Income Tax Return
Estimation method	No estimate is available – see the Annex to Part 1 for an explanation as to why estimates are not available for this measure.
Projection method	No projection is available.
Number of beneficiaries	In 2019 the additional allowance was only available for mining assets under Class 41.2. About 80 corporations made additions to Class 41.2 in 2019. No data is available for unincorporated businesses.

Accelerated capital cost allowance for vessels

Description	New vessels (including furniture, fittings, radio communication equipment and other equipment) that are constructed and registered in Canada and that were not used for any purpose whatsoever before acquisition by their owners can be depreciated at a maximum capital cost allowance (CCA) rate of 33⅓% on a straight-line basis. Vessels that do not qualify for this treatment are depreciable at a CCA rate of 15% on a declining-balance basis.
Tax	Personal (including trusts) and corporate income tax
Beneficiaries	Businesses
Type of measure	Timing preference
Legal reference	*Income Tax Regulations*, paragraph 1100(1)(v)
Implementation and recent history	• Introduced in 1967 (Order in Council P.C. 1967-1668). Effective for assets acquired on or after March 23, 1967.
Objective – category	To encourage or attract investment
Objective	This measure encourages investment in new vessels built and registered in Canada.
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure may permit the depreciation of a capital asset faster than its useful life.
Subject	Business – other
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Personal income tax: Data on acquisitions of vessels by unincorporated businesses is not available. Corporate income tax: T2 Corporation Income Tax Return
Estimation method	No estimate is available – see the Annex to Part 1 for an explanation as to why estimates are not available for this measure.
Projection method	No projection is available.
Number of beneficiaries	About 60 corporations made additions to the relevant CCA class in 2019. No data is available for unincorporated businesses.

Accelerated capital cost allowance for zero-emission automotive equipment and vehicles

Description	Zero-emission automotive equipment and vehicles purchased by businesses are deductible at a rate of 100% in the year they are put in use. Eligible on-road zero-emission vehicles include battery electric, plug-in hybrid (with a battery capacity of at least 7 kWh) or hydrogen fuel cell vehicles, including light-, medium- and heavy-duty vehicles. Other types of eligible zero-emission automotive equipment and vehicles include off-road, rail, aerial and marine automotive equipment and vehicles that are fully electric or powered by hydrogen. For new on-road zero-emission vehicles this measure applies to eligible vehicles acquired on or after March 19, 2019 and that become available for use before 2028. In the case of used on-road zero-emission vehicles and other types of zero-emission automotive equipment and vehicles, this measure applies to eligible equipment or vehicles acquired on or after March 2, 2020 and that become available for use before 2028. The measure is subject to a phase-out for equipment and vehicles that become available for use after 2023 (75% deduction in 2024 and 2025, and 55% deduction in 2026 and 2027).
Tax	Personal (including trusts) and corporate income tax
Beneficiaries	Businesses
Type of measure	Timing preference
Legal reference	*Income Tax Regulations*, subsection 1100(2) and Classes 54, 55, and 56 of Schedule II
Implementation and recent history	• Classes 54 and 55 were introduced in Budget 2019, applicable to eligible zero-emission vehicles acquired on or after March 19, 2019 and that become available for use before 2028. • On March 2, 2020, Classes 54 and 55 were expanded to include used on-road zero-emission vehicles acquired on or after March 2, 2020 and that become available for use before 2028. • On March 2, 2020, Class 56 was introduced, applicable to other types of zero-emission automotive equipment and vehicles acquired on or after March 2, 2020 and that become available for use before 2028.
Objective – category	To achieve a social objective To encourage or attract investment
Objective	This temporary measure was introduced to encourage businesses to convert to zero-emission fleets (Budget 2019). The measure was expanded to encourage businesses, including in sectors like mining, transportation, and agriculture, to take advantage of opportunities to upgrade to newer, cleaner technologies (Prime Minister of Canada news release, March 2, 2020).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure may permit the depreciation of a capital asset faster than its useful life.
Subject	Environment Business – other
CCOFOG 2014 code	70539 - Environmental protection - Pollution abatement 70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandates of Environment and Climate Change Canada, the Impact Assessment Agency of Canada, Parks Canada, Transport Canada and Natural Resources Canada also support environment-related objectives. Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Corporate income tax: T2 Corporation Income Tax Return External data
Estimation method	Micro-simulation model
Projection method	The cost of this measure is projected to decline over time considering that additional allowances claimed in early years will be offset by lower allowances in future years. This effect is partly offset by the projected growth in business investment towards zero-emission vehicles.

Number of beneficiaries	About 500 corporations made additions to Class 54 and about 1,000 corporations made additions to Class 55 in 2019. No data is available for unincorporated businesses or for Class 56.

Cost Information:

Millions of dollars	**2016**	**2017**	**2018**	**2019**	**2020 (P)**	**2021 (P)**	**2022 (P)**	**2023 (P)**
Personal and corporate income tax								
On-road zero-emission vehicles	–	–	–	2	4	3	3	3
Other types of zero-emission automotive equipment and vehicles	–	–	–	–	15	15	10	10
Total – personal and corporate income tax	–	–	–	2	15	20	15	10

Accelerated deductibility of Canadian Renewable and Conservation Expenses

Description	Canadian Renewable and Conservation Expenses (CRCE) can be deducted in full in the year incurred even though some of these expenses are capital in nature. CRCE generally include intangible start-up costs of renewable energy and energy efficiency projects for which at least 50% of the cost of depreciable assets can reasonably be expected to be property that is eligible for accelerated capital cost allowance (CCA) under CCA Class 43.1 or Class 43.2. CRCE also include expenses such as the cost of engineering and feasibility studies, which may be considered analogous to exploration expenses incurred by firms in the non-renewable resource sector. As a type of Canadian Exploration Expense, CRCE can be carried forward indefinitely or transferred to flow-through share investors. For more information, see the related measures "Accelerated capital cost allowance for clean energy generation equipment" and "Flow-through share deductions".
Tax	Personal (including trusts) and corporate income tax
Beneficiaries	Businesses using clean or efficient energy generation equipment
Type of measure	Timing preference
Legal reference	*Income Tax Act*, subsection 66.1(6) *Income Tax Regulations*, section 1219
Implementation and recent history	• Introduced in Budget 1996. Effective for expenditures incurred after December 5, 1996. • CRCE treatment has been expanded several times as a result of the broadening of the range of assets covered by CCA classes 43.1 and 43.2. • Most recently, Budget 2021 proposed to expand eligibility to include equipment used in pumped hydroelectric energy storage, renewable fuel production, hydrogen production by electrolysis of water, and hydrogen refuelling. Certain existing restrictions related to investments in water current, wave and tidal energy, active solar heating, and geothermal energy technologies were also proposed to be removed. • Budget 2021 also proposed to update the eligibility criteria for Classes 43.1 and 43.2, such that certain fossil-fuelled and low efficiency waste-fuelled electrical generation equipment would no longer be eligible after 2024. This would apply in respect of property that becomes available for use after 2024.
Objective – category	To encourage or attract investment
Objective	This measure encourages investments in clean energy generation and energy conservation projects (*Technical Guide to Canadian Renewable and Conservation Expenses*, Natural Resources Canada, 2012).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure may permit the depreciation of a capital asset faster than its useful life.
Subject	Environment Business – other
CCOFOG 2014 code	70435 - Economic affairs - Fuel and energy - Electricity 70439 - Economic affairs - Fuel and energy - Fuel and energy not elsewhere classified
Other relevant government programs	Programs within the mandates of Environment and Climate Change Canada, the Impact Assessment Agency of Canada, Parks Canada and Natural Resources Canada also support environment-related objectives. Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Personal income tax: Data on CRCE incurred by unincorporated businesses is not available. Corporate income tax: T2 Corporation Income Tax Return
Estimation method	No estimate is available – see the Annex to Part 1 for an explanation as to why estimates are not available for this measure.
Projection method	No projection is available.

Number of beneficiaries	About 90 corporations incurred Canadian Renewable and Conservation Expenses in 2019. No data is available for unincorporated businesses.

Accelerated deductibility of some Canadian Exploration Expenses

Description	Canadian Exploration Expenses (CEE) are deductible at a rate of 100% in the year incurred. CEE include certain intangible costs incurred to determine the existence, location, extent or quality of a crude oil or natural gas reservoir or of a mineral resource not previously known to exist. For the mining sector (including oil sands mines), CEE have also included intangible pre-production development expenses—costs incurred for the purpose of bringing a new mine into production in reasonable commercial quantities. However, the eligibility of these latter expenses was phased out by 2018. Exploration expenses are undertaken to create an asset (the reserves discovered), and as with generally accepted accounting tax principles, the benchmark tax treatment would be to capitalize and amortize the expenses of successful exploration over the life of the asset. Unsuccessful efforts that do not result in an exploitable asset could be expensed. In practice, it is often not possible to determine whether or not exploration spending has been successful in the year when the expenses are incurred, since it is often several years afterwards before decisions on production are made.
Tax	Personal (including trusts) and corporate income tax
Beneficiaries	Businesses in the mining and oil and gas industry
Type of measure	Timing preference
Legal reference	*Income Tax Act*, section 66.1
Implementation and recent history	• Budget 1974 introduced CEE as a category distinct from Canadian Development Expenses (CDE). • Budget 1978 expanded coverage to include certain expenditures relating to the development of a new mine. • Budget 2011 announced the phasing out by 2016 of the eligibility for CEE of pre-production development expenses for oil sands mines. • Budget 2013 announced the phasing out by 2018 of the eligibility for CEE of pre-production development expenses for all other mines. • Budget 2017 announced the phasing out by 2021 of the eligibility for CEE for expenses associated with oil and gas discovery wells, unless and until they are deemed unsuccessful.
Objective – category	To encourage or attract investment
Objective	This measure recognizes the challenges facing mining and oil and gas companies—a low probability of success, large capital requirements and long timeframes before reporting positive cash flow—as they explore for resources (Budget 2015).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure may permit the depreciation of a capital asset faster than its useful life.
Subject	Business - natural resources
CCOFOG 2014 code	70441 - Economic affairs - Mining, manufacturing, and construction - Mining of mineral resources other than mineral fuels 70432 - Economic affairs - Fuel and energy - Petroleum and natural gas
Other relevant government programs	Programs within the mandate of Natural Resources Canada also support the natural resource sector. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Personal income tax: Data on CEE incurred by unincorporated businesses is not available. Corporate income tax: T2 Corporation Income Tax Return
Estimation method	No estimate is available – see the Annex to Part 1 for an explanation as to why estimates are not available for this measure.
Projection method	No projection is available.
Number of beneficiaries	About 1,670 corporations made Canadian Exploration Expenses in 2019. No data is available for unincorporated businesses.

Accelerated Investment Incentive

Description	The Accelerated Investment Incentive provides an enhanced first-year allowance for capital property that is subject to the capital cost allowance (CCA) rules, as well as Canadian oil and gas property and Canadian development expenses, with limited restrictions. The Accelerated Investment Incentive does not apply to property in Classes 53 (manufacturing and processing machinery and equipment), 43.1 and 43.2 (clean energy equipment), which are eligible for full expensing. Eligible property generally subject to the half-year rule qualifies for an enhanced CCA equal to three times the normal first-year allowance, and property not generally subject to the half-year rule qualifies for an enhanced CCA equal to one-and-a-half times the normal first-year allowance. The Accelerated Investment Incentive is available for property acquired after November 20, 2018 and that becomes available for use before 2028, subject to a phase-out for property that becomes available for use after 2023. For eligible property that would normally be subject to the half-year rule (or an equivalent rule) and that becomes available for use during the 2024-2027 phase-out period, the Accelerated Investment Incentive effectively suspends the half-year rule (and equivalent rules), providing such property with an enhanced allowance equal to two times the normal first-year allowance. For eligible property that would not normally be subject to the half-year rule (or an equivalent rule) and that becomes available for use during the 2024-2027 phase-out period, the enhanced allowance is equal to one-and-a-quarter times the normal first-year allowance.
Tax	Personal (including trusts) and corporate income tax
Beneficiaries	Businesses
Type of measure	Timing preference
Legal reference	*Income Tax Act*, paragraph 66.2(2)(d), definition of accelerated Canadian development expense in subsection 66.2(5), paragraph 66.4(2)(c), definition of accelerated Canadian oil and gas property expense in subsection 66.4(5) *Income Tax Regulations*, subparagraphs 1100(1)(b)(i) and (c)(i), subparagraph 1100(1)(v)(iv), subsections 1100(2), subsection 1104(4), paragraphs 1(a) and 2(a) of Schedule IV, section 2 and paragraph 3(a) of Schedules V and VI
Implementation and recent history	• Introduced in the 2018 *Fall Economic Statement*.
Objective – category	To encourage or attract investment
Objective	This temporary measure provides an incentive for businesses to accelerate or increase capital investment.
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure may permit the depreciation of a capital asset faster than its useful life.
Subject	Business – other
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada, Innovation, Science and Economic Development Canada, Business Development Bank of Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return T2 Corporation Income Tax Return T5013 Statement of Partnership Income
Estimation method	T2 micro-simulation model, T5013 micro-simulation model, and aggregate investment data from T1 Income Tax and Benefit Return using the nominal cash-flow method of estimation. The incremental cost of the changes announced in the 2018 *Fall Economic Statement* to the Accelerated capital cost allowance for manufacturing or processing machinery and equipment and to the Accelerated capital cost allowance for clean energy generation equipment is included in the cost of the Accelerated Investment Incentive.
Projection method	The cost of this measure is projected to decline over time considering that additional allowances claimed in early years will be offset by lower allowances in future years. This effect is partly offset by the projected growth in business investment.

Number of beneficiaries	No data is available.

Cost Information:

Millions of dollars	**2016**	**2017**	**2018**	**2019**	**2020 (P)**	**2021 (P)**	**2022 (P)**	**2023 (P)**
Personal and corporate income tax	–	–	385	3,755	2,410	1,635	1,680	1,585

Additional deduction for gifts of medicine

Description	Corporations that donated medicines from their inventory to an eligible charity could claim an additional deduction equal to the lesser of: • 50% of the amount by which the fair market value of the donated medicine exceeds its cost; and • the cost of the medicine. An eligible charity is a registered charity that meets the conditions prescribed by regulation. In particular, the registered charity was required to: • deliver the medicine received outside Canada; • act in a manner consistent with the principles and objectives of the *Guidelines for Drug Donations* issued by the World Health Organization; • have expertise in delivering medicines to the developing world; and • implement appropriate policies and practices with respect to the delivery of international development assistance. Budget 2017 announced the elimination of the deduction, effective for gifts made on or after March 22, 2017. Unused deductions may continue to be carried forward for up to five years.
Tax	Corporate income tax
Beneficiaries	Corporate donors
Type of measure	Deduction
Legal reference	*Income Tax Act*, paragraph 110.1(1)(a.1)
Implementation and recent history	• Introduced in Budget 2007. Effective for gifts made on or after March 19, 2007. • Amended in Budget 2008 to ensure that the charities to which the medicines are donated have appropriate oversight and accountability practices. • Budget 2017 announced the elimination of the measure, effective for gifts made on or after March 22, 2017.
Objective – category	To achieve a social objective
Objective	This measure provides an incentive for corporations to donate medicines for use in international programs for the distribution of medicines (Budget 2007).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure provides tax recognition for an expense that is not incurred to earn income. The tax benefit from this measure can be obtained in a taxation year other than the year during which it accrues.
Subject	Donations, gifts, charities and non-profit organizations
CCOFOG 2014 code	70711 - Health - Medical products, appliances, and equipment - Pharmaceutical products
Other relevant government programs	Many federal government entities provide direct funding to registered charities, non-profit organizations and international development associations through various programs.
Source of data	T2 Corporation Income Tax Return
Estimation method	T2 micro-simulation model
Projection method	The tax expenditure is projected to grow in line with nominal gross domestic product.
Number of beneficiaries	The number of corporations affected by this measure is not published in order to preserve taxpayer confidentiality

Cost Information:

Millions of dollars	2016	2017	2018	2019	2020 (P)	2021 (P)	2022 (P)	2023 (P)
Corporate income tax	X	X	X	X	X	X	X	–

Adoption Expense Tax Credit

Description	Adoptive parents can claim the Adoption Expense Tax Credit in respect of the cost of adopting a child under the age of 18. The non-refundable credit is calculated by applying the lowest personal income tax rate to eligible adoption expenses, which are capped at $16,729 per child (2021, indexed to inflation). Eligible adoption expenses cover a range of expenses, including adoption agency fees, legal expenses, and travel and living expenses for themselves and the child, but do not include any expenses for which the adoptive parent has been or is entitled to be reimbursed. Eligible adoption expenses may be incurred for domestic adoptions or for a child adopted from outside of Canada. They must also have been incurred during the "adoption period", as defined in the legislation. Parents are able to claim the credit in the taxation year in which the adoption is finalized. The two adoptive parents can split the amount if the total combined claim for eligible expenses for each child is not more than the amount before the split.
Tax	Personal income tax
Beneficiaries	Adoptive parents
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, section 118.01
Implementation and recent history	• Introduced in Budget 2005. Effective for the 2005 and subsequent taxation years. • Budget 2013 extended the adoption period to allow for the eligibility of additional adoption-related expenses (e.g., fees for a mandatory home study and adoption courses). • Budget 2014 increased the maximum eligible expenses claimable to $15,000.
Objective – category	To recognize non-discretionary expenses (ability to pay) To achieve a social objective
Objective	This measure provides tax recognition to parents for costs that are unique to the decision to adopt a child (Budget 2005).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system.
Subject	Families and households
CCOFOG 2014 code	71049 - Social protection - Family and children
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada and Indigenous Services Canada also support Canadian families and households. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 1,600 individuals claimed this credit in 2019.

Cost Information:

Millions of dollars	**2016**	**2017**	**2018**	**2019**	**2020 (P)**	**2021 (P)**	**2022 (P)**	**2023 (P)**
Personal income tax	2	2	2	2	1	2	2	2

Age Credit

Description	The Age Credit is provided to individuals aged 65 and over. The value of the credit is calculated by applying the lowest personal income tax rate to the annually indexed credit amount ($7,713 for 2021). The credit is income-tested—the credit amount is reduced by 15% of net income in excess of an annually indexed threshold amount ($38,893 for 2021). The credit is completely phased out at an income level of $90,313 in 2021. Any unused portion of the credit may be transferred to a spouse or common-law partner.
Tax	Personal income tax
Beneficiaries	Seniors
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, subsection 118(2)
Implementation and recent history	• Introduced as part of the 1987 Tax Reform, effective for the 1988 and subsequent taxation years, to replace the previous age exemption. • The 2006 Tax Fairness Plan increased the Age Credit amount by $1,000 to $5,066 effective for the 2006 taxation year. • Budget 2009 increased the Age Credit amount by $1,000 to $6,408 (indexed thereafter).
Objective – category	To provide income support or tax relief To achieve a social objective
Objective	This measure was introduced to reduce the tax burden borne by elderly Canadians (Budget 1972; Budget 2009).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system. The tax benefit from this measure is transferable between spouses or common-law partners.
Subject	Social Retirement
CCOFOG 2014 code	71029 - Social protection - Old age
Other relevant government programs	Programs within the mandates of Canadian Heritage, Immigration, Refugees and Citizenship Canada, Transport Canada and Public Safety Canada (among other departments) also support various other social objectives. Programs within the mandate of Employment and Social Development Canada also support retirement income security. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 6.3 million individuals claimed this credit in 2019.

Cost Information:

Millions of dollars	2016	2017	2018	2019	2020 (P)	2021 (P)	2022 (P)	2023 (P)
Personal income tax	3,335	3,450	3,625	3,820	3,925	4,010	4,175	4,455

Apprentice vehicle mechanics' tools deduction

Description	Registered apprentice vehicle mechanics may deduct, in computing their employment income subject to income tax, the extraordinary portion of the cost of new tools they purchase in the taxation year or in the last three months of the previous taxation year if the apprentice is in his or her first year. The extraordinary tool costs are those that exceed either the combined value of the deduction for tradespeople's tool expenses ($500) and the Canada Employment Credit ($1,257 in 2021) or 5% of the taxpayer's income, whichever is greater.
Tax	Personal income tax
Beneficiaries	Apprentice vehicle mechanics
Type of measure	Deduction
Legal reference	*Income Tax Act*, paragraph 8(1)(r) and subsection 8(6)
Implementation and recent history	• Introduced in Budget 2001. Effective for tools acquired after 2001. • In Budget 2007, the threshold for recognition of tool costs was integrated with the new deduction for tradespeople's tool expenses and Canada Employment Credit.
Objective – category	To recognize expenses incurred to earn employment income
Objective	This measure recognizes that apprentice vehicle mechanics have reduced ability to pay tax relative to other taxpayers with the same income due to the extraordinary portion of the cost of new tools they have to provide as a condition of their employment (Budget 2001; Budget 2007).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure provides tax recognition for an expense that is incurred to earn employment income.
Subject	Employment Education
CCOFOG 2014 code	70412 - Economic affairs - General economic, commercial, and labor affairs - General labor affairs 70959 - Education - Education not definable by level
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support employment. Programs within the mandates of Employment and Social Development Canada, the Social Sciences and Humanities Research Council, the Natural Sciences and Engineering Research Council, the Canadian Institutes of Health Research and Indigenous Services Canada also support objectives related to education and training. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T777 Statement of Employment Expenses
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 6,100 individuals claimed this deduction in 2019.

Cost Information:

Millions of dollars	**2016**	**2017**	**2018**	**2019**	**2020 (P)**	**2021 (P)**	**2022 (P)**	**2023 (P)**
Personal income tax	3	3	3	3	3	3	3	3

Apprenticeship Job Creation Tax Credit

Description	Employers can claim a 10% non-refundable tax credit in respect of wages paid to qualifying apprentices in the first two years of their contract, to a maximum of $2,000 per apprentice per year. A qualifying apprentice is defined as someone working in a prescribed trade in the first two years of their apprenticeship contract. This contract must be registered with the federal government or a provincial or territorial government under an apprenticeship program designed to certify or license individuals in the trade. Prescribed trades include the trades currently listed as Red Seal Trades. Unused credits can be carried back 3 years or forward 20 years to reduce taxes payable in those years.
Tax	Personal (including trusts) and corporate income tax
Beneficiaries	Businesses
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, section 127
Implementation and recent history	• Introduced in Budget 2006. Effective in respect of salaries and wages paid to qualifying apprentices on or after May 2, 2006.
Objective – category	To encourage employment
Objective	This measure encourages employers to hire new apprentices and to support apprentices in their training (Budget 2006).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system. The tax benefit from this measure can be obtained in a taxation year other than the year during which it accrues.
Subject	Employment
CCOFOG 2014 code	70412 - Economic affairs - General economic, commercial, and labor affairs - General labor affairs
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support employment. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Personal income tax: T1 Income Tax and Benefit Return Corporate income tax: T2 Corporation Income Tax Return
Estimation method	The estimates are based on actual amounts earned and claimed by employers. The estimates do not cover investment tax credits claimed by trusts.
Projection method	Personal income tax: The tax expenditure is projected based on historical growth. Corporate income tax: The tax expenditure is projected to grow in line with total employment.
Number of beneficiaries	About 700 individuals and 13,000 corporations claimed this credit in 2019. The number of trusts having claimed this credit in 2019 is not disclosed due to confidentiality restrictions.

Cost Information:

Millions of dollars	2016	2017	2018	2019	2020 (P)	2021 (P)	2022 (P)	2023 (P)
Personal income tax	2	2	2	1	1	1	1	1
Corporate income tax								
Earned and claimed in current year	60	60	60	60	60	65	65	70
Claimed in current year but earned in prior years	20	25	20	20	35	25	25	25
Earned in current year but carried back to prior years	5	4	3	5	2	5	5	5
Total – corporate income tax	80	85	85	90	95	90	95	95
Total	85	90	90	90	100	95	95	100

Atlantic Investment Tax Credit

Description	A 10% credit is available for qualifying acquisitions of new buildings, machinery and equipment and prescribed energy and conservation property used primarily in qualified activities in the Atlantic provinces, the Gaspé Peninsula and their associated offshore regions. Qualified activities include farming, fishing, logging, manufacturing and processing, the storing of grain, the harvesting of peat, and the production or processing of electrical energy or steam. Unused credits can be carried back 3 years or forward 20 years to reduce taxes payable in those years. Where the credit exceeds the amount of tax payable in a year, 40% of the credit is refundable for small Canadian-controlled private corporations and individuals.
Tax	Personal (including trusts) and corporate income tax
Beneficiaries	Businesses in the Atlantic provinces and the Gaspé region
Type of measure	Credit, refundable and non-refundable
Legal reference	*Income Tax Act*, section 127
Implementation and recent history	• Introduced in Budget 1977. • Budget 2012 announced the reduction of the credit rate from 10% to 5% for assets for use in oil and gas and mining activities acquired in 2014 and 2015. The tax credit ceased to be available for such assets acquired after 2015.
Objective – category	To encourage or attract investment
Objective	This measure promotes economic development of the Atlantic provinces and the Gaspé region (Budget 1977).
Category	Non-structural tax measure and refundable tax credit
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system. The tax benefit from this measure can be obtained in a taxation year other than the year during which it accrues. The portion of this measure that is refundable is classified as a transfer payment for government accounting purposes, and therefore is not considered to be a tax expenditure.
Subject	Business – other
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Personal income tax: T1 Income Tax and Benefit Return Corporate income tax: T2 Corporation Income Tax Return
Estimation method	The estimates are based on actual amounts earned and claimed by businesses. The estimates do not cover investment tax credits claimed by trusts.
Projection method	Personal income tax: The cost of this measure is projected based on historical growth. Corporate income tax: The cost of this measure is projected to grow in line with nominal gross domestic product. The projected cost of the non-refundable portion of this measure is reduced in 2019 and 2020 by the introduction of the Accelerated Investment Incentive, full expensing for manufacturing or processing machinery and equipment, and full expensing for clean energy generation equipment, which will reduce corporate taxable income.
Number of beneficiaries	About 4,300 individuals and 6,480 corporations claimed this credit in 2019. The number of trusts having claimed this credit in 2019 is not disclosed due to confidentiality restrictions.

Cost Information:

Millions of dollars	2016	2017	2018	2019	2020 (P)	2021 (P)	2022 (P)	2023 (P)
Personal income tax	10	10	10	10	10	10	10	10
Corporate income tax								
Non-refundable portion								
Earned and claimed in current year	40	50	50	35	55	60	60	65
Claimed in current year but earned in prior years	50	450	190	170	65	60	45	40
Earned in current year but carried back to prior years	25	10	5	15	10	10	10	10
Total – non-refundable portion	115	510	245	215	130	130	115	115
Refundable portion	20	20	25	25	30	30	35	35
Total – corporate income tax	140	530	270	245	160	160	150	150
Total	150	540	280	255	170	170	160	160

Canada Caregiver Credit

Description	The Canada Caregiver Credit consolidated and replaced the previous system of caregiver credits (including the Caregiver Credit, Infirm Dependant Credit and Family Caregiver Tax Credit). In 2021, the amount of the credit is: • $7,348 in respect of infirm dependants who are parents/grandparents, brothers/sisters, aunts/uncles, nieces/nephews, adult children of the claimant or of the claimant's spouse or common-law partner; • $2,295 in respect of an infirm dependent spouse or common-law partner in respect of whom the individual claims the spouse or common-law partner amount, an infirm dependant for whom the individual claims an eligible dependant credit, or an infirm child who is under the age of 18 years at the end of the tax year. In cases where an individual claims a spouse or common-law partner amount or an eligible dependant amount in respect of an infirm family member, the individual must claim the Canada Caregiver Credit at the lesser amount ($2,295). Where this results in less tax relief than would be available if the higher amount ($7,348) were claimed, an additional amount will be provided to offset this difference. The value of the non-refundable credit is calculated by applying the lowest personal income tax rate to the credit amount per eligible dependant. The credit is reduced dollar-for-dollar by the dependant's net income above $17,256 (in 2021) and is fully phased out when the dependant's income reaches $24,604 (in 2021). Both the credit amount and the income threshold at which the credit starts to be reduced are indexed to inflation. The dependant is not required to live with the caregiver in order for the caregiver to claim the new credit and no credit is available in respect of non-infirm seniors who reside with their adult children.
Tax	Personal income tax
Beneficiaries	Caregivers
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, paragraph 118(1)(d)
Implementation and recent history	• Introduced in 2017, effective for the 2017 and subsequent taxation years.
Objective – category	To recognize non-discretionary expenses (ability to pay)
Objective	This measure recognizes that individuals providing care for infirm family members have reduced ability to pay tax compared to other taxpayers with similar income (Budget 2017).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system.
Subject	Families and households Health
CCOFOG 2014 code	71049 - Social protection - Family and children 71011 - Social protection - Sickness and disability - Sickness 71012 - Social protection - Sickness and disability – Disability
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada and Indigenous Services Canada also support Canadian families and households. Programs within the mandates of Health Canada, the Canadian Food Inspection Agency, the Canadian Institutes of Health Research, the Public Health Agency of Canada and Veterans Affairs Canada also support health-related objectives. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return and information from Statistics Canada's *Canadian Survey on Disability* and *General Social Survey*
Estimation method	T1 micro-simulation model. Estimates for the value of this measure, as well as for the number of individuals with infirm dependants not living in the individual's home and the number of individuals living with non-infirm seniors, were derived using the Statistics Canada survey results.
Projection method	T1 micro-simulation model

Number of beneficiaries	In total, about 521,000 were entitled to an amount for the Canada Caregiver Credit for 2019. This includes about 197,000 who were caring for an infirm spouse or common-law partner, 43,000 who were caring for an eligible dependant, 154,000 individuals who claimed the credit in respect of an infirm dependant age 18 or older, and 127,000 individuals who claimed the credit in respect of an infirm child under 18 years of age. The total number of individuals entitled to an amount for the Canada Caregiver Credit exceeds the total number of individuals claiming an amount because some individuals may not be able to claim an amount in respect of an infirm spouse or common-law partner or eligible dependant after an income test on the dependant's net income is applied.

Cost Information:

Millions of dollars	2016	2017	2018	2019	2020 (P)	2021 (P)	2022 (P)	2023 (P)
Personal income tax	–	190	220	225	230	235	240	245

Canada Child Benefit

Description	For the 2021-22 benefit year, the Canada Child Benefit provides a maximum benefit of $6,833 per child under the age of 6 and $5,765 per child aged 6 through 17. The Canada Child Benefit is income-tested based on adjusted family net income with the benefit phase-out rate depending on the number of children. On the portion of adjusted family net income between $32,028 and $69,395, the benefit is phased out at a rate of 7% for a one-child family, 13.5% for a two-child family, 19% for a three-child family and 23% for larger families. Where adjusted family net income exceeds $69,395, remaining benefits are phased out at rates of 3.2% for a one-child family, 5.7% for a two-child family, 8% for a three-child family and 9.5% for larger families, on the portion of income above $69,395. Indexation to inflation of the maximum benefit amounts and phase-out thresholds began as of the 2018-19 benefit year. The Child Disability Benefit is an additional amount provided to families caring for a child eligible for the Disability Tax Credit. For the 2021-22 benefit year, the Child Disability Benefit provides up to $2,915 in benefits per eligible child. The phase-out of this additional amount generally aligns with the Canada Child Benefit. It is phased out at a rate of 3.2% for families with one eligible child and 5.7% for families with more than one eligible child, on adjusted family net income in excess of $69,395. This additional amount, which is included in Canada Child Benefit payments made to eligible families, is also indexed to inflation as of the 2018-19 benefit year. Canada Child Benefit payments are made monthly and are non-taxable. The payment cycle runs from July to June.
Tax	Personal income tax
Beneficiaries	Families with minor children
Type of measure	Credit, refundable
Legal reference	*Income Tax Act*, section 122.6
Implementation and recent history	• The Child Tax Benefit (the precursor to the Canada Child Tax Benefit) was introduced in Budget 1992 and replaced, effective January 1993, the former refundable child tax credit, family allowance and non-refundable tax credit. • The Canada Child Tax Benefit and National Child Benefit supplement were introduced in 1998. The Child Disability Benefit was introduced in 2003. • The Canada Child Benefit was introduced in Budget 2016 and replaced the Canada Child Tax Benefit, including the National Child Benefit supplement, and the Universal Child Care Benefit. Payments of the Canada Child Benefit began in July 2016. • The 2017 *Fall Economic Statement* introduced the indexation to inflation of the maximum benefit amounts and phase-out thresholds for the Canada Child Benefit (including the Child Disability Benefit) as of the 2018-19 benefit year. • Budget 2018 granted retroactive eligibility for child benefits to foreign-born individuals who are Indians under the *Indian Act* who reside legally in Canada but are neither Canadian citizens nor permanent residents, where all other eligibility requirements are met, from the 2005 taxation year to June 30, 2016. • *Budget Implementation Act, 2018, No. 2* clarified that an individual caring for a child under a kinship care program is eligible for the Canada Child Benefit in respect of that child. • As part of the Government of Canada's COVID-19 Economic Response Plan, an additional Canada Child Benefit payment of up to $300 per child was provided to eligible families on May 20, 2020. • As part of the Government of Canada's COVID-19 Economic Response Plan, the Government introduced temporary support to be delivered in quarterly payments in 2021, to families entitled to the Canada Child Benefit with children under the age of 6. Payments total up to $1,200 per child under the age of 6 for those with adjusted family net income equal to or less than $120,000, and up to $600 per child under the age of 6 for those with adjusted family net income above $120,000.
Objective – category	To recognize non-discretionary expenses (ability to pay) To achieve a social objective
Objective	This measure gives families more money to help with the high cost of raising their children.
Category	Refundable tax credit
Reason why this measure is not part of benchmark tax system	This measure is classified as a transfer payment for government accounting purposes, and therefore is not considered to be a tax expenditure.

Subject	Families and households
CCOFOG 2014 code	71049 - Social protection - Family and children
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada and Indigenous Services Canada also support Canadian families and households. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	*Public Accounts of Canada* T1 Income Tax and Benefit Return
Estimation method	This measure is presented on a fiscal year basis as reported in the *Public Accounts of Canada* (e.g., the amount for 2013 corresponds to the expenditure reported for the 2013–14 fiscal year).
Projection method	Projections of the value of this measure are calculated based on projected inflation and growth in family income and population.
Number of beneficiaries	It is estimated that about 3.5 million families will receive the Canada Child Benefit in 2021.

Cost Information:

Millions of dollars	**2016**	**2017**	**2018**	**2019**	**2020 (P)**	**2021 (P)**	**2022 (P)**	**2023 (P)**
Canada Child Tax Benefit – Children's Benefits	3,240	–	–	–	–	–	–	–
Canada Child Benefit – Children's Benefits	16,860	23,420	23,900	24,300	26,800	24,800	25,500	25,800
Quarterly payments for families with young children entitled to the Canada Child Benefit (2021) – Children's Benefits	–	–	–	–	560	1,605	–	–

Note: The COVID-19 Special Payment (May 2020) is included in the estimates for the Canada Child Benefit – Children's Benefits.

Canada Emergency Rent Subsidy and Lockdown Support

Description	The Canada Emergency Rent Subsidy (CERS) provides eligible employers with a subsidy on certain rent- and mortgage-related costs. Eligible entities are individuals, taxable corporations and trusts, partnerships consisting of eligible entities, non-profit organizations, registered charities and other prescribed entities that meet the minimum revenue decline. The measure came into effect on September 27, 2020 and is currently scheduled to be in place until October 23, 2021. At its most generous, the CERS provided a subsidy of up to 65% of eligible costs, with the amount varying, depending on the scale of revenue decline. Eligible costs are capped at $75,000 per location and a maximum of $300,000 among affiliated entities. Additionally, entities with locations that have been significantly affected by a public health order are eligible for the Lockdown Support equal to 25% of eligible costs. The Lockdown Support is subject to a $75,000 cap on eligible costs per location, but not the cap of $300,000 among affiliated entities.
Tax	Personal (including trusts) and corporate income tax
Beneficiaries	Businesses, individuals and other organizations
Type of measure	Credit, refundable
Legal reference	*Income Tax Act*, sections 125.7 and 164
Implementation and recent history	• As part of Canada's COVID-19 Economic Response Plan, this measure was implemented as of September 27, 2020. On November 5, 2020, details for September 27, 2020 to December 19, 2020 were announced. • In the 2020 *Fall Economic Statement*, on November 30, 2020, the Government announced details for the CERS program for December 20, 2020 to March 13, 2021. • On March 3, 2021, the Government extended the CERS and Lockdown Support and announced program parameters for the period from March 14 to June 5, 2021. • In Budget 2021, the Government announced that the CERS and Lockdown Support would be further extended until September 25, 2021, with gradually declining CERS rates, beginning July 4, 2021. • On July 30, 2021, the Goverment extended the CERS and Lockdown Support until October 23, 2021 and increased the maximum CERS rate for the period between August 29 and September 25, 2021. Technical changes were also announced to provide increased flexibility to organizations not operating on March 1, 2019.
Objective – category	To encourage employment To support business activity
Objective	This measure is intended to support businesses and other organizations that are affected by the COVID-19 pandemic through a subsidy on certain rent- and mortgage-related costs. The top-up is intended to provide direct financial support to businesses that are significantly affected by local public health restrictions.
Category	Refundable tax credit
Reason why this measure is not part of benchmark tax system	This measure is classified as a transfer payment for government accounting purposes, and therefore is not considered to be a tax expenditure.
Subject	Business – other
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs relevant to supporting individuals and businesses during the COVID-19 crisis, as part of the Canada's COVID-19 Economic Response Plan. Specifically, the Canada Emergency Rent Subsidy was introduced as a successor to the Canada Emergency Commercial Rent Assistance program administered by the Canada Mortgage and Housing Agency. The Canada Emergency Busines Account and programs within the mandate of Innovation, Science and Economic Development Canada also support businesses and other organizations that are affected by the COVID-19 pandemic. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Administrative data provided by the Canada Revenue Agency
Estimation method	Micro-simulation model based on administrative data
Projection method	Micro-simulation model based on administrative data

Number of beneficiaries	The numbers of unique applicants with approved claims since the start of the programs are 218,500 and 93,970 for the CERS and for Lockdown Support, respectively (data as of December 12, 2021).

Cost Information:

Millions of dollars	**2016**	**2017**	**2018**	**2019**	**2020 (P)**	**2021 (P)**	**2022 (P)**	**2023 (P)**
Personal and corporate income tax	–	–	–	–	2,080	5,935	–	–

Note: The figures in the table correspond to the gross fiscal impact of the measure as published in the 2021 *Economic and Fiscal Update* and reflect the parameters of the program as of that time.

Canada Emergency Wage Subsidy

Description	The Canada Emergency Wage Subsidy (CEWS) provides eligible employers whose revenues have decreased due to COVID-19 with a wage subsidy for eligible remuneration paid to employees in respect of a claim period. The measure came into effect on March 15, 2020 and is currently scheduled to be in place until October 23, 2021. Eligible entities are individuals, taxable corporations and trusts, partnerships consisting of eligible entities, non-profit organizations, registered charities and other prescribed entities that meet the minimum revenue decline. At its most generous, the CEWS for active employees provided a total subsidy of up to 85% of wages for eligible employers, with the amount varying depending on the scale of revenue decline. As of July 4, 2021, eligiblity has been restricted to employers with current-month revenue losses above 10% and subsidy rates have also been gradually reduced in order to ensure an orderly phase-out of the program by October 23, 2021. A separate rate structure applies to furloughed employees, which is aligned with the benefits provided under the Canada Emergency Response Benefit and/or Employment Insurance system. The CEWS for furloughed employees expired on August 28, 2021.
Tax	Personal (including trusts) and corporate income tax
Beneficiaries	Businesses, individuals and other organizations
Type of measure	Credit, refundable
Legal reference	*Income Tax Act*, sections 125.7 and 164
Implementation and recent history	• As part of Canada's COVID-19 Economic Response Plan, the CEWS was introduced on March 27, 2020, for an initial 12-week period from March 15 to June 6, 2020. • On May 15, 2020, the Government extended the CEWS by an additional 12 weeks to August 29, 2020 and extended eligibility to the CEWS to certain types of organizations. • On July 17, 2020, the Government announced the extension and redesign of the CEWS until December 19, 2020, providing details of the program until November 21, 2020. • On October 9, 2020, the Government confirmed that the CEWS would be extended until June 2021, and announced the details of the program until December 19, 2020 and other enhancements. • In the 2020 *Fall Economic Statement*, on November 30, 2020, the Government announced the details of the program until March 13, 2021, including an increase to the maximum top-up rate. • In March 2021, the Government announced the program parameters from March 14 to June 5, 2021 and amendements to provide increased flexibility for furloughed and non-arms's length employees. • In April 2021, Budget 2021 announced a further extension of the CEWS for active employees until September 24, 2021. Program parameters, including changes to the subsidy rate structure and eligibility, were also announced. The wage subsidy for furloughed employees was also extended until August 28, 2021. In addition, Budget 2021 introduced new requirements to prevent publicly listed corporations receiving the wage subsidy from paying its top executives more in 2021 than in 2019. • On July 30, the Government extended the CEWS for active employees until October 23, 2021 and increased the maximum subsidy rate for the period between August 29 and September 25, 2021. Technical changes were also announced to provide increased flexibility to organizations not operating on March 1, 2019.
Objective – category	To encourage employment To support business activity
Objective	This measure was put in place to help prevent job losses and encourage employers to quickly rehire workers previously laid off as a result of COVID-19.
Category	Refundable tax credit
Reason why this measure is not part of benchmark tax system	This measure is classified as a transfer payment for government accounting purposes, and therefore is not considered to be a tax expenditure.
Subject	Employment Business – other
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified 71059 - Social Protection - Unemployment

Other relevant government programs	Programs relevant to supporting individuals and businesses during the COVID-19 crisis, as part of the Canada's COVID-19 Economic Response Plan. The Canada Emergency Busines Account and programs within the mandate of Innovation, Science and Economic Development Canada also support businesses and other organizations that are affected by the COVID-19 pandemic. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Administrative data provided by the Canada Revenue Agency
Estimation method	Micro-simulation model based on administrative data
Projection method	Micro-simulation model based on administrative data
Number of beneficiaries	The number of unique applicants with approved claims since the start of the program is 458,000 (data as of December 19, 2021).

Cost Information:

Millions of dollars	**2016**	**2017**	**2018**	**2019**	**2020**	**2021(P)**	**2022(P)**	**2023(P)**
Personal and corporate income tax	–	–	–	–	70,940	29,555	–	–

Note: The figures in the table correspond to the gross fiscal impact of the measure as published in the 2021 *Economic and Fiscal Update* and reflect the parameters of the program as of that time.

Canada Employment Credit

Description	Taxpayers with employment income may qualify for the Canada Employment Credit. The value of the credit is calculated by applying the lowest personal income tax rate to the lesser of $1,257 (in 2021) and the individual's employment income for the year. The maximum amount is indexed to inflation.
Tax	Personal income tax
Beneficiaries	Employees
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, subsection 118(10)
Implementation and recent history	• Introduced in Budget 2006. Effective July 1, 2006. The maximum amount in 2006 was $500, doubling to $1,000 on January 1, 2007.
Objective – category	To recognize expenses incurred to earn employment income
Objective	This measure provides general tax recognition of work-related expenses (Budget 2006).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system.
Subject	Employment
CCOFOG 2014 code	70412 - Economic affairs - General economic, commercial, and labor affairs - General labor affairs
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support employment. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 18.8 million individuals claimed this credit in 2019.

Cost Information:

Millions of dollars	**2016**	**2017**	**2018**	**2019**	**2020 (P)**	**2021 (P)**	**2022 (P)**	**2023 (P)**
Personal income tax	2,295	2,385	2,495	2,600	2,750	2,790	2,785	2,880

Canada Recovery Hiring Program

Description	Eligible employers receive a subsidy of up to 50% on the incremental remuneration paid to eligible active employees between June 6, 2021 and May 7, 2022. Employers eligible for any of the COVID-19 wage subsidy programs (i.e., under the Canada Emergency Wage Subsidy, the Tourism and Hospitality Recovery Program, the Hardest-Hit Business Recovery Program or the Local Lockdown Program) are generally eligible for the Canada Recovery Hiring Program. However, a for-profit corporation is eligible for the hiring subsidy only if it is a Canadian-controlled private corporation (including a cooperative corporation that is eligible for the small business deduction). Other eligible employers include individuals, non profit organizations, registered charities, and certain partnerships. Eligible employers can claim the higher of a COVID-19 wage subsidy or the Canada Recovery Hiring Program.
Tax	Personal (including trusts) and corporate income tax
Beneficiaries	Businesses, individuals and other organizations
Type of measure	Credit, refundable
Legal reference	*Income Tax Act*, sections 125.7 and 164
Implementation and recent history	• Budget 2021 introduced this program for the period between June 6, 2021 and November 20, 2021. The subsidy rate was initially scheduled to gradually decline from a maximum of 50% (from July 4 to July 31, 2021) to 20% (from October 24 to November 20, 2021), after which the program was expected to end. • On October 21, 2021, the Government announced its intention to extend the program until May 7, 2022, with authority for further amendments through regulations until July 2, 2022. The subsidy rate was also increased back to 50% starting October 24, 2021.
Objective – category	To encourage employment To support business activity
Objective	This measure was put in place to help organizations affected by the pandemic hire more workers as the economy reopens.
Category	Refundable tax credit
Reason why this measure is not part of benchmark tax system	This measure is classified as a transfer payment for government accounting purposes, and therefore is not considered to be a tax expenditure.
Subject	Employment Business – other
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified 71059 - Social protection - Unemployment
Other relevant government programs	Programs relevant to supporting individuals and businesses during the COVID-19 crisis, as part of Canada's COVID-19 Economic Response Plan. The Canada Emergency Business Account and programs within the mandate of Innovation, Science and Economic Development Canada also support businesses and other organizations that are affected by the COVID-19 pandemic. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Administrative data provided by the Canada Revenue Agency
Estimation method	Micro-simulation model based on administrative data
Projection method	Micro-simulation model based on administrative data
Number of beneficiaries	No data is available.

Cost Information:

Millions of dollars	2016	2017	2018	2019	2020 (P)	2021 (P)	2022 (P)	2023 (P)
Personal and corporate income tax	–	–	–	–	–	945	1,610	–

Note: The figures in the table correspond to the gross fiscal impact of the measure as published in Budget 2021 and reflect the parameters of the program as of that time.

Canada Training Credit

Description	Qualifying workers between the ages of 25 and 64 will accumulate a credit balance of $250 per year, up to a lifetime limit of $5,000. The credit balance can then be used to refund up to half the costs of taking a qualifying course or training program. In order to accumulate a Canada Training Credit balance in 2021, a worker must have earnings of $10,342 or more (including maternity or parental leave benefits) and must have net income below the upper limit of the third federal tax bracket ($151,978 in 2021).
Tax	Personal income tax
Beneficiaries	Individuals between the ages of 26 and 65
Type of measure	Credit, refundable
Legal reference	*Income Tax Act*, section 122.91
Implementation and recent history	• Introduced in Budget 2019. The annual accumulation to the notional account became effective in respect of the 2019 taxation year, and the credit was first available to be claimed for expenses in respect of the 2020 taxation year.
Objective – category	To encourage investment in education
Objective	This measure was introduced to address barriers to professional development for working Canadians (Budget 2019).
Category	Refundable tax credit
Reason why this measure is not part of benchmark tax system	This measure is classified as a transfer payment for government accounting purposes, and therefore is not considered to be a tax expenditure.
Subject	Employment Education
CCOFOG 2014 code	70959 - Education - Education not definable by level 70412 - Economic affairs - General economic, commercial, and labor affairs - General labor affairs
Other relevant government programs	The Canada Training Credit was introduced alongside a new Employment Insurance Training Support Benefit, intended to help workers replace any income forgone during training periods. Programs within the mandate of Employment and Social Development Canada also support employment. Programs within the mandates of Employment and Social Development Canada, the Social Sciences and Humanities Research Council, the Natural Sciences and Engineering Research Council, the Canadian Institutes of Health Research and Indigenous Services Canada also support objectives related to education and training. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	n/a
Projection method	Eligibility to accumulate a Canada Training Credit balance was simulated based on taxfiler data linked across years. Claim amounts were simulated based on Tuition Tax Credit claims, subject to this accumulated balance, with credit balances adjusted accordingly.
Number of beneficiaries	More than 400,000 individuals claimed this credit in 2020.

Cost Information:

Millions of dollars	2016	2017	2018	2019	2020 (P)	2021 (P)	2022 (P)	2023 (P)
Personal income tax	–	–	–	–	100	125	140	150

Canada Workers Benefit / Working Income Tax Benefit

Description	The Canada Workers Benefit (CWB) is a refundable tax credit that supplements the earnings of low-income workers. It is generally available to individuals 19 years of age and older not attending school full-time. The refundable credit is equal to 27% of each dollar of earned income in excess of $3,000 to a maximum credit of $1,395 for single individuals without dependants and $2,403 for families (couples and single parents) in 2021. The CWB is phased out at a rate of 15% of each dollar of adjusted net income above thresholds of $22,944 for single individuals without dependants and $26,177 for families in 2021. An additional CWB supplement of up to $720 in 2021 is provided to persons eligible for both the CWB and the Disability Tax Credit. The CWB supplement is phased out at a rate of 15% of each dollar of adjusted net income above a threshold of $32,244 for single individuals without dependants and $42,197 for families in 2021. Maximum benefit amounts and phase-out thresholds are indexed annually for inflation. Advance payment of up to 50% of the estimated CWB and CWB supplement may be available to eligible individuals upon application. Provincial and territorial governments can propose specific changes to the design of the CWB, subject to certain conditions, including cost neutrality. Quebec, Alberta and Nunavut have jurisdiction-specific CWB designs in 2021.
Tax	Personal income tax
Beneficiaries	Low-income employees and self-employed individuals
Type of measure	Credit, refundable
Legal reference	*Income Tax Act*, section 122.7
Implementation and recent history	• Introduced in Budget 2007. Effective for the 2007 and subsequent taxation years (2008 and subsequent taxation years in respect of advance payments). • Enhanced in Budget 2009 for the 2009 and subsequent taxation years. • Budget 2018 introduced the new Canada Workers Benefit, which replaced the WITB in 2019. • Budget 2021 enhanced the CWB for the 2021 and subsequent taxation years.
Objective – category	To encourage employment To provide income support or tax relief
Objective	This measure, like the WITB before it, makes work more rewarding and attractive for low income-earning Canadians already in the workforce, and encourages other Canadians to enter the workforce. The CWB also provides important income support to low-income working Canadians. (Budget 2007; Budget 2009; Budget 2018; Budget 2021)
Category	Refundable tax credit
Reason why this measure is not part of benchmark tax system	This measure is classified as a transfer payment for government accounting purposes, and therefore is not considered to be a tax expenditure.
Subject	Employment Income support
CCOFOG 2014 code	70412 - Economic affairs - General economic, commercial, and labor affairs - General labor affairs 71099 - Social protection - Social protection not elsewhere classified
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support employment. Programs within the mandates of Employment and Social Development Canada and Veterans Affairs Canada also support income security. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	The value of this measure corresponds to the amounts claimed as credits, as reported in administrative data.
Projection method	T1 micro-simulation model
Number of beneficiaries	About 2.1 million individuals received this benefit in 2019.

Cost Information:

Millions of dollars	2016	2017	2018	2019	2020 (P)	2021 (P)	2022 (P)	2023 (P)
Working Income Tax Benefit – personal income tax	1,185	1,160	1,105	–	–	–	–	–
Canada Workers Benefit – personal income tax	–	–	–	2,005	950	3,055	3,630	3,630

Canadian Film or Video Production Tax Credit

Description	Qualified corporations can claim a 25% refundable tax credit in respect of salaries and wages of an eligible Canadian film or video production. The maximum amount of Canadian labour cost qualifying for the credit is 60% of the total cost of a film or video production, net of any assistance, with the result that the credit can cover up to 15% of the total production costs. The Canadian Audio-Visual Certification Office of the Department of Canadian Heritage is responsible for certifying productions that are eligible for the credit.
Tax	Corporate income tax
Beneficiaries	Corporations in the film and video production industry
Type of measure	Credit, refundable
Legal reference	*Income Tax Act*, section 125.4
Implementation and recent history	• Introduced in Budget 1995 at a rate of 25% of the cost of eligible salaries and wages incurred after 1994 and up to a maximum of 12% of the total cost of production. It replaced the film tax shelter mechanism for certified Canadian films in place prior to 1995. • The maximum amount of the credit was increased to 15% of total production cost for productions, effective for expenditures incurred on or after November 14, 2003. • Talk shows were made eligible for the Canadian Film or Video Production Tax Credit by removing the reference to “talk shows” from the definition of “excluded production” for the purposes of the credit. This change applies to productions for which the principal photography starts after February 16, 2016. • In 2018, a Memorandum of Understanding (MOU) was signed between the Government of Canada and the Belgian linguistic communities to allow joint projects of producers from Canada and Belgium. This MOU was added to the list of instruments under which a production may qualify for the Canadian Film or Video Production Tax Credit starting as of March 12, 2018. • Budget 2021 proposed to extend by 12 months certain timelines with respect to the credit, including: the 24 month period to incur qualifying expenditures before the date that a principal photography begins; the timeline to submit a certificate of completion to the Canadian Audio-Visual Certification Office; and, the requirement that there be a written agreement with a Canadian distributor or with a licensed broadcaster to show the production in Canada within 24 months of its completion.
Objective – category	To achieve a social objective To support business activity
Objective	This measure encourages Canadian programming and the development of an active domestic independent production sector (Canadian Heritage news release, December 12, 1995).
Category	Refundable tax credit
Reason why this measure is not part of benchmark tax system	This measure is classified as a transfer payment for government accounting purposes, and therefore is not considered to be a tax expenditure.
Subject	Arts and culture
CCOFOG 2014 code	70829 - Recreation, culture, and religion - Cultural services
Other relevant government programs	Programs within the mandate of Canadian Heritage also support arts and culture. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T2 Corporation Income Tax Return
Estimation method	The estimates are based on actual amounts earned and claimed by businesses.
Projection method	The cost of this measure is projected to grow in line with nominal gross domestic product.
Number of beneficiaries	About 1,542 corporations received this benefit in 2019.

Cost Information:

Millions of dollars	**2016**	**2017**	**2018**	**2019**	**2020 (P)**	**2021 (P)**	**2022 (P)**	**2023 (P)**
Corporate income tax	270	295	270	305	265	255	285	305

Canadian Journalism Labour Tax Credit

Description	A 25% refundable tax credit is provided on salary or wages paid to eligible newsroom employees of qualifying Canadian journalism organizations. This credit allows qualifying organizations to claim up to $55,000 in labour costs per eligible newsroom employee per year, for a maximum credit of $13,750 per employee. The credit applies to salary or wages earned in respect of a period on or after January 1, 2019.
Tax	Personal (trusts only) and corporate income tax
Beneficiaries	Qualified Canadian journalism orgranizations
Type of measure	Credit, refundable
Legal reference	*Income Tax Act*, section 125.6
Implementation and recent history	• Introduced in Budget 2019, applicable to salary or wages earned in respect of a period on or after January 1, 2019. • On April 17, 2020, the Government announced adjustments to the Canadian Journalism Labour Tax Credit to help ensure that the journalism tax measures introduced in Budget 2019 achieve their initial objectives. These changes applied retroactively to January 1, 2019.
Objective – category	To achieve a social objective To support business activity
Objective	This measure supports Canadian journalism, recognizing that a strong and independent news media is crucial to a well-functioning democracy (Budget 2019).
Category	Refundable tax credit
Reason why this measure is not part of benchmark tax system	This measure is classified as a transfer payment for government accounting purposes, and therefore is not considered to be a tax expenditure.
Subject	Social Business – other
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandate of Canadian Heritage also support the journalism industry. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T2 Corporation Income Tax Return
Estimation method	The estimates are based on actual amounts earned and claimed by businesses.
Projection method	The cost of this measure is projected to grow in line with salaries and wages.
Number of beneficiaries	About 60 corporations claimed this tax credit in 2019.

Cost Information:

Millions of dollars	2016	2017	2018	2019	2020 (P)	2021 (P)	2022 (P)	2023 (P)
Personal income tax	–	–	–	n.a.	n.a.	n.a.	n.a.	n.a.
Corporate income tax	–	–	–	30	25	30	35	35
Total	–	–	–	n.a.	n.a.	n.a.	n.a.	n.a.

Capital gains exemption on personal-use property

Description	Personal-use property is held primarily for the use and enjoyment of the owner rather than as an investment. In calculating the capital gain on personal-use property, both the proceeds of disposition and the adjusted cost base of the property are deemed to be no less than the greater of $1,000 and the actual proceeds of disposition or adjusted cost base, as appropriate. Consequently, no capital gain is recognized if the proceeds of disposition are $1,000 or less. If the proceeds exceed $1,000, the owner of the property could realize a capital gain if the proceeds exceed the cost of the property; however, the capital gain is reduced in situations where the adjusted cost base of the property, as it would be determined in the absence of this measure, is actually less than $1,000. Personal-use property of a corporation is property owned mainly for the personal use or enjoyment of an individual who is related to the corporation.
Tax	Personal (including trusts) and corporate income tax
Beneficiaries	Individuals and corporations
Type of measure	Exemption
Legal reference	*Income Tax Act*, section 46
Implementation and recent history	• Introduced in Budget 1971. Effective for the 1972 and subsequent taxation years. • Budget 2000 introduced rules that prevent the $1,000 deemed adjusted cost base and deemed proceeds of disposition for personal-use property from applying if the property is acquired after February 27, 2000 as part of an arrangement or scheme in which the property is donated as a charitable gift.
Objective – category	To reduce administration or compliance costs
Objective	This measure was introduced to minimize record keeping and simplify administration with respect to the purchase and disposal of personal-use items (*Summary of 1971 Tax Reform Legislation*, 1971).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base.
Subject	Savings and investment
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	n/a
Source of data	No data is available.
Estimation method	No estimate is available.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

Capital loss carry-overs

Description	Net capital losses may be carried back three years and forward indefinitely to offset capital gains of other years. Notwithstanding these rules, net capital losses realized in the year in which a taxpayer dies may be deductible against all forms of income for that taxation year and the immediately preceding year. Unused net capital losses from prior years carried forward to the year of death may also be deductible against all forms of income for that taxation year and the immediately preceding year.
Tax	Personal (including trusts) and corporate income tax
Beneficiaries	Individual and corporate investors
Type of measure	Timing preference
Legal reference	*Income Tax Act*, subsections 111(1) and 111(2)
Implementation and recent history	• Introduced in Budget 1971. Effective for the 1972 and subsequent taxation years. • Budget 1983 extended the carry-back for capital losses from one year to three years.
Objective – category	To assess tax liability over a multi-year period
Objective	This measure supports investors by reducing the risk associated with investment (Budget 1983).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure is considered part of the benchmark tax system, and therefore is not a tax expenditure.
Subject	Savings and investment
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	n/a
Source of data	Personal income tax: T1 Income Tax and Benefit Return and T3 Trust Income Tax and Information Return Corporate income tax: T2 Corporation Income Tax Return
Estimation method	Personal income tax: T1 and T3 micro-simulation models. For individuals, the estimate for a given year represents the tax relief associated with the carry-forward to that year of losses incurred in prior years and the deductibility of losses in the year of death of a taxpayer. Data on losses carried back to a previous year is not available. For trusts, the estimate for a given year represents the tax relief associated with the carry-forward to that year of losses incurred in prior years, as well as the carry-back to that year of losses incurred in subsequent years. Data on amounts carried back are preliminary. Corporate income tax: The estimate for a given year represents the tax relief associated with both the carry-forward to that year of losses incurred in prior years and the carry-back to previous years of losses incurred in that year. The estimate is equal to the amount of losses carried over multiplied by the tax rate applicable in the year in which the losses are applied.
Projection method	Personal income tax: T1 micro-simulation model in the case of individuals. Projections for trusts are based on projected growth for individuals. Corporate income tax: The value of this measure is projected to grow in line with corporate taxable income.
Number of beneficiaries	About 481,000 individuals, 5,000 trusts and 53,700 corporations made use of this measure in 2019 (not counting individuals that carried back losses only).

Cost Information:

Millions of dollars	2016	2017	2018	2019	2020 (P)	2021 (P)	2022 (P)	2023 (P)
Personal income tax								
Individuals – carried back	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Individuals – applied to current year	435	550	445	435	545	630	640	670
Trusts	945	1,275	730	865	890	1,155	1,270	1,395
Total – personal income tax	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Corporate income tax								
Carried back	275	175	355	205	440	355	360	360
Applied to current year	370	415	435	345	625	505	520	565
Total – corporate income tax	645	590	795	550	1,065	860	880	930
Total	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Caregiver Credit

Description	The Caregiver Credit was replaced with the Canada Caregiver Credit in 2017. The Caregiver Credit provided tax relief to individuals providing in-home care to a parent or grandparent 65 years of age or over or an infirm adult dependent relative, including a child or grandchild, a brother, a sister, an aunt, an uncle, a niece or a nephew. The value of the non-refundable credit was calculated by applying the lowest personal income tax rate to the credit amount per eligible dependant ($4,668 in 2016). The credit was reduced when the dependant's net income exceeded $15,940 and was fully phased out when the dependant's income reached $20,608. Both the credit amount and the income threshold at which the credit started to be reduced were indexed to inflation
Tax	Personal income tax
Beneficiaries	Caregivers
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, paragraph 118(1)(c.1)
Implementation and recent history	• Introduced in 1998. Effective for the 1998 and subsequent taxation years. Repealed in Budget 2017 as of the 2017 taxation year.
Objective – category	To recognize non-discretionary expenses (ability to pay)
Objective	This measure recognizes that individuals providing in-home care for elderly or infirm family members have reduced ability to pay tax compared to other taxpayers with similar income (Budget 1998).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system.
Subject	Families and households Health
CCOFOG 2014 code	71049 - Social protection - Family and children 71011 - Social protection - Sickness and disability - Sickness 71012 - Social protection - Sickness and disability – Disability
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada and Indigenous Services Canada also support Canadian families and households. Programs within the mandates of Health Canada, the Canadian Food Inspection Agency, the Canadian Institutes of Health Research, the Public Health Agency of Canada and Veterans Affairs Canada also support health-related objectives. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	n/a
Number of beneficiaries	About 257,000 individuals claimed this credit in 2016.

Cost Information:

Millions of dollars	**2016**	**2017**	**2018**	**2019**	**2020 (P)**	**2021 (P)**	**2022 (P)**	**2023 (P)**
Personal income tax	145	–	–	–	–	–	–	–

Cash basis accounting

Description	Under the benchmark tax system, income is taxable when it accrues, and expenses are deductible in the period when the related revenue is reported. Individuals and corporations engaged in farming and fishing activities may elect to include revenues when received, rather than when earned, and deduct expenses when paid rather than when the related revenue is reported. This measure allows farmers and fishers to better match cash receipts with cash expenses, and may enable them to defer paying tax on income realized but not yet received. Cash basis accounting may result in non-capital losses that are not reflective of the actual losses that would have been created under an accrual system of accounting. This happens because income and expenses are not necessarily matched under the cash basis system. As a result of loss carry-forward and carry-back limitations (i.e., 20 years forward and 3 years back), farming businesses under the cash-based system may not be able to use these losses to reduce taxable income in some instances. A mandatory inventory adjustment and optional inventory adjustment are provided for farming businesses, which act to lessen this outcome.
Tax	Personal (including trusts) and corporate income tax
Beneficiaries	Farming and fishing businesses
Type of measure	Timing preference
Legal reference	*Income Tax Act*, section 28
Implementation and recent history	• Prior to 1948, cash basis accounting was an acceptable method for determining business income for tax purposes. Amendments to the *Income Tax Act* in 1948 introduced the concept of profit and the use of accrual accounting, but at the same time preserved the ability of taxpayers who had been using cash basis accounting to continue to use that method. • In 1955, a provision specifically allowing farmers to use cash basis accounting was introduced. • In 1958, the provision preserving the ability for other taxpayers to continue to use cash basis accounting was repealed. • The optional inventory adjustment was implemented in Budget 1973, effective for the 1972 and subsequent taxation years. • In 1980, cash basis accounting was confirmed for fishers on a retroactive basis to 1972. • The mandatory inventory adjustment was introduced following the 1987 Tax Reform (Department of Finance Canada news release 88-89, June 30, 1988), effective for fiscal years commencing after 1988. • In 1996, a provision was introduced to prevent prepaid expenses (other than for inventory) relating to a taxation year at least two years after the year of payment from reducing cash basis income in the year of payment. This provision was effective for amounts paid after April 26, 1995.
Objective – category	To provide relief for special circumstances To reduce administration or compliance costs
Objective	This measure recognizes that requiring all farmers and fishers to adopt the accrual method of income reporting could result in accounting and liquidity problems (*Report of the Royal Commission on Taxation*, vol. 4, 1966; *Proposals for Tax Reform*, 1969).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure is a departure from the accrual basis of taxation.
Subject	Business - farming and fishing
CCOFOG 2014 code	70421 - Economic affairs - Agriculture, forestry, fishing, and hunting - Agriculture 70423 - Economic affairs - Agriculture, forestry, fishing, and hunting - Fishing and hunting
Other relevant government programs	Programs within the mandates of Agriculture and Agri-Food Canada and Fisheries and Oceans Canada also support the farming and fishing sectors. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	No data is available.
Estimation method	No estimate is available.
Projection method	No projection is available.

Number of beneficiaries	No data is available.

Charitable Donation Tax Credit

Description	The Charitable Donation Tax Credit is a non-refundable tax credit on donations to registered charities, registered Canadian amateur athletic associations and other qualified donees. In 2021, the formula for determining the credit for individuals is linked to the lowest, second-highest and highest federal tax rates. The credit rate is 15% on the first $200 of total annual gifts and 29% on total annual gifts over $200, with the exception of donors with taxable income exceeding $216,511 who may claim a 33% tax credit on the portion of total annual donations over $200 made from taxable income greater than $216,511. In general, the credit may be claimed on donations totalling up to 75% of an individual's net income (up to 100% of net income for donations of ecologically sensitive land and cultural property or in certain other circumstances) and may be carried forward for up to 5 years (up to 10 years for donations of ecologically sensitive land).
Tax	Personal income tax (including trusts)
Beneficiaries	Individual donors
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, section 118.1 and subsections 248(30) to (41)
Implementation and recent history	• Introduced in 1917 as a deduction "for amounts paid during the year to the Patriotic and Red Cross Funds, and other patriotic and war funds approved by the Minister." • The general income limit on donations was increased in several stages from 10% in 1970 to 75% in 1997. • In 1988, the deduction for donations made by individuals was converted to a two-tier tax credit as part of the 1987 Tax Reform. • Budget 1994 reduced the threshold to which the higher rate applies from $250 to $200. • Budget 1995 eliminated the net income limit for donations of ecologically sensitive land eligible for the tax credit. • In Budget 2014, the carry-forward period for donations of ecologically sensitive land was extended from 5 to 10 years. • In 2016, the Government amended the Charitable Donation Tax Credit to allow donors with taxable income that is subject to the 33% marginal tax rate to also claim a 33% tax credit on the portion of donations (greater than $200) made from that income. Any donations that exceed the amount of a donor's taxable income that is subject to the 33% marginal tax rate will be subject to the 29% credit rate. This change is effective for the 2016 and subsequent taxation years. • Budget 2019 added registered journalism organizations as a new category of tax-exempt "qualified donee" as referred to in the *Income Tax Act*. To be a registered journalism organization, an organization must apply to the Canada Revenue Agency and meet certain criteria, including being a Qualified Canadian Journalism Organization having purposes exclusively related to journalism. These organizations are not permitted to distribute their profits, if any, or allow their income to be available for the personal benefit of certain individuals connected with the organization.
Objective – category	To achieve a social objective
Objective	This measure is designed to support the important work of the charitable sector in meeting the needs of Canadians (*Report of the Royal Commission on Taxation*, vol. 3, 1966; 1987 Tax Reform).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system. The tax benefit from this measure can be obtained in a taxation year other than the year during which it accrues. The tax benefit from this measure is transferable between spouses or common-law partners.
Subject	Donations, gifts, charities and non-profit organizations
CCOFOG 2014 code	705 - Environmental protection; 706 - Housing and community amenities; 707 - Health; 708 - Recreation, culture, and religion; 709 - Education; 710 - Social protection; Other various codes
Other relevant government programs	Many federal government entities provide direct funding to registered charities, non-profit organizations and international development associations through various programs.

Source of data	T1 Income Tax and Benefit Return T3 Trust Income Tax and Information Return Canadian Cultural Property Export Review Board Environment and Climate Change Canada
Estimation method	The value of this measure in respect of donations other than cultural property and ecologically sensitive land by individuals is estimated using the T1 micro-simulation model. The value of this measure in respect of donations of cultural property is calculated by multiplying an estimate of donations made in the year by the 29% credit rate. The value of this measure in respect of donations of ecologically sensitive land is estimated by multiplying total donations by the 29% credit rate. The value of this measure in respect of donations by trusts is estimated using the T3 micro-simulation model. No breakdown is available of the tax expenditure accruing to trusts by type of donations.
Projection method	Projections for individuals are obtained using the T1 micro-simulation model in the case of donations other than cultural property and ecologically sensitive land. Projections in respect of donations of cultural property and ecologically sensitive land are made based on the historical trend in the number and value of donations; in particular, projections in respect of cultural property are made based on an average of past donations. Projections for trusts are based on projected growth for individuals.
Number of beneficiaries	About 5.2 million individuals and 3,600 trusts claimed this credit in 2019.

Cost Information:

Millions of dollars	**2016**	**2017**	**2018**	**2019**	**2020 (P)**	**2021 (P)**	**2022 (P)**	**2023 (P)**
Donations by individuals by type of donations								
Publicly listed securities	240	315	270	410	350	355	360	365
Ecologically sensitive land	10	5	10	5	10	10	10	10
Cultural property	25	20	15	10	15	15	15	10
Other	2,455	2,560	2,685	2,630	2,830	2,930	3,030	3,125
Subtotal – donations by individuals	2,735	2,900	2,980	3,060	3,200	3,305	3,415	3,515
Donations by trusts	15	35	30	30	30	35	35	35
Total – personal income tax	2,750	2,935	3,010	3,090	3,235	3,340	3,445	3,545

Child Care Expense Deduction

Description	Child care expenses incurred for the purpose of earning business or employment income, taking an occupational training course, pursuing education or carrying on research for which a grant is received are deductible from income, up to a limit. The deduction may not exceed the lesser of (i) the total of the maximum dollar limits for all children ($8,000 per child under age 7, $5,000 per child between 7 and 16 years of age and infirm dependent children over age 16, and $11,000 for a child eligible for the Disability Tax Credit, regardless of their age), (ii) two-thirds of earned income for the year (not applicable to single-parent students), and (iii) the actual amount of child care expenses incurred. The spouse with the lower income must generally claim the deduction. However, the higher-income parent may claim a deduction if the lower-income parent is infirm, confined to a bed or a wheelchair, in prison or a similar situation for at least two weeks, attending a designated educational institution, or living apart due to a breakdown in the relationship for a period of at least 90 days during the year.
Tax	Personal income tax
Beneficiaries	Families with children
Type of measure	Deduction
Legal reference	*Income Tax Act*, section 63
Implementation and recent history	• Announced in Budget 1971. Legislation introduced in 1972 and effective for the 1972 and subsequent taxation years. • Budget 1988 eliminated the overall maximum limit of $8,000 per taxpayer for child care expenses. • Budget 1996 increased the age limit for children from 14 to 16 years. • Maximum dollar amounts increased by $1,000, effective for the 2015 taxation year (Prime Minister of Canada news release, October 30, 2014). • As part of the Government of Canada's COVID-19 Economic Response Plan, the Government temporarily expanded the definition of income for this deduction to include Employment Insurance (EI) benefits (including EI special benefits) and Quebec Parental Insurance Plan benefits. The requirement that eligible expenses be incurred to earn employment or business income, pursue education, or perform research has also been waived. These changes are effective for the 2020 and 2021 taxation years.
Objective – category	To recognize expenses incurred to earn employment income To recognize education costs
Objective	This provision recognizes the child care costs incurred by single parents and two-earner families in the course of earning employment income, pursuing education or performing research (Budget 1992; Budget 1998).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure provides tax recognition for an expense that is incurred to earn employment income. Expenses incurred to earn business income are generally deductible under the benchmark tax system; however, child care expenses may also have an element of personal consumption, hence the classification of this measure as a tax expenditure.
Subject	Employment Education Families and households
CCOFOG 2014 code	70412 - Economic affairs - General economic, commercial, and labor affairs - General labor affairs 70989 - Education - Education not elsewhere classified 71049 - Social protection - Family and children
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support employment. Programs within the mandates of Employment and Social Development Canada, the Social Sciences and Humanities Research Council, the Natural Sciences and Engineering Research Council, the Canadian Institutes of Health Research and Indigenous Services Canada also support objectives related to education and training. Programs within the mandates of Employment and Social Development Canada and Indigenous Services Canada also support Canadian families and households. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model

Number of beneficiaries	About 1.4 million individuals claimed this deduction in 2019.

Cost Information:

Millions of dollars	**2016**	**2017**	**2018**	**2019**	**2020 (P)**	**2021 (P)**	**2022 (P)**	**2023 (P)**
Personal income tax	1,215	1,240	1,270	1,270	900	1,040	995	950

Children’s Arts Tax Credit

Description	Parents could claim a non-refundable tax credit at the lowest personal income tax rate on eligible fees for the enrolment of a child under the age of 16 in an eligible program of artistic, cultural, recreational or developmental activity. The credit could be claimed by either parent. If a child qualified for the Disability Tax Credit, the age limit was raised to under 18 years of age and an additional $500 amount could be claimed, subject to the parents spending a minimum of $100 on registration or membership fees for an eligible program of artistic, cultural, recreational or developmental activity. As well, the requirements for an eligible activity were relaxed to cover a broader range of programs more suited to the challenges experienced by these children. Budget 2016 announced the phase-out of this measure by 2017 (see details below).
Tax	Personal income tax
Beneficiaries	Families with minor children
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, section 118.031 *Income Tax Regulations*, section 9401
Implementation and recent history	• Introduced in Budget 2011. Effective for the 2011 and subsequent taxation years ($500 maximum amount per child for eligible fees). • Budget 2016 reduced the maximum amount of eligible fees to $250, effective for the 2016 taxation year, and eliminated the credit effective for the 2017 taxation year.
Objective – category	To achieve a social objective
Objective	This measure better recognized the costs associated with children’s artistic, cultural, recreational and developmental activities (Budget 2011).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system. The tax benefit from this measure was transferable between spouses or common-law partners.
Subject	Arts and culture
CCOFOG 2014 code	70869 - Recreation, culture, and religion - Recreation, culture, and religion not elsewhere classified
Other relevant government programs	Programs within the mandate of Canadian Heritage also support arts and culture. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	n/a
Number of beneficiaries	About 631,000 individuals claimed this credit in 2016.

Cost Information:

Millions of dollars	2016	2017	2018	2019	2020 (P)	2021 (P)	2022 (P)	2023 (P)
Personal income tax	25	–	–	–	–	–	–	–

Children's Fitness Tax Credit

Description	Parents could claim a refundable tax credit at the lowest personal income tax rate on eligible fees for the enrolment of a child under the age of 16 years in an eligible program of physical activity. The credit could be claimed by either parent. If a child qualified for the Disability Tax Credit, the age limit was raised to under 18 years of age and an additional $500 amount could be claimed, subject to the parents spending a minimum of $100 on registration or membership fees for an eligible program of physical activity. As well, the requirements for an eligible activity were relaxed to cover a broader range of programs more suited to the challenges experienced by these children. Budget 2016 announced the phase-out of this measure by 2017 (see details below).
Tax	Personal income tax
Beneficiaries	Families with minor children
Type of measure	Credit, refundable
Legal reference	*Income Tax Act*, section 122.8 *Income Tax Regulations*, section 9400
Implementation and recent history	• Introduced in Budget 2006 as a non-refundable tax credit. Effective for the 2007 and subsequent taxation years ($500 maximum amount per child for eligible fees). • Guidelines were released in 2006 on the credit and enhancement of the credit for children with disabilities (Department of Finance Canada news release 2006-084, December 19, 2006). • The maximum amount of the credit was doubled to $1,000, effective for the 2014 taxation year, and the credit was made refundable, effective for the 2015 taxation year (Prime Minister of Canada news release, October 9, 2014). • Budget 2016 reduced the maximum amount of eligible fees to $500, effective for the 2016 taxation year, and eliminated the credit effective for the 2017 taxation year.
Objective – category	To achieve a social objective
Objective	This measure promoted physical fitness among children (Budget 2006).
Category	Non-structural tax measure and refundable tax credit
Reason why this measure is not part of benchmark tax system	This measure was classified as a transfer payment for government accounting purposes, and therefore was not considered to be a tax expenditure.
Subject	Health
CCOFOG 2014 code	70761 - Health - Health not elsewhere classified - Health prevention programs (collective)
Other relevant government programs	Programs within the mandates of Health Canada, the Canadian Food Inspection Agency, the Canadian Institutes of Health Research, the Public Health Agency of Canada and Veterans Affairs Canada also support health-related objectives. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	n/a
Number of beneficiaries	About 1.7 million individuals claimed this credit in 2016.

Cost Information:

Millions of dollars	2016	2017	2018	2019	2020 (P)	2021 (P)	2022 (P)	2023 (P)
Personal income tax	145	–	–	–	–	–	–	–

Corporate Mineral Exploration and Development Tax Credit

Description	A 10% non-refundable credit was available to corporations in respect of expenditures incurred in Canada for grassroots exploration and pre-production mine development in relation to the mining of diamonds, base and precious metals as well as industrial minerals that become base or precious metals through refining. Budget 2012 announced the phase-out of this credit to make the tax system more neutral between mining and other industries and, as a result, this credit does not apply after 2015. However, unused credits can be pooled and carried forward, and the use of previously earned credits will continue beyond 2015.
Tax	Corporate income tax
Beneficiaries	Corporations in the mining industry
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, subsection 127(9), paragraph (a.3) of definition of "investment tax credit"
Implementation and recent history	• Introduced in Budget 2003. The credit applied at a rate of 5% in 2003, 7% in 2004 and 10% as of 2005. • Budget 2012 announced the phase-out of this credit. In the case of exploration expenditures, the credit rate was reduced to 5% for expenses incurred in 2013 and is not available for expenses incurred after 2013. In the case of pre-production development expenditures, the credit rate was reduced to 7% for expenses incurred in 2014, 4% for expenses incurred in 2015, and is not available for expenses incurred after 2015.
Objective – category	To encourage or attract investment
Objective	This measure was introduced to improve the international competitiveness of the resource sector and promote the efficient development of Canada's natural resource base (*Improving the Income Taxation of the Resource Sector in Canada*, March 3, 2003).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system.
Subject	Business - natural resources
CCOFOG 2014 code	70441 - Economic affairs - Mining, manufacturing, and construction - Mining of mineral resources other than mineral fuels
Other relevant government programs	Programs within the mandate of Natural Resources Canada also support the natural resource sector. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T2 Corporation Income Tax Return
Estimation method	The cost of this measure in a year is calculated using data on actual credits claimed in the year. The cost in the initial year is partially offset in the following year as the corporation's cumulative Canadian Exploration Expense account is then reduced by the credit claimed the year before.
Projection method	Projections are based on current market conditions.
Number of beneficiaries	A small number of corporations (fewer than 20) claim this credit each year.

Cost Information:

Millions of dollars	**2016**	**2017**	**2018**	**2019**	**2020 (P)**	**2021 (P)**	**2022 (P)**	**2023 (P)**
Corporate income tax	3	65	80	4	40	40	40	40

Credit for subscriptions to Canadian digital news media

Description	A temporary, non-refundable 15% tax credit on amounts paid by individuals for eligible digital news subscriptions. The credit allows individuals to claim up to $500 in costs paid towards eligible digital subscriptions (or the stand-alone cost of the digital subscription in cases of combined digital and newsprint subscriptions) in a taxation year, for a maximum of $75 annually. Eligible subscriptions are those that entitle a taxpayer to access the content of a Qualified Canadian Journalism Organization in a digital form, and that content is primariliy original written news.
Tax	Personal income tax
Beneficiaries	Individuals
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, section 118.02
Implementation and recent history	• Introduced in Budget 2019, effective in respect of eligible amounts paid after 2019 and before 2025.
Objective – category	To achieve a social objective To support business activity
Objective	Recognizing that a strong and independent news media is crucial to a well-functioning democracy, this measure supports Canadian digital news media organizations in achieving a more financially sustainable business model (2018 *Fall Economic Statement*).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system.
Subject	Social Business – other
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandates of Canadian Heritage, Immigration, Refugees and Citizenship Canada, Transport Canada and Public Safety Canada (among other departments) also support various other social objectives. Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	No data is available.
Estimation method	No estimate is available.
Projection method	Based on internal projections of growth in this sector.
Number of beneficiaries	No data is available.

Cost Information:

Millions of dollars	**2016**	**2017**	**2018**	**2019**	**2020 (P)**	**2021 (P)**	**2022 (P)**	**2023 (P)**
Personal income tax	–	–	–	–	10	15	15	20

Credit for the Basic Personal Amount

Description	Individual taxpayers can claim a non-refundable credit in respect of the Basic Personal Amount, the value of which is calculated by applying the lowest personal income tax rate (15% in 2021) to the credit amount. The credit amount is indexed to inflation. As of 2020, a taxpayer may also claim an income-tested supplement to the Basic Personal Amount. This supplement is legislated to gradually increase in steps exceeding inflation each year until 2023, at which time the maximum credit amount (i.e., the base credit + supplement) will reach $15,000. The maximum credit amount for 2021 is $13,808, with the fully reduced amount being $12,421.
Tax	Personal income tax
Beneficiaries	Individuals
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, paragraph 118(1)(c)
Implementation and recent history	• Introduced as part of the 1987 Tax Reform, effective for the 1988 and subsequent taxation years, to replace the previous basic personal exemption. • Between 1998 and 2009, the Basic Personal Amount was periodically increased. • In December 2019, the Government introduced a gradual increase to the Basic Personal Amount to $15,000 over the 2020 to 2023 period. The increased portion of the credit is subject to an income test beginning at a level of individual net income equal to the fourth federal tax bracket threshold ($151,978 in 2021), and is fully phased out by the fifth federal bracket threshold ($216,511 in 2021).
Objective – category	To promote the fairness of the tax system
Objective	This measure contributes to tax fairness by ensuring that no tax is paid on a basic amount of income (*Report of the Royal Commission on Taxation*, vol. 3, 1966; Budget 1998).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure is considered part of the benchmark tax system, and therefore is not a tax expenditure.
Subject	Other
CCOFOG 2014 code	n/a
Other relevant government programs	n/a
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 28.8 million individuals claimed this credit in 2019.

Cost Information:

Millions of dollars	2016	2017	2018	2019	2020 (P)	2021 (P)	2022 (P)	2023 (P)
Personal income tax	33,910	35,050	36,440	38,480	44,775	46,015	47,400	49,975

Deductibility of certain costs incurred by musicians

Description	Employed musicians can deduct amounts from their employment income for the expenses they incur for the maintenance, rental and insurance of musical instruments they are required to provide as a term of their employment. The measure also provides for the deduction of capital cost allowance in respect of these instruments.
Tax	Personal income tax
Beneficiaries	Employed musicians
Type of measure	Deduction
Legal reference	*Income Tax Act*, paragraph 8(1)(p)
Implementation and recent history	• Introduced in 1987 as part of the 1987 Tax Reform. Effective for the 1988 and subsequent taxation years.
Objective – category	To recognize expenses incurred to earn employment income
Objective	The deductibility of certain expenses incurred by artists and musicians recognizes that these expenses are necessary to carry on employment in those fields (*Musical Instruments: Income Tax Reform*, 1987).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure provides tax recognition for an expense that is incurred to earn employment income.
Subject	Employment Arts and culture
CCOFOG 2014 code	70412 - Economic affairs - General economic, commercial, and labor affairs - General labor affairs 70829 - Recreation, culture, and religion - Cultural services
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support employment. Programs within the mandate of Canadian Heritage also support arts and culture. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T777 Statement of Employment Expenses
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 3,900 individuals claimed this deduction in 2019.

Cost Information:

Millions of dollars	**2016**	**2017**	**2018**	**2019**	**2020 (P)**	**2021 (P)**	**2022 (P)**	**2023 (P)**
Personal income tax	1	S	1	1	1	1	1	1

Deductibility of charitable donations

Description	Donations made by corporations to registered charities are deductible in computing taxable income within certain limits. In general, a deduction may be claimed on donations totalling up to 75% of a corporation's taxable income. The limit is increased by 25% of the amount of taxable capital gains arising from donations of appreciated capital property and 25% of any capital cost allowance recapture arising from donations of depreciable capital property. The net income restriction does not apply to certain gifts of cultural property or ecologically sensitive land. Donations in excess of the particular limit applied may be carried forward up to 5 years with the exception of gifts of ecologically sensitive land, which may be carried forward up to 10 years.
Tax	Corporate income tax
Beneficiaries	Corporate donors
Type of measure	Deduction
Legal reference	*Income Tax Act*, section 110.1
Implementation and recent history	• Budget 1930 introduced the deductibility of donations to any church, university, college, school or hospital in Canada amounting to no greater than 10% of a taxpayer's net income. By 1933, the deduction applied to donations made to charities. • Budget 1997 increased the deduction limit to 75% of a corporation's net income, reduced to 25% the portion of taxable capital gains arising from the donations of appreciated capital property that can be added to the deduction limit, and added to the deduction limit 25% of recaptured capital cost allowance amounts.
Objective – category	To achieve a social objective
Objective	This measure is designed to support the important work of the charitable sector in meeting the needs of Canadians (*Report of the Royal Commission on Taxation*, vol. 3, 1966).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure provides tax recognition for an expense that is not incurred to earn income. The tax benefit from this measure can be obtained in a taxation year other than the year during which it accrues.
Subject	Donations, gifts, charities and non-profit organizations
CCOFOG 2014 code	705 - Environmental protection; 706 - Housing and community amenities; 707 - Health; 708 - Recreation, culture, and religion; 709 - Education; 710 - Social protection; Other various codes
Other relevant government programs	Many federal government entities provide direct funding to registered charities, non-profit organizations and international development associations through various programs.
Source of data	T2 Corporation Income Tax Return
Estimation method	T2 micro-simulation model
Projection method	The cost of this measure is projected to grow in line with corporate taxable income.
Number of beneficiaries	This measure provided tax relief to about 97,900 corporations in 2019.

Cost Information:

Millions of dollars	2016	2017	2018	2019	2020 (P)	2021 (P)	2022 (P)	2023 (P)
By type of donations								
Ecologically sensitive land	1	1	10	2	1	4	4	5
Cultural property	3	5	3	5	1	3	5	5
Other	445	625	680	830	740	770	795	865
Total – corporate income tax	450	635	690	835	745	780	805	875

Deductibility of contributions to a qualifying environmental trust

Description	Contributions to a qualifying environmental trust are deductible in computing the contributor's income in the years the contributions are made, provided that the contributor is a beneficiary under the trust. Amounts withdrawn from the trust to fund reclamation costs are included in the recipient's income when withdrawn; however, there is typically no net tax cost at the time of withdrawal since the recipient will be able to deduct the reclamation costs incurred against the above income inclusion. This measure is intended to improve the cash flow of taxpayers at the time the contributions to a qualifying environmental trust are made. It also ensures that companies, such as single-mine companies, which might not have had sufficient taxable income against which to deduct actual reclamation expenses when these expenses were incurred (for the most part at the end of the life of a mine or after its closure), obtain some tax relief for these expenses. Additional details on this measure can be found in the Annex to Part 1 of this report.
Tax	Personal (including trusts) and corporate income tax
Beneficiaries	Businesses contributing to a qualifying environmental trust
Type of measure	Timing preference
Legal reference	*Income Tax Act*, paragraph 20(1)(ss)
Implementation and recent history	• Introduced in Budget 1994. Effective for contributions to eligible mine reclamation trusts for taxation years ending after of February 22, 1994. • Budget 1997 extended this measure to similar trusts established for waste disposal sites and quarries for the extraction of aggregate and similar substances, effective for taxation years ending after February 18, 1997. • Budget 2011 further extended this measure to include trusts established for pipeline reclamation, effective for taxation years ending after 2012.
Objective – category	To provide relief for special circumstances
Objective	This measure assists firms that are required to make contributions to a qualifying environmental trust set up for the purpose of funding reclamation costs (Budget 1997).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure provides tax recognition in respect of a contingent expense, resulting in a deferral of tax.
Subject	Environment
CCOFOG 2014 code	70549 - Environmental protection - Protection of biodiversity and landscape
Other relevant government programs	Programs within the mandates of Environment and Climate Change Canada, the Impact Assessment Agency of Canada, Parks Canada and Natural Resources Canada also support environment-related objectives. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Personal income tax: Data on contributions to qualifying environmental trusts by unincorporated businesses is not available. Corporate income tax: T2 Corporation Income Tax Return
Estimation method	Personal income tax: No estimate is available. Corporate income tax: The cost of this measure is based on net contributions (total contributions minus funds withdrawn) to qualifying environmental trusts.
Projection method	Personal income tax: No projection is available. Corporate income tax: Projections are based on current market conditions and the anticipated impact that National Energy Board pipeline regulations will have on the use of qualifying environmental trusts.
Number of beneficiaries	A small number of corporations/partnerships (fewer than 50) claimed this deduction in 2019. No data is available for unincorporated businesses.

Cost Information:

Millions of dollars	2016	2017	2018	2019	2020 (P)	2021 (P)	2022 (P)	2023 (P)
Personal income tax	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Corporate income tax	60	60	60	50	45	55	55	55
Total	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Deductibility of costs of capital assets and eligibility for investment tax credits before asset is put in use

Description	Corporations may claim capital cost allowance and investment tax credits on depreciable assets at the earlier of the time that is the end of the taxation year in which the asset is available for use or the second taxation year following its year of acquisition.
Tax	Personal (including trusts) and corporate income tax
Beneficiaries	Businesses
Type of measure	Timing preference
Legal reference	*Income Tax Act*, subsections 13(27) and 127(11.2)
Implementation and recent history	• Introduced in 1990, applicable to property acquired after 1989.
Objective – category	To reduce administration or compliance costs
Objective	This measure facilitates the application and administration of the capital cost allowances regime and investment tax credits by limiting the period between the acquisition of a capital asset and the time the cost of the asset is recognized for tax purposes.
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure may permit the depreciation of a capital asset faster than its useful life.
Subject	Business – other
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	No data is available.
Estimation method	No estimate is available – see the Annex to Part 1 for an explanation as to why estimates are not available for this measure.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

Deductibility of countervailing and anti-dumping duties when paid

Description	In accordance with rules established by the World Trade Organization, countries may impose countervailing and anti-dumping duties to offset the injurious effects of imports that are subsidized or dumped. Countervailing and anti-dumping duties paid by Canadian businesses in order to export their products are deductible in computing income subject to tax in the year that the duties are paid, even if the payment is based on a preliminary finding. By contrast, under general income tax rules, since the amount payable may be subsequently adjusted under the trade remedy process, the liability would be considered contingent and no deduction would be allowed until the final determination of the amount of the liability. Under the measure, any refunds or additional amounts (e.g., interest) received as a result of the final determination of the liability must be included in income when received.
Tax	Personal (including trusts) and corporate income tax
Beneficiaries	Businesses that pay a countervailing or anti-dumping duty
Type of measure	Timing preference
Legal reference	*Income Tax Act*, paragraph 20(1)(vv)
Implementation and recent history	• Introduced in Budget 1998. Effective for duties that became payable and are paid after February 23, 1998.
Objective – category	To provide relief for special circumstances
Objective	This measure recognizes that businesses that pay countervailing and anti-dumping duties are required to pay amounts that are not under their control and that, although these amounts may be subsequently refunded in whole or in part, this process can take several years (Budget 1998).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure provides tax recognition in respect of a contingent expense, resulting in a deferral of tax.
Subject	International
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	n/a
Source of data	No data is available.
Estimation method	No estimate is available.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

Deductibility of earthquake reserves

Description	Federally regulated property and casualty insurance companies can deduct, for income tax purposes, earthquake premium reserves which are set aside pursuant to guidelines established by the Office of the Superintendent of Financial Institutions. These reserves represent a surplus appropriation, and would not otherwise be deductible under the benchmark system.
Tax	Corporate income tax
Beneficiaries	Property and casualty insurers
Type of measure	Timing preference
Legal reference	*Income Tax Act*, paragraph 20(7)(c) *Income Tax Regulations*, the description of L in subsection 1400(3)
Implementation and recent history	• Introduced in Budget 1998. Effective for the 1998 and subsequent taxation years.
Objective – category	To provide relief for special circumstances
Objective	This measure helps ensure that federally regulated property and casualty insurance companies have sufficient financial capacity to pay insured earthquake losses when they occur (Budget 1998).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure provides tax recognition in respect of a contingent expense, resulting in a deferral of tax.
Subject	Business – other
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Data on earthquake premium reserves is provided by the Office of the Superintendent of Financial Institutions.
Estimation method	This tax expenditure is estimated by taking the annual net change in total earthquake premium reserves and multiplying that change by the statutory corporate income tax rate for the year. The net change, and not the amount of the reserve, is of importance because the deduction is effectively applied on a net basis (the taxpayer includes in income the reserve from the previous year, and deducts from income the reserve for the current year).
Projection method	Earthquake premium reserves are projected to grow at the compound annual growth rate observed over the last eight years.
Number of beneficiaries	About 20 corporations claimed this deduction in 2019.

Cost Information:

Millions of dollars	**2016**	**2017**	**2018**	**2019**	**2020 (P)**	**2021 (P)**	**2022 (P)**	**2023 (P)**
Corporate income tax	S	S	S	S	S	1	S	S

Deductibility of expenses by employed artists

Description	Employed artists are allowed to deduct amounts paid in the year to earn income from their artistic activities up to the lesser of $1,000 or 20% of their income derived from employment in the arts. An amount deductible in a year under this measure is reduced by motor vehicle expenses and musical instrument costs that are also deducted against the taxpayer's income from the same artistic activity for the year.
Tax	Personal income tax
Beneficiaries	Employed artists
Type of measure	Deduction
Legal reference	*Income Tax Act*, paragraph 8(1)(q)
Implementation and recent history	• Introduced on May 16, 1990 (Government response to the *Report of the Standing Committee on Communications and Culture Respecting the Status of the Artist*). Effective for amounts paid after 1990.
Objective – category	To recognize expenses incurred to earn employment income
Objective	This measure provides greater certainty to employed artists with respect to the tax treatment of their professional expenses (Government response to the *Report of the Standing Committee on Communications and Culture Respecting the Status of the Artist*, 1990).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure provides tax recognition for an expense that is incurred to earn employment income.
Subject	Employment Arts and culture
CCOFOG 2014 code	70412 - Economic affairs - General economic, commercial, and labor affairs - General labor affairs 70829 - Recreation, culture, and religion - Cultural services
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support employment. Programs within the mandate of Canadian Heritage also support arts and culture. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T777 Statement of Employment Expenses
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 1,300 individuals claimed this deduction in 2019.

Cost Information:

Millions of dollars	2016	2017	2018	2019	2020 (P)	2021 (P)	2022 (P)	2023 (P)
Personal income tax	S	S	S	S	S	S	S	S

Deduction for certain contributions by individuals who have taken vows of perpetual poverty

Description	Individuals who have taken a vow of perpetual poverty as a member of a religious order may claim a deduction in a year in which they are a member of that religious order for the amount of earned income and pension benefits assigned and paid in the year to the order.
Tax	Personal income tax
Beneficiaries	Individuals who have taken vows of perpetual poverty as members of a religious order
Type of measure	Exemption
Legal reference	*Income Tax Act*, subsection 110(2)
Implementation and recent history	• Introduced in 1949. Effective for the 1949 and subsequent taxation years.
Objective – category	To achieve a social objective To provide relief for special circumstances
Objective	This measure recognizes the special situations of members of religious orders who make vows of poverty and assign all of their income to the religious order.
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base.
Subject	Donations, gifts, charities and non-profit organizations
CCOFOG 2014 code	70849 - Recreation, culture, and religion - Religious and other community services
Other relevant government programs	Many federal government entities provide direct funding to registered charities, non-profit organizations and international development associations through various programs.
Source of data	No data is available.
Estimation method	No estimate is available.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

Deduction for clergy residence

Description	A member of the clergy who is supplied living accommodation by their employer, or receives a housing allowance, may claim an offsetting deduction to the extent that this benefit is included in their income for the year. When no allowance is received nor living accommodation provided, a calculated deduction for rent and utilities is provided. The taxpayer must be in charge of or administer a diocese, parish or congregation, or be engaged exclusively in full-time administrative service by appointment of a religious order or denomination. The amount deducted cannot exceed the taxpayer's income from the office or employment, and is equal to the total amount included in the taxpayer's income as a taxable benefit because of the housing accommodation or allowance. In general, if the taxpayer owns or rents the accommodation, the amount that may be deducted is restricted to the lesser of two amounts: (1) the greater of $1,000 multiplied by the number of months (up to 10 months) in the year during which the taxpayer qualified as a member of the clergy and one-third of the taxpayer's remuneration from the office or employment; and (2) the amount, if any, by which rent paid (or the fair market value of the accommodation) exceeds the total deducted by the taxpayer in connection with the residence from income earned from the office or employment or a business.
Tax	Personal income tax
Beneficiaries	Members of the clergy or of a religious order, regular ministers of a religious denomination
Type of measure	Deduction
Legal reference	*Income Tax Act*, paragraph 8(1)(c)
Implementation and recent history	• Introduced in Budget 1949. Effective for the 1948 and subsequent taxation years. • In 2001, the amount of the deduction when the living accommodation is rented or owned by the clergy was limited to the least of three amounts: the clergy person's total remuneration from employment for the year; one-third of that remuneration or $10,000, whichever is greater; and the fair rental value of the residence (reduced by other amounts deducted in connection with the same residence).
Objective – category	To achieve a social objective
Objective	This measure recognizes the special nature of the contributions and circumstances of members of the clergy (Budget, March 1949).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base.
Subject	Social
CCOFOG 2014 code	70849 - Recreation, culture, and religion - Religious and other community services
Other relevant government programs	Programs within the mandates of Canadian Heritage, Immigration, Refugees and Citizenship Canada, Transport Canada and Public Safety Canada (among other departments) also support various other social objectives. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 28,000 individuals claimed this deduction in 2019.

Cost Information:

Millions of dollars	**2016**	**2017**	**2018**	**2019**	**2020 (P)**	**2021 (P)**	**2022 (P)**	**2023 (P)**
Personal income tax	95	95	95	95	95	100	105	105

Deduction for self-employed artists

Description	Artists who are self-employed and who create paintings, prints, etchings, drawings, sculptures or similar works of art (but not including those in the business of reproducing works of art) may elect to value their inventory at nil, effectively allowing them to deduct the costs of creating a work of art in the year the costs are incurred rather than in the year the work of art is sold.
Tax	Personal income tax
Beneficiaries	Self-employed artists
Type of measure	Timing preference
Legal reference	*Income Tax Act*, subsection 10(6)
Implementation and recent history	• Introduced in Budget 1985. Effective for the 1985 and subsequent taxation years.
Objective – category	To provide relief for special circumstances
Objective	The special treatment of costs incurred by artists recognizes artists' problems in valuing their works of art on hand, attributing costs to particular works and carrying inventories over long periods of time (Budget 1985).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure permits the deferral of the recognition of income or gains for income tax purposes.
Subject	Arts and culture
CCOFOG 2014 code	70829 - Recreation, culture, and religion - Cultural services
Other relevant government programs	Programs within the mandate of Canadian Heritage also support arts and culture. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	No data is available.
Estimation method	No estimate is available.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

Deduction for tradespeople’s tool expenses

Description	A tradesperson can claim a deduction of up to $500 of the total cost of eligible new tools acquired in a taxation year as a condition of employment that exceeds the amount of the Canada Employment Credit ($1,257 in 2021). The total cost of eligible new tools cannot exceed the total of the employment income earned as a tradesperson and apprenticeship grants received to acquire the tools, which are required to be included in income.
Tax	Personal income tax
Beneficiaries	Tradespeople
Type of measure	Deduction
Legal reference	*Income Tax Act*, paragraph 8(1)(s)
Implementation and recent history	• Introduced in Budget 2006. Effective in respect of eligible new tools acquired on or after May 2, 2006.
Objective – category	To recognize expenses incurred to earn employment income
Objective	This measure provides tax recognition for the extraordinary cost of tools that tradespeople must provide as a condition of employment (Budget 2006).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure provides tax recognition for an expense that is incurred to earn employment income.
Subject	Employment
CCOFOG 2014 code	70412 - Economic affairs - General economic, commercial, and labor affairs - General labor affairs
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support employment. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T777 Statement of Employment Expenses
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 20,000 individuals claimed this deduction in 2019.

Cost Information:

Millions of dollars	**2016**	**2017**	**2018**	**2019**	**2020 (P)**	**2021 (P)**	**2022 (P)**	**2023 (P)**
Personal income tax	2	2	2	2	2	2	2	2

Deduction for tuition assistance for adult basic education

Description	A student can claim a deduction for the amount of tuition assistance received for adult basic education when the tuition assistance has been included in the student's income and the student does not qualify for the Tuition Tax Credit. In order to be eligible, the tuition assistance must be received under a program established under Part II of the *Employment Insurance Act*, a program established under the authority of the *Department of Employment and Social Development Act*, a similar program (in certain circumstances) or a prescribed program.
Tax	Personal income tax
Beneficiaries	Students
Type of measure	Deduction
Legal reference	*Income Tax Act*, paragraph 110(1)(g)
Implementation and recent history	• Introduced in Budget 2001. Effective retroactively to the 1997 and subsequent taxation years.
Objective – category	To recognize education costs
Objective	This measure provides assistance to adults undertaking basic education courses as part of a government training program (Budget 2001).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure provides tax recognition for an expense that is incurred to earn employment income.
Subject	Education
CCOFOG 2014 code	70959 - Education - Education not definable by level
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada, the Social Sciences and Humanities Research Council, the Natural Sciences and Engineering Research Council, the Canadian Institutes of Health Research and Indigenous Services Canada also support objectives related to education and training. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T4E Statement of Employment Insurance and Other Benefits
Estimation method	The value of this measure is calculated by multiplying total non-taxable tuition assistance by an assumed marginal tax rate.
Projection method	The value of this measure is projected based on historical growth.
Number of beneficiaries	About 3,200 individuals received tuition assistance eligible for this deduction in 2020.

Cost Information:

Millions of dollars	**2016**	**2017**	**2018**	**2019**	**2020 (P)**	**2021 (P)**	**2022 (P)**	**2023 (P)**
Personal income tax	2	2	2	2	3	3	2	2

Deduction of allowable business investment losses

Description	Capital losses arising from the disposition of shares and debt instruments are generally deductible only against capital gains. However, one-half of the capital loss from a deemed disposition of bad debts or shares of a bankrupt small business corporation or from a disposition to an arm's length person of shares or debts of a small business corporation (known as an "allowable business investment loss") may be used to offset other income. Unused allowable business investment losses may be carried back three years and forward 10 years. After 10 years, the loss reverts to an ordinary capital loss and may be carried forward indefinitely. Allowable business investment losses can be reduced if the Lifetime Capital Gains Exemption has been claimed in prior years. The amount of the reduction depends on the inclusion rate of capital gains. The amount by which a taxpayer's allowable business investment loss is reduced under this provision is treated as a capital loss for the year in which it arose, and may be carried back three years and forward indefinitely to offset capital gains of other years.
Tax	Personal (including trusts) and corporate income tax
Beneficiaries	Individual and corporate investors
Type of measure	Deduction
Legal reference	*Income Tax Act*, paragraph 38(c) and paragraph 39(1)(c)
Implementation and recent history	• Introduced in Budget 1978 (November 16, 1978). Effective for the 1978 and subsequent taxation years.
Objective – category	To encourage or attract investment
Objective	This measure recognizes that small businesses often have difficulty obtaining adequate financing, and provides special assistance for risky investments in such businesses (Budget 1985; Budget 2004).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure permits the deduction of capital losses otherwise than against capital gains.
Subject	Business - small businesses Savings and investment
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandate of Innovation, Science and Economic Development Canada also support small businesses. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Personal income tax: T1 Income Tax and Benefit Return and T3 Trust Income Tax and Information Return Corporate income tax: T2 Corporation Income Tax Return
Estimation method	The value of this tax expenditure corresponds to the tax relief provided by permitting allowable business investment losses to be deducted from other income in the year they arise. The tax expenditure is overstated since it is assumed that the losses would not have been otherwise deducted against capital gains. Personal income tax: T1 and T3 micro-simulation models Corporate income tax: T2 micro-simulation model
Projection method	Personal income tax: T1 micro-simulation model in the case of individuals. Projections for trusts are based on projected growth for individuals. Corporate income tax: Projections are based on the average cost of the previous three years, projected to grow in line with nominal gross domestic product.
Number of beneficiaries	About 8,300 individuals, fewer than 100 trusts and 1,650 corporations claimed this deduction in 2019.

Cost Information:

Millions of dollars	2016	2017	2018	2019	2020 (P)	2021 (P)	2022 (P)	2023 (P)
Personal income tax								
Individuals	35	40	35	50	40	40	35	35
Trusts	S	S	1	S	S	S	S	S
Total – personal income tax	35	40	35	50	45	40	35	35
Corporate income tax	10	10	10	10	10	10	10	10
Total	45	50	45	55	50	45	45	45

Deduction of interest and carrying charges incurred to earn investment income

Description	Interest and other carrying charges incurred to earn investment income are deductible under certain conditions. Carrying charges generally include fees, other than commissions, paid for advice sought by a taxpayer on buying or selling specific securities, or for the administration or the management of securities of the taxpayer. The management of securities includes the custody of securities, the maintenance of accounting records, and the collection and remittance of income. Carrying charges also include certain legal fees incurred in relation to the establishment or collection of support payments from a current or former spouse or common-law partner, or from the natural parent of the taxpayer's child.
Tax	Personal (including trusts) and corporate income tax
Beneficiaries	Individuals and corporations
Type of measure	Deduction
Legal reference	*Income Tax Act*, paragraphs 20(1)(c) and (bb)
Implementation and recent history	• Interest on borrowed funds used to earn income was made deductible in 1923, and investment counselling fees in 1951. Interest incurred by corporations to buy shares of other corporations was made deductible in 1972. • Budget 1996 introduced amendments to ensure that fees to establish child support amounts remained deductible. • Budget 2013 removed the deduction in respect of safety deposit box charges for taxation years that began on or after March 21, 2013.
Objective – category	To recognize expenses incurred to earn business or property income
Objective	This measure recognizes that carrying charges are incurred for the purpose of earning income.
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure is considered part of the benchmark tax system, and therefore is not a tax expenditure.
Subject	Savings and investment
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	n/a
Source of data	Personal income tax: T1 Income Tax and Benefit Return Corporate income tax: No data is available.
Estimation method	Personal income tax: T1 micro-simulation model Corporate income tax: No estimate is available.
Projection method	Personal income tax: T1 micro-simulation model Corporate income tax: No projection is available.
Number of beneficiaries	About 2 million individuals claimed this deduction in 2019. No data is available for corporations.

Cost Information:

Millions of dollars	2016	2017	2018	2019	2020 (P)	2021 (P)	2022 (P)	2023 (P)
Personal income tax (excluding trusts)	1,455	1,630	1,855	1,945	1,920	2,000	2,050	2,115
Corporate income tax	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Deduction of other employment expenses

Description	Under certain conditions, an employee can deduct a number of specific employment expenses in computing income, such as automobile expenses, the cost of meals and lodging for certain transport employees, and legal expenses paid to collect salary.
Tax	Personal income tax
Beneficiaries	Employees
Type of measure	Deduction
Legal reference	*Income Tax Act*, section 8
Implementation and recent history	• Expenses of railway employees, sales expenses and transport employees' expenses were made deductible in Budget 1948, effective for the 1949 and subsequent taxation years. • Travel expenses, motor vehicle travel expenses, and dues and other expenses of performing duties were made deductible in Budget 1951, effective for the 1951 and subsequent taxation years. • Teachers' exchange fund contributions were made deductible in Budget 1957, effective for the 1956 and subsequent taxation years. • Legal expenses of employees were made deductible in Budget 1961, effective for the 1961 and subsequent taxation years. • Aircraft costs were made deductible in Budget 1979, effective for the 1980 and subsequent taxation years.
Objective – category	To recognize expenses incurred to earn employment income
Objective	This measure provides tax recognition for certain expenses incurred for the purpose of earning employment income.
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure provides tax recognition for an expense that is incurred to earn employment income.
Subject	Employment
CCOFOG 2014 code	70412 - Economic affairs - General economic, commercial, and labor affairs - General labor affairs
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support employment. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 756,000 individuals claimed this deduction in 2019.

Cost Information:

Millions of dollars	2016	2017	2018	2019	2020 (P)	2021 (P)	2022 (P)	2023 (P)
Personal income tax	915	920	910	925	1,195	1,290	1,220	1,105

Deduction of union and professional dues

Description	A deduction is available in respect of annual union, professional or like dues paid in the year by an employee (or paid by the employer and included in the employee's income) in the course of employment. The deduction does not apply to the extent the employee is, or is entitled to be, reimbursed by the employer.
Tax	Personal income tax
Beneficiaries	Employees
Type of measure	Deduction
Legal reference	*Income Tax Act*, subparagraphs 8(1)(i)(i) and (iv)-(vii)
Implementation and recent history	• Introduced in Budget 1951. Effective for the 1951 and subsequent taxation years.
Objective – category	To recognize expenses incurred to earn employment income
Objective	This measure provides tax recognition for mandatory employment-related expenses.
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure provides tax recognition for an expense that is incurred to earn employment income.
Subject	Employment
CCOFOG 2014 code	70412 - Economic affairs - General economic, commercial, and labor affairs - General labor affairs
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support employment. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 6 million individuals claimed this deduction in 2019.

Cost Information:

Millions of dollars	**2016**	**2017**	**2018**	**2019**	**2020 (P)**	**2021 (P)**	**2022 (P)**	**2023 (P)**
Personal income tax	955	975	1,030	1,075	1,090	1,145	1,210	1,255

Deferral for asset transfers to a corporation and corporate reorganizations

Description	Transfers of assets to a taxable Canadian corporation for consideration that includes at least one share of the corporation may be made on a tax-deferred basis. The tax deferral, which is on an elective basis, includes accrued capital gains and recapture of excess capital cost allowance deductions that would otherwise be realized on a taxable transfer. In general, the deferral results in the transferor having an accrued gain in respect of the share(s) acquired from the corporation and the corporation having deferred tax consequences in respect of the acquired property. Shareholders of a taxable Canadian corporation as well as the corporation itself are also permitted tax deferrals under certain corporate reorganization rules in which corporate assets are transferred. These reorganization rules include amalgamations, windings up and so-called "corporate butterflies".
Tax	Personal (including trusts) and corporate income tax
Beneficiaries	Individuals and corporations
Type of measure	Timing preference
Legal reference	*Income Tax Act*, sections 55, 85, 87 and 88
Implementation and recent history	• These measures were introduced at various times (1948 for rules related to the recapture of excess capital cost allowance, 1958 for amalgamations, 1972 for capital gains on a transfer of an asset to a corporation and for a corporate winding-up, and 1980 for corporate butterflies).
Objective – category	To extend or modify the unit of taxation To support business activity
Objective	These measures facilitate tax-deferred transfers of assets used in business to a corporation and the reorganization of the corporation itself.
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure extends the unit of taxation. This measure permits the deferral of the recognition of income or gains for income tax purposes.
Subject	Business – other
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	No data is available.
Estimation method	No estimate is available.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

Deferral of capital gains through intergenerational rollovers of family farms or fishing businesses

Description	Sales or gifts of assets to children, grandchildren or great-grandchildren typically give rise to taxable capital gains to the extent that the fair market value exceeds the adjusted cost base of the property. However, capital gains realized by an individual on intergenerational transfers of certain types of farm or fishing property (i.e., land and depreciable property including buildings) and shares in a family farm or fishing corporation or interests in a family farm or fishing partnership, may be deferred in certain circumstances until the property is disposed of in an arm's length transaction, if the farm or fishing property continues to be used principally in a farming or fishing business.
Tax	Personal income tax
Beneficiaries	Farming and fishing businesses
Type of measure	Timing preference
Legal reference	*Income Tax Act*, subsections 70(9) to (9.31) and 73(3) to (4.1)
Implementation and recent history	• Implemented in Budget 1973. Effective for the 1972 and subsequent taxation years. • Budget 2001 ensured that the existing intergenerational tax-deferred rollover for farm property is available for transfers of commercial woodlots after December 10, 2001, where they are operated in accordance with a prescribed forest management plan. • Budget 2006 extended this measure to include qualified fishing property effective May 2, 2006. • Budget 2014 extended the measure to generally treat a taxpayer’s combined farming and fishing business the same as separate farming and fishing businesses conducted by the same taxpayer, applicable to dispositions and transfers that occur in the 2014 and subsequent taxation years.
Objective – category	To achieve an economic objective – other
Objective	This measure allows for continuity in the management of family farms or family fishing businesses in Canada by permitting property used principally in a family farming or fishing business to pass from generation to generation on a tax-deferred basis (Budget 1973; Budget 2006).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure permits the deferral of the recognition of income or gains for income tax purposes. This measure extends the unit of taxation.
Subject	Business - farming and fishing
CCOFOG 2014 code	70421 - Economic affairs - Agriculture, forestry, fishing, and hunting – Agriculture 70423 - Economic affairs - Agriculture, forestry, fishing, and hunting - Fishing and hunting
Other relevant government programs	Programs within the mandates of Agriculture and Agri-Food Canada and Fisheries and Oceans Canada also support the farming and fishing sectors. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	No data is available.
Estimation method	No estimate is available.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

Deferral of capital gains through transfers to a spouse, spousal trust or alter ego trust

Description	When a property is transferred to another person, capital gains are generally considered to be realized at the time of the transfer on the basis of the fair market value of the property at that time. However, if an individual transfers capital property to a spouse, spousal trust or alter ego trust (i.e., a trust for the benefit of the transferor), the capital property is deemed to have been disposed of by the individual at its adjusted cost base (or at the undepreciated capital cost in the case of depreciable property), and to have been acquired by the spouse or trust for an amount equal to those deemed amounts. This treatment effectively provides a deferral of the taxable capital gain until the disposition of the property by the spouse or trust, or until the transferee or relevant trust beneficiary dies.
Tax	Personal income tax
Beneficiaries	Individuals, their spouses and common-law partners
Type of measure	Timing preference
Legal reference	*Income Tax Act*, subsection 70(6) and section 73
Implementation and recent history	• Introduced in Budget 1971. Effective for the 1972 and subsequent taxation years. • Extended in 2001 to transfers to alter ego trusts (Department of Finance Canada news release 1999-112, December 17, 1999).
Objective – category	To extend or modify the unit of taxation
Objective	This measure recognizes that it is not always appropriate to treat a transfer of assets between spouses (or to a trust for one's own benefit or for the benefit of a spouse) as a disposition for income tax purposes, and therefore allows families flexibility in structuring their total assets (Budget 1971).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure permits the deferral of the recognition of income or gains for income tax purposes. This measure extends the unit of taxation.
Subject	Families and households
CCOFOG 2014 code	71049 - Social protection - Family and children
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada and Indigenous Services Canada also support Canadian families and households. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	No data is available.
Estimation method	No estimate is available.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

Deferral of income from destruction of livestock

Description	A taxpayer may defer to the following taxation year, in part or in full, the income received in compensation for the forced destruction of livestock under statutory authority.
Tax	Personal (including trusts) and corporate income tax
Beneficiaries	Farming businesses
Type of measure	Timing preference
Legal reference	*Income Tax Act*, section 80.3
Implementation and recent history	• Introduced in Budget 1976. Effective for the 1976 and subsequent taxation years.
Objective – category	To provide relief for special circumstances
Objective	This measure was introduced to allow farmers adequate time to replace their herds, destroyed under statutory authority, without imposing a tax burden in the year of livestock destruction (Budget 1976).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure permits the deferral of the recognition of income or gains for income tax purposes.
Subject	Business - farming and fishing
CCOFOG 2014 code	70421 - Economic affairs - Agriculture, forestry, fishing, and hunting – Agriculture
Other relevant government programs	Programs within the mandates of Agriculture and Agri-Food Canada and Fisheries and Oceans Canada also support the farming and fishing sectors. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Statistics Canada, Table 32-10-0106-01
Estimation method	Personal income tax (unincorporated farms): The value of this measure is calculated as the total deferred income in a given year minus the total amount deferred from the year before, multiplied by the share of farm income accruing to unincorporated farms and the average marginal tax rate applicable to farm income. The breakdown of the estimates between individuals and trusts is not available. Corporate income tax (incorporated farms): A similar methodology is used except that the average tax rate used is the estimated average tax rate applicable to meals and entertainment expenses.
Projection method	Projections for 2021 through 2023 are not provided as the value of this measure cannot be reliably forecast for these years.
Number of beneficiaries	No data is available.

Cost Information:

Millions of dollars	**2016**	**2017**	**2018**	**2019**	**2020 (P)**	**2021 (P)**	**2022 (P)**	**2023 (P)**
Personal income tax	-1	2	-2	S	S	n.a.	n.a.	n.a.
Corporate income tax	S	3	S	1	1	n.a.	n.a.	n.a.
Total	-1	4	-2	1	S	n.a.	n.a.	n.a.

Deferral of income from grain sold through cash purchase tickets

Description	Farmers may make deliveries of grain to a grain elevator and receive payment in the form of a cash purchase ticket. If a cash purchase ticket is issued upon the delivery to an elevator of certain listed grains and the holder of the cash purchase ticket is entitled to payment after the end of the taxation year in which the grain is delivered, then the taxpayer may exclude the amount stated on the cash purchase ticket from income for the taxation year in which the grain was delivered, and instead include it in income for the immediately following taxation year.
Tax	Personal (including trusts) and corporate income tax
Beneficiaries	Farming businesses
Type of measure	Timing preference
Legal reference	*Income Tax Act*, subsections 76(4) and (5)
Implementation and recent history	• Introduced in Budget 1974. Effective for the 1973 and subsequent taxation years. • Consequential amendments to this measure due to the elimination of the Canadian Wheat Board were made in 2012 (first Budget 2012 implementation bill). These amendments removed the previous geographical restriction for the measure and extended it to farmers of the listed grains anywhere in Canada. • Budget 2017 launched a consultation on the ongoing utility of this measure. On November 6, 2017, the Government announced that the income deferral provided under this measure would be maintained.
Objective – category	To achieve an economic objective – other
Objective	By permitting the deferred reporting of income on grain sales, this measure facilitates the orderly delivery of grain to elevators, which helps meet Canada's grain export commitments (Budget May 1974).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure permits the deferral of the recognition of income or gains for income tax purposes.
Subject	Business - farming and fishing
CCOFOG 2014 code	70421 - Economic affairs - Agriculture, forestry, fishing, and hunting – Agriculture
Other relevant government programs	Programs within the mandates of Agriculture and Agri-Food Canada and Fisheries and Oceans Canada also support the farming and fishing sectors. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Statistics Canada, Table 32-10-0046-01
Estimation method	Personal income tax (unincorporated farms): The value of this measure is calculated as the total deferred income from cash purchase tickets in a given year minus the total income from exchanging cash purchase tickets for their cash value, multiplied by the share of farm income accruing to unincorporated farms and the average marginal tax rate applicable to farm income. The breakdown of the estimates between individuals and trusts is not available. Corporate income tax (incorporated farms): A similar methodology is used except that the average tax rate used is the estimated average tax rate applicable to meals and entertainment expenses.
Projection method	The projection for 2021 uses data available for the first two quarters of the calendar year. Projections for 2022 and 2023 are not provided as the value of this measure cannot be reliably forecast for these years.
Number of beneficiaries	No data is available.

Cost Information:

Millions of dollars	2016	2017	2018	2019	2020 (P)	2021 (P)	2022 (P)	2023 (P)
Personal income tax	10	-5	-10	-20	20	45	n.a.	n.a.
Corporate income tax	10	-5	-10	-20	20	-1	n.a.	n.a.
Total	20	-10	-20	-40	45	40	n.a.	n.a.

Deferral of income from sale of livestock in a region of drought, flood or excessive moisture

Description	Farmers may defer recognition of a portion of the income received on the sale of breeding livestock (breeding animals and breeding bees) in prescribed regions affected by drought, flood or excessive moisture. Such deferred income must be recognized in the first taxation year beginning after the region ceases to be a prescribed region.
Tax	Personal (including trusts) and corporate income tax
Beneficiaries	Farming businesses
Type of measure	Timing preference
Legal reference	*Income Tax Act*, section 80.3 *Income Tax Regulations*, sections 7305 and 7305.02
Implementation and recent history	• Introduced in 1988 in respect of farmers forced to sell breeding livestock due to drought conditions (Department of Finance Canada news release 88-155, December 12, 1988). Effective for the 1988 and subsequent taxation years. • Expanded in March 2009 to apply to farmers carrying on business in a region of flood or excessive moisture (Department of Finance Canada news release 2009-024, March 5, 2009). Effective for the 2008 and subsequent taxation years. • Budget 2014 extended the measure to bees, and to all types of horses that are over 12 months of age, that are kept for breeding. Effective for the 2014 and subsequent taxation years.
Objective – category	To provide relief for special circumstances
Objective	This measure allows farmers to use the proceeds from the forced sale of livestock due to drought, flood or excessive moisture conditions to fund the acquisition of replacement livestock (Department of Finance Canada news release 88-155, December 12, 1988; Department of Finance Canada news release 2009-024, March 5, 2009; Budget 2014).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure permits the deferral of the recognition of income or gains for income tax purposes.
Subject	Business - farming and fishing
CCOFOG 2014 code	70421 - Economic affairs - Agriculture, forestry, fishing, and hunting – Agriculture
Other relevant government programs	Programs within the mandates of Agriculture and Agri-Food Canada and Fisheries and Oceans Canada also support the farming and fishing sectors. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	No data is available.
Estimation method	No estimate is available.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

Deferral through 10-year capital gain reserve

Description	If the proceeds derived from the sale of a farm or fishing property or small business shares to a child, grandchild or great-grandchild are not all receivable in the year of sale, recognition of a portion of the capital gain realized may be deferred until the year in which the proceeds become receivable. However, a minimum of 10% of the gain must be brought into income per year, creating a maximum 10-year reserve period. This contrasts with the treatment of capital property generally, where the maximum reserve period is five years (see measure "Deferral through five-year capital gain reserve").
Tax	Personal income tax
Beneficiaries	Farming and fishing businesses, individual investors
Type of measure	Timing preference
Legal reference	*Income Tax Act,* subsection 40(1.1)
Implementation and recent history	• Budget 1981 proposed the elimination of capital gain reserves; however, this original proposal was later modified to allow a five-year reserve generally and to introduce the 10-year capital gain reserve for a transfer to a child (Department of Finance Canada news release 81-126). Effective for dispositions of property occurring after November 12, 1981. • Budget 2006 extended the scope of the measure to include fishing property. • Budget 2014 introduced simplifying rules for farmers carrying on farming and fishing businesses in combination.
Objective – category	To achieve an economic objective – other
Objective	This measure eases the intergenerational transfer of farm or fishing property sold to a child (Explanatory Notes for *Act to Amend the Income Tax Act*, December 1982; Budget 2006).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure permits the deferral of the recognition of income or gains for income tax purposes.
Subject	Business - farming and fishing Business - small businesses
CCOFOG 2014 code	70421 - Economic affairs - Agriculture, forestry, fishing, and hunting - Agriculture 70423 - Economic affairs - Agriculture, forestry, fishing, and hunting - Fishing and hunting 70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandates of Agriculture and Agri-Food Canada and Fisheries and Oceans Canada also support the farming and fishing sectors. Programs within the mandate of Innovation, Science and Economic Development Canada also support small businesses. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model. The value of this tax expenditure corresponds to the difference between the amount of tax that would have been payable if capital gain reserves were fully included in income in the year of disposition of the asset and the amount of tax that is payable as reserve amounts are included in income over time.
Projection method	T1 micro-simulation model
Number of beneficiaries	About 8,200 individuals claimed a 10-year capital gain reserve in 2019.

Cost Information:

Millions of dollars	2016	2017	2018	2019	2020 (P)	2021 (P)	2022 (P)	2023 (P)
By type of property								
Farm and fishing property	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Small business shares	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total – personal income tax	35	45	40	40	35	40	40	40

Deferral through five-year capital gain reserve

Description	In some cases, a taxpayer may receive portions of the payment from the sale of a capital property over a number of years. Under those circumstances, realization of a portion of the capital gain may be deferred until the year in which the proceeds are received. A minimum of 20% of the gain must be brought into income per year, creating a maximum five-year deferral period.
Tax	Personal (including trusts) and corporate income tax
Beneficiaries	Individuals and corporations
Type of measure	Timing preference
Legal reference	*Income Tax Act*, subsection 40(1)
Implementation and recent history	• Budget 1981 proposed the elimination of capital gain reserves; however, this original proposal was later modified with the introduction of the five-year capital gain reserve (Department of Finance Canada news release 81-126). Effective for dispositions of property occurring after November 12, 1981.
Objective – category	To assess tax liability over a multi-year period
Objective	This measure, while limiting tax deferral opportunities, recognizes that where capital gain proceeds are receivable over time, fully taxing gains in the year of sale could result in significant liquidity problems for taxpayers (Explanatory Notes for *Act to Amend the Income Tax Act*, December 1982).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure permits the deferral of the recognition of income or gains for income tax purposes.
Subject	Business – other Savings and investment
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Personal income tax: T1 Income Tax and Benefit Return and T3 Trust Income Tax and Information Return Corporate income tax: No data is available.
Estimation method	The value of this tax expenditure corresponds to the difference between the amount of tax that would have been payable if capital gain reserves were fully included in income in the year of disposition of the asset and the amount of tax that is payable as reserve amounts are included in income over time. Personal income tax: T1 and T3 micro-simulation models Corporate income tax: No estimate is available.
Projection method	Personal income tax: T1 micro-simulation model in the case of individuals. Projections for trusts are based on projected growth for individuals. Corporate income tax: No projection is available.
Number of beneficiaries	About 8,500 individuals and 1,000 trusts claimed a five-year capital gain reserve in 2019. No data is available for corporations.

Cost Information:

Millions of dollars	2016	2017	2018	2019	2020 (P)	2021 (P)	2022 (P)	2023 (P)
Personal income tax								
Individuals	15	20	20	15	15	15	15	15
Trusts	-2	4	5	-2	2	2	2	2
Total – personal income tax	15	25	30	10	15	15	15	15
Corporate income tax	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Deferral through rollover of capital gains and capital cost allowance recapture in respect of dispositions of land and buildings

Description	Capital gains and capital cost allowance recapture resulting from the voluntary disposition of land and buildings by businesses may be deferred if replacement properties are purchased within a specified time period (e.g., a business changing location). The rollover is generally not available for properties used to generate rental income.
Tax	Personal (including trusts) and corporate income tax
Beneficiaries	Businesses
Type of measure	Timing preference
Legal reference	*Income Tax Act*, subsections 13(4) and 44(1)
Implementation and recent history	• The deferral of capital cost allowance recapture was introduced in 1955. Effective for the 1954 and subsequent taxation years. • The capital gains deferral was introduced in Budget 1971. Effective for the 1972 and subsequent taxation years.
Objective – category	To support business activity
Objective	This measure supports businesses by permitting the deferral of capital gains and capital cost allowance recapture that are incidental to an active business.
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure permits the deferral of the recognition of income or gains for income tax purposes.
Subject	Business – other
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	No data is available.
Estimation method	No estimate is available.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

Deferral through rollover of capital gains and capital cost allowance recapture in respect of involuntary dispositions

Description	Capital gains and capital cost allowance recapture resulting from an involuntary disposition (e.g., insurance proceeds received for an asset destroyed in a fire) may be deferred if the funds are reinvested in a replacement asset within a specified period. The capital gain and capital cost allowance recapture are taxable upon disposition of the replacement property.
Tax	Personal (including trusts) and corporate income tax
Beneficiaries	Individuals and corporations
Type of measure	Timing preference
Legal reference	*Income Tax Act*, subsections 13(4) and 44(1)
Implementation and recent history	• The deferral of capital cost allowance recapture was introduced in 1955. Effective for the 1954 and subsequent taxation years. • The deferral of capital gains was introduced in Budget 1971. Effective for the 1972 and subsequent taxation years.
Objective – category	To provide relief for special circumstances
Objective	Rollover provisions are provided in some situations in which it would be unfair to collect capital gains tax even though the taxpayer has sold or otherwise disposed of an asset at a profit (*Proposals for Tax Reform*, 1969).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure permits the deferral of the recognition of income or gains for income tax purposes.
Subject	Business – other
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	No data is available.
Estimation method	No estimate is available.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

Deferral through use of billed-basis accounting by professionals and professional corporations

Description	In computing income for tax purposes, individuals and corporations carrying on the practice of certain professions (i.e., accounting, legal, medical doctor, dental, chiropractic or veterinary professional practice) could either use an accrual accounting method by default, or elect to use a billed-basis accounting method. Under the default accrual method, expenses were required to be matched with their associated revenues. Under the elective billed-basis method, the expenses relating to work in progress could be deducted as incurred even though the associated revenues were not brought into income until either the revenues were billed and became receivable or were paid. This treatment gave rise to a deferral of tax. Budget 2017 announced the phase-out of this measure.
Tax	Personal and corporate income tax
Beneficiaries	Individuals and corporations carrying on certain professional practices
Type of measure	Timing preference
Legal reference	*Income Tax Act*, section 34
Implementation and recent history	• Introduced in Budget 1971. Effective for fiscal years ending after December 31, 1971. • Budget 2017 eliminated the ability for designated professionals to elect to use billed-basis accounting, effective for taxation years that begin on or after March 22, 2017. A five-year transitional period to phase in the inclusion of work in progress into income was also introduced.
Objective – category	To reduce administration or compliance costs
Objective	This measure recognizes the inherent difficulty in valuing unbilled time and work in progress (*Summary of 1971 Tax Reform Legislation*, 1971).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure permits the deferral of the recognition of income or gains for income tax purposes.
Subject	Business – other
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	No data is available.
Estimation method	No estimate is available.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

Deferred Profit-Sharing Plans

Description	A Deferred Profit-Sharing Plan (DPSP) is an arrangement under which an employer contributes profits from their business to a trust for the benefit of a designated group of employees. Employers may make tax-deductible contributions to a DPSP on behalf of their employees. The contributions are not immediately taxed in the hands of the employee, and the investment income is not taxed as it is earned. Withdrawals are included in the income of the employee for tax purposes. Employer contributions are limited to 18% of an employee's earnings up to one-half of the defined contribution Registered Pension Plan (RPP) dollar limit for the year ($14,605 for 2021). Total contributions to a DPSP and a defined contribution RPP are limited to 18% of an employee's earnings up to a specified dollar amount ($29,210 for 2021).
Tax	Personal income tax
Beneficiaries	Employees with a Deferred Profit-Sharing Plan
Type of measure	Timing preference
Legal reference	*Income Tax Act*, section 147
Implementation and recent history	• In 1961, amendments were introduced to provide that an employee would not be subject to income tax on amounts contributed to a profit-sharing plan on their behalf by their employer until actually received as proceeds from the plan. • In 1989, a number of amendments to the DPSP tax rules were introduced that, among other changes, increased the limit on deductible employer contributions and prohibited employee contributions (*Saving for Retirement: A Guide to the Tax Legislation and Regulations,* Department of Finance Canada, 1989).
Objective – category	To encourage savings To achieve an economic objective – other
Objective	The tax treatment of these plans encourages additional retirement savings, and fosters co-operation between employers and their workers by encouraging employees to participate in their employer's business (Budget 1960).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure permits the deferral of the recognition of income or gains for income tax purposes.
Subject	Retirement Savings and investment
CCOFOG 2014 code	71029 - Social protection - Old age
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support retirement income security. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	No data is available.
Estimation method	No estimate is available.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

Disability supports deduction

Description	Attendant care as well as certain other disability supports expenses incurred to carry on a business or for education or employment purposes are deductible from income unless they have been reimbursed by a non-taxable payment (e.g., insurance payment). Generally, the deduction is limited to the lesser of the amounts paid for eligible expenses and the taxpayer's earned income. Students are additionally entitled to claim the deduction against up to $15,000 of non-earned income, subject to the length of their educational program. Individuals do not have to be eligible for the Disability Tax Credit in order to claim the deduction, although other criteria may apply for eligibility of certain types of disability supports. Expenses claimed under the disability supports deduction cannot be claimed under the Medical Expense Tax Credit.
Tax	Personal income tax
Beneficiaries	Individuals with disabilities
Type of measure	Deduction
Legal reference	*Income Tax Act*, section 64
Implementation and recent history	• Introduced in Budget 2004, effective for the 2004 and subsequent taxation years, replacing the previous attendant care deduction. • As part of the Government of Canada's COVID-19 Economic Response Plan, the Government temporarily expanded the definition of income for this deduction to include Employment Insurance (EI) benefits (including EI special benefits) and Quebec Parental Insurance Plan benefits. The requirement that eligible expenses be incurred to earn employment or business income, pursue education, or perform research has also been waived. These changes are effective for the 2020 and 2021 taxation years.
Objective – category	To recognize non-discretionary expenses (ability to pay)
Objective	This measure recognizes the costs incurred by taxpayers with disabilities for disability supports required to enable them to earn business or employment income or to attend school (Budget 1989; Budget 2000; Budget 2004).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure provides tax recognition for an expense that is incurred to earn employment income. This measure provides tax recognition for an expense that is incurred for education purposes.
Subject	Health Employment Education
CCOFOG 2014 code	71012 - Social protection - Sickness and disability – Disability 70412 - Economic affairs - General economic, commercial, and labor affairs - General labor affairs 70989 - Education - Education not elsewhere classified
Other relevant government programs	Programs within the mandates of Health Canada, the Canadian Food Inspection Agency, the Canadian Institutes of Health Research, the Public Health Agency of Canada and Veterans Affairs Canada also support health-related objectives. Programs within the mandate of Employment and Social Development Canada also support employment. Programs within the mandates of Employment and Social Development Canada, the Social Sciences and Humanities Research Council, the Natural Sciences and Engineering Research Council, the Canadian Institutes of Health Research and Indigenous Services Canada also support objectives related to education and training. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 3,300 individuals claimed this deduction in 2019.

Cost Information:

Millions of dollars	2016	2017	2018	2019	2020 (P)	2021 (P)	2022 (P)	2023 (P)
Personal income tax	3	3	3	3	3	3	3	3

Disability Tax Credit

Description	The Disability Tax Credit provides tax relief for non-itemizable disability-related costs in respect of an eligible individual that has been certified by a qualified medical practitioner as having a severe and prolonged disability. The value of the non-refundable credit is calculated by applying the lowest personal income tax rate to the disability credit amount ($8,662 in 2021). The credit amount is indexed to inflation and can be transferred to a supporting spouse, parent, grandparent, child, grandchild, brother, sister, aunt, uncle, nephew or niece of the individual. Families caring for eligible children with severe and prolonged impairments may claim an additional amount as a supplement to the credit. The value of the supplement is calculated by applying the lowest personal income tax rate to the supplement amount ($5,053 in 2021) and is reduced dollar-for-dollar by the amount of child care or attendant care expenses in excess of $2,959 (for 2021) that is claimed under the child care expense deduction, the disability supports deduction, or the Medical Expense Tax Credit. Both the expense threshold and the supplement amount are indexed to inflation.
Tax	Personal income tax
Beneficiaries	Individuals with disabilities, caregivers
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, subsection 118.3(1)
Implementation and recent history	• Introduced in 1944 as a $480 deduction for blind persons. • Expanded in 1985 to individuals with severe disabilities. • Replaced by a non-refundable tax credit as part of the 1987 Tax Reform. • Introduction in 2000 of the supplement for children. • Budget 2005 extended eligibility to individuals who face multiple restrictions that together have a substantial impact on their everyday lives and to more individuals requiring extensive life-sustaining therapy on an ongoing basis. • Budget 2017 expanded the list of medical practitioners that can certify eligibility for the Disability Tax Credit to include nurse practitioners, effective for certifications made on or after March 22, 2017. • Budget 2021 proposed to amend the criteria for qualifying for the Disability Tax Credit (DTC) under the mental impairment and life-sustaining therapy categories. The Government has proposed that these changes would apply to the 2021 and subsequent taxation years. Changes would be effective for DTC applications filed with the Minister of National Revenue on or after Royal Assent to the enabling legislation.
Objective – category	To recognize non-discretionary expenses (ability to pay)
Objective	This measure improves tax fairness by recognizing the effect of a severe and prolonged disability on an individual’s ability to pay tax (Budget 1997; Budget 2005).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system. This measure extends the unit of taxation.
Subject	Health
CCOFOG 2014 code	71012 - Social protection - Sickness and disability – Disability
Other relevant government programs	Programs within the mandates of Health Canada, the Canadian Food Inspection Agency, the Canadian Institutes of Health Research, the Public Health Agency of Canada and Veterans Affairs Canada also support health-related objectives. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model

Number of beneficiaries	In total, 1.25 million individuals claimed an amount for the Disability Tax Credit for 2019. This includes about 800,000 eligible persons who claimed all or some portion of the credit for themselves, 150,000 individuals who claimed all or some portion of the credit on behalf of an eligible spouse or common-law partner, 260,000 individuals who claimed all or some portion of the credit transferred from an eligible person (such as a parent for a minor child), and 30,000 individuals who claimed all or some portion of the credit for themselves and on behalf of another eligible person. This data reflects revisions to the model used to estimate tax expenditures.

Cost Information:

Millions of dollars	**2016**	**2017**	**2018**	**2019**	**2020 (P)**	**2021 (P)**	**2022 (P)**	**2023 (P)**
Personal income tax	1,030	1,090	1,150	1,200	1,250	1,300	1,350	1,400

Dividend gross-up and tax credit

Description	Income earned by corporations is subject to corporate income tax and, on distribution as dividends to individuals, personal income tax. The result is that dividends received by Canadian taxpayers are taxed at both the corporate and the personal levels. The Dividend Tax Credit (DTC), provided within the personal income tax system, is intended to compensate a taxable individual for corporate income taxes that are presumed to have been paid. The DTC is generally meant to ensure that income earned by a corporation and paid out to an individual as a dividend will be subject to the same amount of tax as income earned directly by the individual. The DTC mechanism calculates a proxy for pre-tax corporate profits and then provides a tax credit to individuals in recognition of corporate-level tax. Under this approach, an individual is first required to include the grossed-up amount of taxable dividends (i.e., the proxy for pre-tax profits) in income. Using the grossed-up amount, the tax system in effect treats the individual as having directly earned the amount that the corporation is presumed to have earned in order to pay the dividend. The DTC then compensates the individual for the amount of corporate-level tax presumed to have been paid on the grossed-up amount. The tax system has two DTC rates and gross-up factors to recognize the two different corporate income tax rates that generally apply to corporations. The enhanced DTC (15.0198% in 2021) and gross-up (38% in 2021) are applied to dividends distributed to an individual from corporate income taxed at the general corporate tax rate (eligible dividends). The ordinary DTC (9.0301% in 2021) and gross-up (15% in 2021) are applied to dividends distributed to an individual from corporate income not taxed at the general corporate tax rate (ineligible dividends). The same gross-up and tax credit mechanism applies to trusts in respect of the taxable dividends retained and taxed within the trusts.
Tax	Personal income tax (including trusts)
Beneficiaries	Individual investors
Type of measure	Other; credit, non-refundable
Legal reference	*Income Tax Act*, sections 82 and 121
Implementation and recent history	• Introduction of a DTC in 1949, followed by an increase of the tax credit in 1953. • The 1971 Tax Reform introduced the gross-up factor and adjustments to the DTC effective for the 1972 and subsequent taxation years. • Budgets 1977 and 1986 as well as the 1987 Tax Reform announced changes to the gross-up and DTC. • Budget 2006 established, for dividends paid after 2005, a new gross-up factor and an enhanced DTC rate for eligible dividends. • Budget 2008 adjusted the enhanced DTC and gross-up factor to reflect the scheduled federal general corporate income tax rate reductions that were announced in the 2007 Economic Statement. • Budget 2013 adjusted the gross-up factor and DTC rate applicable to non-eligible dividends to ensure the appropriate tax treatment of such dividends. • Budget 2015 adjusted the gross-up factor and DTC rate applicable to non-eligible dividends in conjunction with reductions in the preferential income tax rate for small businesses. • Budget 2016 announced that the gross-up factor and DTC rate applicable to non-eligible dividends would remain at 17% and 10.5% respectively after 2016. • The 2017 *Fall Economic Statement* adjusted the gross-up factor and DTC rate applicable to non-eligible dividends in conjunction with reductions in the preferential income tax rate for small businesses.
Objective – category	To prevent double taxation
Objective	These measures contribute to the integration of the corporate and personal income tax systems.
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure is considered part of the benchmark tax system, and therefore is not a tax expenditure.
Subject	Savings and investment
CCOFOG 2014 code	n/a

Other relevant government programs	n/a
Source of data	T1 Income Tax and Benefit Return T3 Trust Income Tax and Information Return
Estimation method	T1 micro-simulation model T3 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 3.8 million individuals claimed this credit in 2019, while about 29,000 trusts are projected to benefit from it.

Cost Information:

Millions of dollars	**2016**	**2017**	**2018**	**2019**	**2020 (P)**	**2021 (P)**	**2022 (P)**	**2023 (P)**
Personal income tax								
Individuals	4,475	5,395	4,925	4,850	4,655	5,175	5,520	5,775
Trusts	225	235	280	245	285	340	305	325
Total – personal income tax	4,700	5,630	5,205	5,095	4,940	5,515	5,830	6,100

Earned depletion

Description	The earned depletion deduction supplemented the deduction for actual costs incurred with an extra deduction of up to $33^1/_3$% of certain exploration and development expenses. This measure was phased out as part of the 1987 Tax Reform and, accordingly, new expenditures cannot be added to the earned depletion base after 1989. As in the case of Canadian Exploration Expenses and Canadian Development Expenses, earned depletion could be pooled and any remaining balance could be carried forward indefinitely for use in later years. As a result, deductions can still be made on the basis of existing unused depletion pools. The deduction for earned depletion is generally limited to 25% of the corporation's annual resource profits, although mining exploration depletion can be deducted against non-resource income.
Tax	Personal (including trusts) and corporate income tax
Beneficiaries	Businesses in the mining and oil and gas industry
Type of measure	Other
Legal reference	*Income Tax Regulations*, section 1201
Implementation and recent history	• Introduced in Budget 1971. • Phased out in 1990 as part of the 1987 Tax Reform.
Objective – category	To encourage or attract investment
Objective	This measure was designed to encourage corporations to undertake exploration and development of natural resources (*Proposals for Tax Reform*, 1969; *Summary of 1971 Tax Reform Legislation*; Budget, May 6, 1974; Budget, November 18, 1974).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure permitted the deduction of an amount that exceeded the expense actually incurred to earn income.
Subject	Business - natural resources
CCOFOG 2014 code	70441 - Economic affairs - Mining, manufacturing, and construction - Mining of mineral resources other than mineral fuels 70431 - Economic affairs - Fuel and energy - Coal and other solid mineral fuels 70432 - Economic affairs - Fuel and energy - Petroleum and natural gas
Other relevant government programs	Programs within the mandate of Natural Resources Canada also support the natural resource sector. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Personal income tax: Data on earned depletion balances of unincorporated businesses is not available, but such balances are not expected to be significant. Corporate income tax: T2 Corporation Income Tax Return
Estimation method	Personal income tax: No estimate is available. Corporate income tax: The cost of this measure is equal to the amount of earned depletion claimed, multiplied by the general corporate income tax rate.
Projection method	Personal income tax: No projection is available. Corporate income tax: Projections are based on current market conditions.
Number of beneficiaries	A small number of corporations (fewer than 20) claimed this deduction in 2019. No data is available for unincorporated businesses.

Cost Information:

Millions of dollars	2016	2017	2018	2019	2020 (P)	2021 (P)	2022 (P)	2023 (P)
Personal income tax	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Corporate income tax	S	S	S	S	S	S	S	S
Total	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Education Tax Credit

Description	A student could claim a non-refundable tax credit at the lowest personal income tax rate on an amount of $400 per month of study for full-time students and $120 per month of study for part-time students. The credit had to be claimed on the tax return of the student. If the student did not need to use all of the credit, the unused amount could be transferred to a supporting individual or carried forward to a subsequent taxation year. Budget 2016 announced the elimination of this measure as of 2017. Amounts carried forward from prior years may still be claimed.
Tax	Personal income tax
Beneficiaries	Students and individuals supporting them
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, subsection 118.6(2)
Implementation and recent history	• Introduced as a deduction in Budget 1972. Effective for the 1972 and subsequent taxation years. • Replaced by a non-refundable tax credit and made transferable to spouses, parents or grandparents as part of the 1987 Tax Reform. • Budget 1997 introduced a provision allowing unused education amounts to be carried forward for use in a subsequent year. • The October 2000 Economic Statement and Budget Update announced the doubling of the amounts used to calculate the Education Tax Credit to $400 per month of full-time study and $120 per month of part-time study. • Budget 2011 reduced the 13-week minimum duration requirement applying to studies undertaken by Canadians at foreign universities to three consecutive weeks. • Budget 2016 announced the elimination of this measure as of 2017.
Objective – category	To recognize education costs
Objective	This measure provided students with assistance by recognizing non-tuition costs associated with full- and part-time education (Budget 1972).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system. This measure extended the unit of taxation. The tax benefit from this measure could be obtained in a taxation year other than the year during which it accrued.
Subject	Education
CCOFOG 2014 code	70939 - Education - College education 70949 - Education - University education
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada, the Social Sciences and Humanities Research Council, the Natural Sciences and Engineering Research Council, the Canadian Institutes of Health Research and Indigenous Services Canada also support objectives related to education and training. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 2.3 million individuals earned this credit in 2016.

Cost Information:

Millions of dollars	2016	2017	2018	2019	2020 (P)	2021 (P)	2022 (P)	2023 (P)
Personal income tax	730	400	325	250	195	115	45	S

Eligible Dependant Credit

Description	A taxpayer that does not have a spouse or common-law partner (or that is not living with, supporting, or being supported by their spouse or common-law partner) may claim a non-refundable credit in respect of a co-habiting and dependent parent or grandparent, or of a co-habiting child, grandchild, brother or sister who is either under the age of 18 or is wholly dependent due to physical or mental infirmity. The value of the credit is calculated by applying the lowest personal income tax rate to the eligible dependant amount. The credit amount is reduced dollar-for-dollar by the net income of the dependant. The credit may only be claimed once by the same household, and only one individual may claim the credit in respect of the same dependant in a given year. As of 2020, a taxpayer may also claim an income-tested supplement to the Eligible Dependant Credit. This supplement is legislated to gradually increase in steps exceeding inflation each year until 2023, at which time the maximum credit amount will reach $15,000. The maximum credit amount for 2021 is $13,808, with the fully reduced amount being $12,421.
Tax	Personal income tax
Beneficiaries	Individuals with eligible dependants
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, paragraph 118(1)(b)
Implementation and recent history	• Introduced as part of the 1987 Tax Reform, to replace the previous exemption. Effective for the 1988 and subsequent taxation years. • Until 2007, the Eligible Dependant Credit amount was less than the Basic Personal Amount, and was reduced dollar-for-dollar by the net income of the dependant in excess of the income threshold applicable for the taxation year. • Budget 2007 introduced two changes to this credit: (i) the credit amount was set equal to the Basic Personal Amount; and (ii) the income threshold was eliminated, resulting in the credit amount being reduced dollar-for-dollar by the net income of the dependant. These changes became effective in 2007. • In December 2019, the Government introduced a gradual increase to the Eligible Dependant Credit to $15,000 over the 2020 to 2023 period. The increased portion of the credit is subject to an income test beginning at a level of individual net income equal to the fourth federal tax bracket threshold ($151,978 in 2021), and is fully phased out by the fifth federal bracket threshold ($216,511 in 2021).
Objective – category	To recognize non-discretionary expenses (ability to pay)
Objective	This measure recognizes that a taxpayer without a spouse or common-law partner who is supporting a dependent young child, parent or grandparent or other dependent relative due to mental or physical infirmity has a reduced ability to pay tax relative to a taxpayer with the same income and no such dependant (*Report of the Royal Commission on Taxation*, vol. 3, 1966).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system.
Subject	Families and households Health
CCOFOG 2014 code	71049 - Social protection - Family and children 71012 - Social protection - Sickness and disability – Disability
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada and Indigenous Services Canada also support Canadian families and households. Programs within the mandates of Health Canada, the Canadian Food Inspection Agency, the Canadian Institutes of Health Research, the Public Health Agency of Canada and Veterans Affairs Canada also support health-related objectives. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model

Number of beneficiaries	About 995,000 individuals claimed this credit in 2019.

Cost Information:

Millions of dollars	**2016**	**2017**	**2018**	**2019**	**2020 (P)**	**2021 (P)**	**2022 (P)**	**2023 (P)**
Personal income tax	905	940	980	1,015	1,185	1,215	1,240	1,265

Employee benefit plans

Description	Employers may make contributions to an employee benefit plan on behalf of their employees. The employee is not required to include in income the contributions to the plan or the investment income earned within the plan until amounts are received. Employers may not deduct these contributions to the plan until the contributions are distributed to the employees. As such, relative to the situation where the employee would have paid income tax on the amount of deferred salary, the government incurs a tax expenditure on the amount, in the form of a deferral of tax, to the extent that the employee's personal income tax rate exceeds the corporate income tax rate. Investment income earned in an employee benefit plan is taxed in the hands of the plan or, if it is paid out, in the hands of the employer or employee. The preferential tax treatment under an employee benefit plan is available only in certain circumstances, for instance, where the main purpose of the plan is not the deferral of tax or where an employee is not yet able to exercise their right to any income under the plan. In addition, certain leaves of absence or sabbatical plans under which employees may be entitled to defer salaries, as well as salary deferral plans established for professional athletes playing for a team that participates in a league with regularly scheduled games, may be treated as employee benefit plans. Provided certain conditions are met by the plans or arrangements, these amounts are not subject to tax until received by the employee.
Tax	Personal income tax
Beneficiaries	Employees with an employee benefit plan
Type of measure	Timing preference
Legal reference	*Income Tax Act*, paragraph 6(1)(g), section 32.1 and subsection 248(1), definition of "employee benefit plan" *Income Tax Act*, subsection 248(1), definition of "salary deferral arrangement" *Income Tax Regulations*, section 6801
Implementation and recent history	• Introduced in Budget 1979. Effective for the 1980 and subsequent taxation years. • Rules were introduced in 1986 (Budget 1986; Department of Finance Canada news release 86-131, July 28, 1986) to prevent the deferral of tax on salary income other than in certain specific circumstances such as leaves of absence and sabbatical plans.
Objective – category	To achieve a social objective To encourage employment
Objective	This measure improves access to employee benefit plans and accommodates extended leaves of a sabbatical nature within the employment relationship (Budget 1979; Budget 1986).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure permits the deferral of the recognition of income or gains for income tax purposes.
Subject	Employment
CCOFOG 2014 code	70412 - Economic affairs - General economic, commercial, and labor affairs - General labor affairs
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support employment. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	No data is available.
Estimation method	No estimate is available.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

Employee stock option deduction

Description	When individuals acquire company shares under an employee stock option plan, they are deemed to have received a taxable benefit from employment equal to the difference between the fair market value of the shares at the time they are acquired and the amount paid to acquire them. Provided certain conditions are met, individuals may deduct one-half of the employment benefit earned on employee stock options from income for tax purposes, thereby benefiting from the same effective tax rate that investors receive on capital gains.
Tax	Personal income tax
Beneficiaries	Employees
Type of measure	Deduction
Legal reference	*Income Tax Act*, subsections 7(1) and (1.1) and paragraphs 110(1)(d) and (d.1)
Implementation and recent history	• Introduced in Budget 1977 for employee stock options granted by Canadian-controlled private corporations (CCPCs). Effective April 1, 1977. • Extended in Budget 1984 to employee stock options granted by corporations other than CCPCs, effective February 15, 1984. • Budget 2010 eliminated the ability for both the employee and the employer to claim a deduction in relation to the same employment benefit under certain arrangements where employees surrendered their stock options to the employer in exchange for cash payments or other benefits. • The 2020 *Fall Economic Statement* introduced a $200,000 annual limit (based on the fair market value of the shares underlying the options) on employee stock option grants that can qualify for the employee stock option deduction, effective for employee stock options granted after June 2021. Employee stock options granted by employers that are Canadian-controlled private corporations (CCPCs) and by non-CCPC employers with annual gross revenues of $500 million or less are generally not subject to the new limit.
Objective – category	To achieve an economic objective – other To support competitiveness
Objective	This measure assists businesses in their efforts to attract and retain highly skilled employees and encourages employee participation in the ownership of the employer's business to promote increased productivity (Budget 1977; Budget 1984).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base.
Subject	Employment
CCOFOG 2014 code	70412 - Economic affairs - General economic, commercial, and labor affairs - General labor affairs
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support employment. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 33,000 individuals claimed this deduction in 2019.

Cost Information:

Millions of dollars	**2016**	**2017**	**2018**	**2019**	**2020 (P)**	**2021 (P)**	**2022 (P)**	**2023 (P)**
Personal income tax	550	655	770	905	930	990	1,040	1,085

Exemption for insurers of farming and fishing property

Description	Insurers of farming and fishing property could benefit from a tax exemption provided they did not engage in any business other than insurance. The proportion of an insurer's taxable income for a taxation year that was exempt was determined based on the proportion that the insurer's gross premium income (net of reinsurance ceded) earned for the year from the insurance of property used in farming or fishing or residences of farmers or fishers was of the insurer's total gross premium income (net of reinsurance ceded) for the year: • If the proportion was 90% or more, all of the insurer's taxable income was exempt from tax; • If the proportion was less than 90% but not less than 25%, only that proportion of the insurer's taxable income was exempt from tax; • If the proportion was less than 25% but not less than 20%, one half of that proportion of the insurer's taxable income was exempt from tax; • If the proportion was less than 20%, no exemption was available.
Tax	Corporate income tax
Beneficiaries	Insurers of farming and fishing property
Type of measure	Exemption
Legal reference	*Income Tax Act*, paragraph 149(1)(t) and subsections 149(4.1) to (4.3) *Income Tax Regulations*, subsection 4802(2)
Implementation and recent history	• Introduced in 1954, the original provision exempted all of an insurer's taxable income from tax if the proportion of its gross premium income (net of reinsurance ceded) from the insurance of property used in farming or fishing or residences of farmers or fishers was more than 50%. • This measure was amended in 1989, with the effect that if the proportion was between 25% and 90%, only that proportion of the insurer's taxable income became exempt from tax. • Amendments in 1996 introduced the remaining elements that, together, constitute the rules currently in effect. • Budget 2017 announced the elimination of this measure, effective for taxation years that begin after 2018.
Objective – category	To achieve an economic objective – other
Objective	This exemption encourages insurers to provide insurance service in all rural districts (1945 Royal Commission on Co-operatives).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base. This measure exempts from tax certain taxpayers.
Subject	Business - farming and fishing
CCOFOG 2014 code	70421 - Economic affairs - Agriculture, forestry, fishing, and hunting – Agriculture 70423 - Economic affairs - Agriculture, forestry, fishing, and hunting - Fishing and hunting
Other relevant government programs	Programs within the mandates of Agriculture and Agri-Food Canada and Fisheries and Oceans Canada also support the farming and fishing sectors. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T2 Corporation Income Tax Return
Estimation method	The tax expenditure is estimated by multiplying the eligible amount of exempt income with the tax rate for each claimant.
Projection method	n/a
Number of beneficiaries	This measure provided tax relief to about 25 corporations in 2018.

Cost Information:

Millions of dollars	2016	2017	2018	2019	2020 (P)	2021 (P)	2022 (P)	2023 (P)
Corporate income tax	10	10	20	–	–	–	–	–

Exemption for international shipping and aviation by non-residents

Description	Income earned in Canada by a non-resident person from international shipping or the operation of an aircraft in international traffic is exempt from Canadian income tax if the country where the non-resident person resides grants substantially similar relief to a Canadian resident. This exemption is consistent with international practice and with the Model Tax Convention developed by the Organisation for Economic Co-operation and Development, and is supported by similar provisions in Canada's bilateral tax treaties.
Tax	Personal (including trusts) and corporate income tax
Beneficiaries	Non-resident businesses
Type of measure	Exemption
Legal reference	*Income Tax Act*, paragraph 81(1)(c)
Implementation and recent history	• Introduced in 1926 for income of a non-resident person from the operation of a ship in international traffic. • Extended in 1945 to income of a non-resident person from the operation of an aircraft in international traffic.
Objective – category	To prevent double taxation
Objective	This measure is provided to prevent international double taxation.
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base.
Subject	International
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	n/a
Source of data	No data is available.
Estimation method	No estimate is available.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

Exemption from branch tax for transportation, communications, and iron ore mining corporations

Description	A statutory 25% tax, known as the "branch tax", is imposed on a non-resident corporation's after-tax income from carrying on business in Canada, to the extent this income is not reinvested in Canada. The statutory tax rate is generally reduced by Canada's bilateral tax treaties to 5%, 10% or 15% depending on the treaty. These treaties also generally restrict the scope of the branch tax to non-resident corporations which are carrying on business in Canada through a permanent establishment. A non-resident corporation the principal business of which is the transportation of persons or goods, communications, or mining iron ore in Canada, as well as registered charities and other corporations that are exempt from income tax, are exempt from the branch tax.
Tax	Corporate income tax
Beneficiaries	Non-resident corporations
Type of measure	Exemption
Legal reference	*Income Tax Act,* Part XIV, subsection 219(2)
Implementation and recent history	• Introduced in Budget 1960, concurrently with the introduction of the branch tax. Effective for the 1961 and subsequent taxation years. • Iron ore mining corporations were added to the list of exemptions in 1962. • The exemption for insurance companies (in effect since 1961) was repealed in 1969. • The exemption for corporations incorporated before July 1, 1867 (in effect since 1961) was repealed in 1972. • The exemption for banks (in effect since 1961) was repealed in 2001.
Objective – category	To provide relief for special circumstances
Objective	This measure recognizes that certain foreign companies sometimes have no real alternative to the branch office form of organization when operating in other jurisdictions (Budget 1960; Budget 1962).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax certain taxpayers.
Subject	Business – other
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T2 Corporation Income Tax Return
Estimation method	The cost of this tax expenditure is calculated by multiplying the income of the branch exempt from branch tax by the applicable statutory or treaty tax rate.
Projection method	This tax expenditure is projected to grow in line with nominal gross domestic product. The base year for the projections is the average of the previous five years.
Number of beneficiaries	This measure provides tax relief to a small number of non-residents (fewer than 20) each year. No data is available for other non-residents who are exempt under this provision but do not file a Canadian income tax return.

Cost Information:

Millions of dollars	2016	2017	2018	2019	2020 (P)	2021 (P)	2022 (P)	2023 (P)
Corporate income tax	S	30	10	20	40	20	25	25

Exemption from GST and rebate for legal aid services

Description	GST is relieved in respect of legal aid services in two ways: • legal aid services delivered directly by a province or a provincial agency are exempt; and • legal aid services provided by private practitioners to a legal aid plan administrator are taxable. However, the person responsible for the legal aid plan is entitled to a rebate of 100% of any tax paid on the supply. This eases the compliance burden for private practitioners.
Tax	Goods and Services Tax
Beneficiaries	Governments, individuals using provincial legal aid plans
Type of measure	Exemption; rebate
Legal reference	Part V of Schedule V to the *Excise Tax Act* (exemption) *Excise Tax Act*, section 258 (rebate)
Implementation and recent history	• These measures have been in effect since the inception of the GST in 1991.
Objective – category	To achieve a social objective
Objective	These measures ensure that the introduction of the GST resulted in no increase in the tax borne by consumers of these services (*Report on the Technical Paper on the Goods and Services Tax*, November 1989).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	GST exemptions and rebates are deviations from a broadly defined value-added tax base.
Subject	Social
CCOFOG 2014 code	70169 - General public services - General public services not elsewhere classified
Other relevant government programs	Programs within the mandates of Canadian Heritage, Immigration, Refugees and Citizenship Canada, Transport Canada and Public Safety Canada (among other departments) also support various other social objectives. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Statistics Canada, legal aid plan expenditures and Supply and Use Tables
Estimation method	The value of the exemption is calculated by multiplying the estimated value of services provided by public legal aid agencies by the GST rate. This corresponds to the forgone GST on all exempt legal aid services—including on the imputed value of unpriced or subsidized services paid indirectly with government funding. From this is subtracted an estimate of the input tax credits that would be allowed if these services were taxable. The value of the rebate is calculated by multiplying an estimate of fees paid by legal aid plans to private sector lawyers by the GST rate.
Projection method	The cost of this measure is projected to grow in line with household final consumption expenditure of services other than services related to dwelling and property.
Number of beneficiaries	No data is available.

Cost Information:

Millions of dollars	2016	2017	2018	2019	2020 (P)	2021 (P)	2022 (P)	2023 (P)
Goods and Services Tax	45	45	50	50	40	50	55	55

Exemption from GST for certain residential rent

Description	Rentals of a residential complex (such as a house) or a residential unit (such as an apartment) for a period of at least one month are exempt from GST.
Tax	Goods and Services Tax
Beneficiaries	Tenants of long-term residential housing
Type of measure	Exemption
Legal reference	Section 6 of Part I of Schedule V to the *Excise Tax Act*
Implementation and recent history	• This measure has been in effect since the inception of the GST in 1991.
Objective – category	To achieve a social objective
Objective	This measure is intended to preserve the affordability of housing (*Goods and Services Tax: Technical Paper*, August 1989).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	GST exemptions are deviations from a broadly defined value-added tax base.
Subject	Housing
CCOFOG 2014 code	70619 - Housing and community amenities - Housing development
Other relevant government programs	Programs within the mandate of the Canada Mortgage and Housing Corporation, Indigenous Services Canada and Crown-Indigenous Relations and Northern Affairs Canada are intended to promote the construction, repair and renewal of affordable and safe housing. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Statistics Canada, Supply and Use Tables and National Income and Expenditure Accounts
Estimation method	Goods and Services Tax model
Projection method	Goods and Services Tax model
Number of beneficiaries	No data is available.

Cost Information:

Millions of dollars	**2016**	**2017**	**2018**	**2019**	**2020 (P)**	**2021 (P)**	**2022 (P)**	**2023 (P)**
Goods and Services Tax	1,755	1,820	1,895	2,000	2,205	2,230	2,335	2,450

Note: The cost information includes the tax expenditure associated with the exemption from GST for short-term accommodation, as the data cannot be separated from residential rent. The cost information is predominantly related to residential rent.

Exemption from GST for certain supplies made by charities and non-profit organizations

Description	Most supplies made by charities are exempt from GST. Many supplies made by non-profit organizations are also exempt, including: supplies made for no consideration; supplies of food and lodging made for the relief of poverty or distress; subsidized home-care services; meals on wheels; recreational programs established for children, individuals with a disability and disadvantaged individuals; memberships in organizations providing no significant benefit to individual members; and trade union and mandatory professional dues.
Tax	Goods and Services Tax
Beneficiaries	Consumers of supplies made by charities and non-profit organizations
Type of measure	Exemption
Legal reference	Part V.1 of Schedule V to the *Excise Tax Act* Part VI of Schedule V to the *Excise Tax Act*
Implementation and recent history	• This measure has been in effect since the inception of the GST in 1991. • This measure is periodically amended in accordance with its objectives and to preserve the integrity of the tax system. Most recently, Budget 2016 clarified that GST/HST generally applies to supplies of purely cosmetic procedures (e.g., liposuction, botulinum toxin injections) provided by all suppliers, including registered charities.
Objective – category	To achieve a social objective To reduce administration or compliance costs
Objective	This measure recognizes the important role of charities and non-profit organizations in Canadian society (*Goods and Services Tax*, December 1989).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	GST exemptions are deviations from a broadly defined value-added tax base.
Subject	Donations, gifts, charities and non-profit organizations
CCOFOG 2014 code	705 - Environmental protection; 706 - Housing and community amenities; 707 - Health; 708 - Recreation, culture, and religion; 709 - Education; 710 - Social protection; Other various codes
Other relevant government programs	Many federal government entities provide direct funding to registered charities, non-profit organizations and international development associations through various programs.
Source of data	Statistics Canada, Supply and Use Tables and National Income and Expenditure Accounts
Estimation method	Goods and Services Tax model
Projection method	Goods and Services Tax model
Number of beneficiaries	No data is available.

Cost Information:

Millions of dollars	2016	2017	2018	2019	2020 (P)	2021 (P)	2022 (P)	2023 (P)
Goods and Services Tax	1,205	1,250	1,330	1,410	1,380	1,400	1,485	1,610

Exemption from GST for child care

Description	Child care services provided for periods of less than 24 hours to children 14 years of age or under are generally exempt from GST.
Tax	Goods and Services Tax
Beneficiaries	Families with minor children
Type of measure	Exemption
Legal reference	Section 1 of Part IV of Schedule V to the *Excise Tax Act*
Implementation and recent history	• This measure has been in effect since the inception of the GST in 1991.
Objective – category	To achieve a social objective
Objective	This measure helps preserve the affordability of child care services.
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	GST exemptions are deviations from a broadly defined value-added tax base.
Subject	Families and households
CCOFOG 2014 code	71049 - Social protection - Family and children
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada and Indigenous Services Canada also support Canadian families and households. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Statistics Canada, Supply and Use Tables and National Income and Expenditure Accounts
Estimation method	Goods and Services Tax model
Projection method	Goods and Services Tax model
Number of beneficiaries	No data is available.

Cost Information:

Millions of dollars	**2016**	**2017**	**2018**	**2019**	**2020 (P)**	**2021 (P)**	**2022 (P)**	**2023 (P)**
Goods and Services Tax	170	185	195	205	160	180	220	235

Exemption from GST for domestic financial services

Description	Under the GST, there is no tax charged on the supply of financial services. However, financial service providers such as financial institutions are not allowed to claim input tax credits in respect of GST costs incurred on inputs used in providing those services. As a result, consumers of financial services (e.g., depositors and borrowers) are not directly subject to tax, and financial institutions that make exempt supplies of financial services are effectively treated as final consumers.
Tax	Goods and Services Tax
Beneficiaries	Consumers of financial services
Type of measure	Exemption
Legal reference	Part VII of Schedule V to the *Excise Tax Act* *Excise Tax Act*, section 123(1), definition of "financial service"
Implementation and recent history	• This measure has been in effect since the inception of the GST in 1991. • Amended in December 2009 to confirm that certain investment management, facilitatory and credit management services are not eligible for the exemption (Department of Finance Canada news release 2009-115, December 14, 2009).
Objective – category	Other
Objective	This measure is in recognition of the fact that, since the price of a financial service is often implicit and difficult to determine (e.g., the price of deposit-taking services that is reflected in the interest paid to depositors, the price of lending services that is included in the interest paid by borrowers), taxing financial services in a consistent and equitable manner is challenging (*Goods and Services Tax: Technical Paper*, August 1989).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	GST exemptions are deviations from a broadly defined value-added tax base.
Subject	Business – other
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	No data is available.
Estimation method	No estimate is available.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

Exemption from GST for ferry, road and bridge tolls

Description	Ferry services and road and bridge tolls are generally exempt from GST. The exemption does not include international ferry services, which are zero-rated, consistent with other international transportation services.
Tax	Goods and Services Tax
Beneficiaries	Households
Type of measure	Exemption
Legal reference	Part VIII of Schedule V and section 14 of Part VII of Schedule VI to the *Excise Tax Act*
Implementation and recent history	• This measure has been in effect since the inception of the GST in 1991.
Objective – category	To achieve a social objective
Objective	This measure ensures that the use of Canada's highway systems and related infrastructure will not be subject to tax (*Goods and Services Tax: Technical Paper*, August 1989).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	GST exemptions are deviations from a broadly defined value-added tax base.
Subject	Social
CCOFOG 2014 code	70451 - Economic affairs - Transport - Road transport
Other relevant government programs	Programs within the mandates of Canadian Heritage, Immigration, Refugees and Citizenship Canada, Transport Canada and Public Safety Canada (among other departments) also support various other social objectives. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Statistics Canada, Supply and Use Tables and National Income and Expenditure Accounts
Estimation method	Goods and Services Tax model
Projection method	Goods and Services Tax model
Number of beneficiaries	No data is available.

Cost Information:

Millions of dollars	**2016**	**2017**	**2018**	**2019**	**2020 (P)**	**2021 (P)**	**2022 (P)**	**2023 (P)**
Goods and Services Tax	10	10	15	15	10	10	15	15

Exemption from GST for health care services

Description	Basic health care services are exempt under the GST, including: • services provided by physicians, dentists and certain other health care practitioners whose profession is regulated by the governments of at least five provinces; • services covered by a provincial health insurance plan; and • institutional health care services provided in a health care facility, including accommodation, meals provided with accommodation, rentals of medical equipment to patients or residents of the facility, and a number of other supplies.
Tax	Goods and Services Tax
Beneficiaries	Individuals with medical conditions
Type of measure	Exemption
Legal reference	Part II of Schedule V to the *Excise Tax Act*
Implementation and recent history	• This measure has been in effect since the inception of the GST in 1991. • The list of exempt services is periodically amended. Most recently, Budget 2014 announced the addition of acupuncturists and naturopathic doctors to the list of health care practitioners whose professional services are exempt from the GST. • Budget 2013 clarified that the GST applies to reports, examinations and other services that are not performed for the purpose of the protection, maintenance or restoration of the health of a person or for palliative care.
Objective – category	To achieve a social objective
Objective	This measure recognizes that most health services are provided by the public sector in a non-commercial context.
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	GST exemptions are deviations from a broadly defined value-added tax base.
Subject	Health
CCOFOG 2014 code	7072 - Health - Outpatient services 7073 - Health - Hospital services
Other relevant government programs	Programs within the mandates of Health Canada, the Canadian Food Inspection Agency, the Canadian Institutes of Health Research, the Public Health Agency of Canada and Veterans Affairs Canada also support health-related objectives. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Statistics Canada, Supply and Use Tables and National Income and Expenditure Accounts
Estimation method	Goods and Services Tax model. The value of this tax expenditure corresponds to the forgone GST on health services—excluding on the imputed value of unpriced or subsidized services paid for indirectly with government funding—less the input tax credits that would be allowed if these services were taxable.
Projection method	Goods and Services Tax model
Number of beneficiaries	No data is available.

Cost Information:

Millions of dollars	2016	2017	2018	2019	2020 (P)	2021 (P)	2022 (P)	2023 (P)
Goods and Services Tax	840	925	955	1,015	745	840	1,095	1,175

Note: The cost information includes the tax expenditure associated with the exemption from GST for personal care services, as the data cannot be separated from health care services. The cost information is predominantly related to health care expenditures.

Exemption from GST for hospital parking

Description	The supply of parking at a public hospital is generally exempt from GST when made by a charity, a non-profit organization, a hospital or another public sector body to persons such as patients, visitors and volunteers.
Tax	Goods and Services Tax
Beneficiaries	Consumers of hospital parking intended for patients, visitors and volunteers
Type of measure	Exemption
Legal reference	Section 7 of Part V.1 of Schedule V to the *Excise Tax Act* Section 25.1 of Part VI of Schedule V to the *Excise Tax Act*
Implementation and recent history	• The exemption of hospital parking supplies made by charities has been in effect since March 22, 2013. • The exemption of hospital parking supplies made by other public sector bodies was introduced on January 24, 2014, effective after that date (Department of Finance Canada news release).
Objective – category	To achieve a social objective
Objective	This measure helps reduce the cost of hospital parking for patients and visitors (Department of Finance Canada news release 2014-009, January 24, 2014).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	GST exemptions are deviations from a broadly defined value-added tax base.
Subject	Health
CCOFOG 2014 code	70739 - Health - Hospital services - Hospital services not elsewhere classified
Other relevant government programs	Programs within the mandates of Health Canada, the Canadian Food Inspection Agency, the Canadian Institutes of Health Research, the Public Health Agency of Canada and Veterans Affairs Canada also support health-related objectives. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Statistics Canada, Supply and Use Tables and National Income and Expenditure Accounts
Estimation method	Goods and Services Tax model
Projection method	Goods and Services Tax model
Number of beneficiaries	No data is available.

Cost Information:

Millions of dollars	**2016**	**2017**	**2018**	**2019**	**2020 (P)**	**2021 (P)**	**2022 (P)**	**2023 (P)**
Goods and Services Tax	15	15	15	15	10	15	20	20

Exemption from GST for municipal transit

Description	Municipal transit services are exempt from GST. Specifically, no tax applies on fares charged by transit systems operated by a local authority or government, or by a government-funded non-profit organization. A municipal transit service is defined as a public passenger transportation service provided by a transit authority whose services are all or substantially all within a particular municipality and its surrounding areas.
Tax	Goods and Services Tax
Beneficiaries	Users of municipal transit
Type of measure	Exemption
Legal reference	Section 24 of Part VI of Schedule V to the *Excise Tax Act*
Implementation and recent history	• This measure has been in effect since the inception of the GST in 1991.
Objective – category	To achieve a social objective
Objective	This exemption is consistent with the treatment of standard municipal services (*Goods and Services Tax: Technical Paper*, August 1989).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	GST exemptions are deviations from a broadly defined value-added tax base.
Subject	Social
CCOFOG 2014 code	70456 - Economic affairs - Transport - Public Transit
Other relevant government programs	Programs within the mandates of Canadian Heritage, Immigration, Refugees and Citizenship Canada, Transport Canada and Public Safety Canada (among other departments) also support various other social objectives. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Statistics Canada, Supply and Use Tables and National Income and Expenditure Accounts
Estimation method	Goods and Services Tax model
Projection method	Goods and Services Tax model
Number of beneficiaries	No data is available.

Cost Information:

Millions of dollars	**2016**	**2017**	**2018**	**2019**	**2020 (P)**	**2021 (P)**	**2022 (P)**	**2023 (P)**
Goods and Services Tax	200	215	215	215	130	170	215	220

Exemption from GST for personal care services

Description	Certain personal care services are exempt under the GST. The exemption covers the following services when provided at the establishment of the supplier: • supplies of care, supervision and a place of residence to children, underprivileged individuals or individuals with a disability (e.g., group homes); and • supplies of care and supervision to an individual with limited physical or mental capacity for self-supervision and self-care due to an infirmity or disability (e.g., respite care).
Tax	Goods and Services Tax
Beneficiaries	Children, individuals with disabilities, disadvantaged individuals and caregivers
Type of measure	Exemption
Legal reference	Sections 2 and 3 of Part IV of Schedule V to the *Excise Tax Act*
Implementation and recent history	• The exemption in respect of care and a place of residence has been in effect since the inception of the GST in 1991. • The exemption in respect of respite care was announced in Budget 1998, applicable after February 24, 1998.
Objective – category	To achieve a social objective
Objective	This measure helps preserve the affordability of personal care services.
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	GST exemptions are deviations from a broadly defined value-added tax base.
Subject	Families and households Health Social
CCOFOG 2014 code	71049 - Social protection - Family and children 71012 - Social protection - Sickness and disability - Disability 71099 - Social protection - Social protection not elsewhere classified
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada and Indigenous Services Canada also support Canadian families and households. Programs within the mandates of Health Canada, the Canadian Food Inspection Agency, the Canadian Institutes of Health Research, the Public Health Agency of Canada and Veterans Affairs Canada also support health-related objectives. Programs within the mandates of Canadian Heritage, Immigration, Refugees and Citizenship Canada, Transport Canada and Public Safety Canada (among other departments) also support various other social objectives. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Statistics Canada, Supply and Use Tables and National Income and Expenditure Accounts
Estimation method	Goods and Services Tax model
Projection method	Goods and Services Tax model
Number of beneficiaries	No data is available.

Cost Information:

Millions of dollars	2016	2017	2018	2019	2020 (P)	2021 (P)	2022 (P)	2023 (P)
Goods and Services Tax	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Note: Data for personal care services cannot be separated from data for certain exempt health care services (e.g., nursing homes); therefore, the tax expenditure associated with the exemption from GST for personal care services is combined with the tax expenditure associated with the exemption from GST for health care services (see measure "Exemption from GST for health care services").

Exemption from GST for sales of used residential housing and other personal-use real property

Description	Generally, the GST applies to newly constructed residential housing and residential trailer parks when they are first sold or leased for residential purposes. Subsequent sales of used residential housing or used residential trailer parks are tax-exempt. In addition, most sales of other personal-use real property, such as vacant land, are tax-exempt when sold by individuals. This exemption is consistent with the tax treatment of personal-use property and services not supplied in the course of commercial activities. The sale of farmland to a family member who is acquiring the property for personal use is also tax-exempt.
Tax	Goods and Services Tax
Beneficiaries	Households
Type of measure	Exemption
Legal reference	Sections 2-5.3 and 9-12 of Part I of Schedule V to the *Excise Tax Act*
Implementation and recent history	• This measure has been in effect since the inception of the GST in 1991.
Objective – category	To reduce administration or compliance costs To achieve an economic objective - other
Objective	This measure is intended to preserve the affordability of housing while ensuring that the tax regime is not overly complex (*Goods and Services Tax: Technical Paper*, August 1989).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	GST exemptions are deviations from a broadly defined value-added tax base.
Subject	Housing
CCOFOG 2014 code	70619 - Housing and community amenities - Housing development
Other relevant government programs	Programs within the mandate of the Canada Mortgage and Housing Corporation, Indigenous Services Canada and Crown-Indigenous Relations and Northern Affairs Canada are intended to promote the construction, repair and renewal of affordable and safe housing. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	No data is available.
Estimation method	No estimate is available.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

Exemption from GST for short-term accommodation

Description	Short-term accommodation is exempt from GST where the charge for the accommodation is not more than $20 per day.
Tax	Goods and Services Tax
Beneficiaries	Individuals occupying low-cost short-term accommodation
Type of measure	Exemption
Legal reference	Paragraph 6(b) of Part I of Schedule V to the *Excise Tax Act*
Implementation and recent history	• This measure has been in effect since the inception of the GST in 1991.
Objective – category	To achieve a social objective
Objective	This measure is intended to preserve the affordability of low-cost temporary accommodation offered by the private sector (*Goods and Services Tax*, December 1989).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	GST exemptions are deviations from a broadly defined value-added tax base.
Subject	Housing
CCOFOG 2014 code	70619 - Housing and community amenities - Housing development
Other relevant government programs	Programs within the mandate of the Canada Mortgage and Housing Corporation, Indigenous Services Canada and Crown-Indigenous Relations and Northern Affairs Canada are intended to promote the construction, repair and renewal of affordable and safe housing. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Statistics Canada, Supply and Use Tables and National Income and Expenditure Accounts
Estimation method	Goods and Services Tax model
Projection method	Goods and Services Tax model
Number of beneficiaries	No data is available.

Cost Information:

Millions of dollars	**2016**	**2017**	**2018**	**2019**	**2020 (P)**	**2021 (P)**	**2022 (P)**	**2023 (P)**
Goods and Services Tax	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Note: Data for short-term accommodation cannot be separated from data for certain exempt residential rent; therefore, the tax expenditure associated with the exemption from GST for short-term accommodation is combined with the tax expenditure associated with the exemption from GST for certain residential rent (see measure "Exemption from GST for certain residential rent").

Exemption from GST for tuition and educational services

Description	Most educational services are exempt from GST, including: • courses provided primarily for elementary or secondary school students; • courses leading to credits towards a diploma or degree awarded by a recognized school authority, university or college; and • certain other types of training for a trade or vocation. Certain ancillary supplies are also exempt, such as most meal plans at a university or college and supplies by school authorities of a service of transporting students to or from school.
Tax	Goods and Services Tax
Beneficiaries	Students
Type of measure	Exemption
Legal reference	Part III of Schedule V to the *Excise Tax Act*
Implementation and recent history	• This measure has been in effect since the inception of the GST in 1991.
Objective – category	To achieve a social objective
Objective	This measure recognizes that most education services are provided by the public sector in a non-commercial context.
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	GST exemptions are deviations from a broadly defined value-added tax base.
Subject	Education
CCOFOG 2014 code	70929 - Education - Primary and Secondary education 70939 - Education - College education 70949 - Education - University education 70969 - Education - Subsidiary services to education
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada, the Social Sciences and Humanities Research Council, the Natural Sciences and Engineering Research Council, the Canadian Institutes of Health Research and Indigenous Services Canada also support objectives related to education and training. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Statistics Canada, Supply and Use Tables and National Income and Expenditure Accounts
Estimation method	Goods and Services Tax model. The value of this tax expenditure corresponds to the forgone GST on all education services less the input tax credits that would be allowed if these services were taxable.
Projection method	Goods and Services Tax model
Number of beneficiaries	No data is available.

Cost Information:

Millions of dollars	**2016**	**2017**	**2018**	**2019**	**2020 (P)**	**2021 (P)**	**2022 (P)**	**2023 (P)**
Goods and Services Tax	785	820	900	950	955	970	1,005	1,025

Exemption from GST for water, sewage and basic garbage collection services

Description	Water and sewage services are exempt from GST when the supplies are made by a municipality or organization designated to be a municipality for the purpose of making these supplies. Basic garbage collection services are exempt from GST when the supplies are made by or on behalf of a government or municipality to a recipient who has no option but to receive the service.
Tax	Goods and Services Tax
Beneficiaries	Households
Type of measure	Exemption
Legal reference	Sections 21 and 22 of Part VI of Schedule V to the *Excise Tax Act*
Implementation and recent history	• This measure has been in effect since the inception of the GST in 1991.
Objective – category	To achieve a social objective
Objective	Water, sewage and garbage collection are integral to the role of local governments (*Goods and Services Tax: Technical Paper*, August 1989).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	GST exemptions are deviations from a broadly defined value-added tax base.
Subject	Social
CCOFOG 2014 code	70639 - Housing and community amenities - Water supply 70519 - Environmental protection - Waste management
Other relevant government programs	Programs within the mandates of Canadian Heritage, Immigration, Refugees and Citizenship Canada, Transport Canada and Public Safety Canada (among other departments) also support various other social objectives. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Statistics Canada, Supply and Use Tables and National Income and Expenditure Accounts
Estimation method	Goods and Services Tax model
Projection method	Goods and Services Tax model
Number of beneficiaries	No data is available.

Cost Information:

Millions of dollars	2016	2017	2018	2019	2020 (P)	2021 (P)	2022 (P)	2023 (P)
Goods and Services Tax	280	305	320	335	345	365	380	395

Exemption of scholarship, fellowship and bursary income

Description	A student can claim a full exemption for scholarship, fellowship and bursary income received in connection with the student's enrolment in an elementary or secondary school educational program or a program in respect of which the student is defined as a "qualifying student". A $500 tax exemption is available for scholarship, fellowship and bursary income that does not qualify for the full exemption.
Tax	Personal income tax
Beneficiaries	Students
Type of measure	Exemption
Legal reference	*Income Tax Act*, paragraph 56(1)(n) and subsection 56(3)
Implementation and recent history	• Introduced in Budget 1971. Effective for the 1972 and subsequent taxation years. • Budget 2000 increased the tax exemption for scholarship, fellowship and bursary income to $3,000 from $500. • Budget 2006 removed the $3,000 limit to establish a full exemption for post-secondary scholarship, fellowship and bursary income. • Budget 2007 extended the tax exemption to scholarship, fellowship and bursary income received by elementary and secondary school students.
Objective – category	To encourage investment in education
Objective	This measure encourages Canadians to experience exceptional education opportunities by providing additional tax assistance to students (*Summary of 1971 Tax Reform Legislation*, 1971).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base.
Subject	Education
CCOFOG 2014 code	70959 - Education - Education not definable by level
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada, the Social Sciences and Humanities Research Council, the Natural Sciences and Engineering Research Council, the Canadian Institutes of Health Research and Indigenous Services Canada also support objectives related to education and training. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T4A Statement of Pension, Retirement, Annuity, and Other Income
Estimation method	The value of this measure is calculated by multiplying the total non-taxable scholarship amount by an assumed marginal tax rate.
Projection method	The value of this measure is projected based on historical growth.
Number of beneficiaries	About 1,300,000 individuals received a scholarship, fellowship or bursary in 2019.

Cost Information:

Millions of dollars	2016	2017	2018	2019	2020 (P)	2021 (P)	2022 (P)	2023 (P)
Personal income tax	265	365	470	475	500	575	490	465

Exemptions from non-resident withholding tax

Description	Non-resident withholding tax is imposed on the gross amount of certain payments made by Canadians to non-residents. These amounts include interest, dividends, rents, royalties, management fees, pension benefits, annuities, estate or trust income, and payments for film or video acting services. Non-resident withholding tax is imposed at the statutory rate of 25%; however, this rate can be reduced by the effect of the provisions of a bilateral tax treaty. The *Income Tax Act* exempts certain payments from non-resident withholding tax on a unilateral basis. Exemptions may also be available under certain bilateral tax treaties.
Tax	Personal (including trusts) and corporate income tax
Beneficiaries	Non-residents
Type of measure	Exemption; preferential tax rate
Legal reference	*Income Tax Act*, Part XIII, section 212
Implementation and recent history	• Non-resident withholding tax was introduced in 1933, applicable to certain dividend, interest and royalty payments to non-residents at a rate of 5%. The withholding tax was modified on several occasions over the years. In particular, the rate was increased to 15% in 1942 and to 25% in 1972. The base was also extended to other types of payments, including pension benefits, annuities and management fees. • Exemptions or reduced withholding tax rates have been introduced at various times, both in the *Income Tax Act* and in most bilateral tax treaties. A statutory exemption for interest payments made to arm's length non-resident lenders came into effect in 2008, and the Canada-U.S. tax treaty was amended to bilaterally exempt most cross-border interest payments, effective 2008.
Objective – category	To encourage or attract investment To support competitiveness
Objective	Exemptions from non-resident withholding tax are intended to enhance the competitiveness of Canadian businesses by lowering the cost of accessing capital and other business inputs from abroad.
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from non-resident withholding tax certain payments that are included in the benchmark base for this tax.
Subject	International
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	n/a
Source of data	NR4 Statement of Amounts Paid or Credited to Non-Residents of Canada
Estimation method	The cost of this tax expenditure is estimated by multiplying observed payments by the benchmark tax rate (25% or the general tax rate for the relevant type of income set out in the applicable tax treaty) and deducting from this amount any withholding tax collected on the payments.
Projection method	The cost of this measure is projected to grow in line with nominal gross domestic product.
Number of beneficiaries	No data is available.

Cost Information:

Millions of dollars	2016	2017	2018	2019	2020 (P)	2021 (P)	2022 (P)	2023 (P)
By type of payments								
Dividends	3,600	4,330	5,630	5,160	4,925	5,540	5,885	6,250
Interest	1,385	1,335	1,495	1,465	1,400	1,575	1,670	1,775
Rents and royalties	725	645	750	725	690	775	825	875
Management fees	510	650	875	790	750	845	900	955
Total – personal and corporate income tax	6,220	6,960	8,750	8,135	7,765	8,735	9,280	9,860

Expensing of advertising costs

Description	Advertising expenses are deductible in computing business income in the year they are incurred, even though some of these expenses provide a benefit in the future. Under the benchmark tax system, the expenses would be amortized over the benefit period. Certain restrictions regarding advertising expenses in foreign media apply (see the measure "Non-deductibility of advertising expenses in foreign media").
Tax	Personal (including trusts) and corporate income tax
Beneficiaries	Businesses
Type of measure	Timing preference
Legal reference	*Income Tax Act*, paragraph 18(1)(a)
Implementation and recent history	• This measure has been in effect since 1917.
Objective – category	To reduce administration or compliance costs
Objective	This measure reduces administration costs for the Canada Revenue Agency and compliance costs for taxpayers.
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure may permit the depreciation of a capital asset faster than its useful life.
Subject	Business – other
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	No data is available.
Estimation method	No estimate is available – see the Annex to Part 1 for an explanation as to why estimates are not available for this measure.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

Expensing of current expenditures on scientific research and experimental development

Description	Eligible current expenditures on scientific research and experimental development (SR&ED) performed in Canada may be fully deducted in the year they are incurred. These expenditures give rise to new knowledge, technology and other intangible assets that are expected to generate benefits over multiple years. Under the benchmark tax system, such expenditures would be capitalized and depreciated over the time period the assets created are expected to generate revenues. A similar measure was formerly available in respect of capital expenditures on SR&ED (see measure "Expensing of purchases of capital equipment used for scientific research and experimental development"). A tax credit is also available in respect of these expenses (see measure "Scientific Research and Experimental Development Investment Tax Credit").
Tax	Personal (including trusts) and corporate income tax
Beneficiaries	Businesses conducting eligible scientific research and experimental development
Type of measure	Timing preference
Legal reference	*Income Tax Act*, section 37
Implementation and recent history	• Introduced in 1944.
Objective – category	To encourage or attract investment
Objective	This measure is intended to encourage the performance of scientific research and experimental development in Canada by the private sector and to assist small businesses to perform scientific research and experimental development (Budget 1996).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure may permit the depreciation of a capital asset faster than its useful life.
Subject	Business - research and development
CCOFOG 2014 code	7048 - Economic affairs - R&D Economic affairs
Other relevant government programs	Programs within the mandates of Innovation, Science and Economic Development Canada, the National Research Council Canada and the federal granting councils also support research and development. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	The calculation of the cost of this tax expenditure would require information on the intangible assets created through expenditures on SR&ED. Such information is not available. Information on current SR&ED expenditures by unincorporated businesses is also not available.
Estimation method	No estimate is available – see the Annex to Part 1 for an explanation as to why estimates are not available for this measure.
Projection method	No projection is available.
Number of beneficiaries	About 17,800 corporations incurred eligible expenditures in 2019. No data is available for unincorporated businesses.

Expensing of employee training costs

Description	Expenditures that are incurred for employee training for the benefit of the employer are fully deductible by businesses. Expenditures on training improve the quality of human capital and provide benefits to the business in both the current year and future years similar to an acquisition of physical capital. Under the benchmark tax system, a portion of these costs would be capitalized and depreciated over the period of time over which they are expected to generate revenues for the business.
Tax	Personal (including trusts) and corporate income tax
Beneficiaries	Businesses
Type of measure	Timing preference
Legal reference	*Income Tax Act*, paragraph 18(1)(a)
Implementation and recent history	• This measure has been in effect since 1917.
Objective – category	To encourage employment
Objective	This measure encourages employers to invest in employee training by increasing the after-tax returns on such investment.
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure may permit the depreciation of a capital asset faster than its useful life.
Subject	Business – other
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	No data is available.
Estimation method	No estimate is available – see the Annex to Part 1 for an explanation as to why estimates are not available for this measure.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

Expensing of incorporation expenses

Description	The first $3,000 of incorporation expenses is fully deductible in the first year after incorporation. Under the benchmark tax system, these costs would be capitalized and depreciated over the period of time during which the expenditures contribute to the earning of income.
Tax	Corporate income tax
Beneficiaries	Businesses
Type of measure	Timing preference
Legal reference	*Income Tax Act*, paragraph 20(1)(b)
Implementation and recent history	• These expenses were previously deducted under the Eligible Capital Property regime. Budget 2016 announced that the Eligible Capital Property regime would be replaced with a new class of depreciable property to which the capital cost allowance rules would apply. However, Budget 2016 also announced that effective January 1, 2017, the first $3,000 of incorporation expenses would be fully deductible rather than being added to the new capital cost allowance class.
Objective – category	To reduce administration or compliance costs
Objective	This measure reduces administration costs for the Canada Revenue Agency and compliance costs for taxpayers.
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure may permit the depreciation of a capital asset faster than its useful life.
Subject	Business – other
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	No data is available.
Estimation method	No estimate is available – see the Annex to Part 1 for an explanation as to why estimates are not available for this measure.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

Family Caregiver Tax Credit

Description	The Family Caregiver Tax Credit was replaced with the Canada Caregiver Credit in 2017. The Family Caregiver Tax Credit provided tax relief to caregivers of dependants with a mental or physical infirmity, including spouses or common-law partners and minor children. In its last year, 2016, the value of the credit was calculated by applying the lowest personal income tax rate to the credit amount of $2,121. The credit amount was indexed to inflation and could be claimed under one of the following dependency-related credits: Spouse or Common-Law Partner Credit, Eligible Dependant Credit, Caregiver Credit and Child Tax Credit (these last two credits were repealed as of the 2017 and 2015 taxation years respectively). With the exception of a dependant who was a minor child of the claimant, the amount was reduced dollar-for-dollar by the dependant's net income above a certain threshold.
Tax	Personal income tax
Beneficiaries	Caregivers
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, subsection 118(1)
Implementation and recent history	• Introduced in Budget 2011. Effective for the 2012 and subsequent taxation years. • Budget 2017 announced the repeal of the credit for the 2017 and subsequent taxation years.
Objective – category	To recognize non-discretionary expenses (ability to pay)
Objective	This measure recognizes the sacrifices that many Canadians make to care for their children, spouses, parents and other family members with infirmities (Budget 2011).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system.
Subject	Families and households Health
CCOFOG 2014 code	71049 - Social protection - Family and children 71011 - Social protection - Sickness and disability - Sickness 71012 - Social protection - Sickness and disability - Disability
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada and Indigenous Services Canada also support Canadian families and households. Programs within the mandates of Health Canada, the Canadian Food Inspection Agency, the Canadian Institutes of Health Research, the Public Health Agency of Canada and Veterans Affairs Canada also support health-related objectives. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	n/a
Number of beneficiaries	About 394,000 individuals claimed this credit in 2016.

Cost Information:

Millions of dollars	2016	2017	2018	2019	2020 (P)	2021 (P)	2022 (P)	2023 (P)
Personal income tax	75	–	–	–	–	–	–	–

Film or Video Production Services Tax Credit

Description	Corporations can claim a 16% refundable tax credit in respect of salaries and wages paid to Canadian residents for film or video production services provided in Canada in respect of accredited productions that do not have sufficient Canadian content to qualify for the Canadian Film or Video Production Tax Credit. The Canadian Audio-Visual Certification Office of the Department of Canadian Heritage is responsible for certifying productions that are eligible for the credit.
Tax	Corporate income tax
Beneficiaries	Corporations in the film and video production industry
Type of measure	Credit, refundable
Legal reference	*Income Tax Act*, section 125.5
Implementation and recent history	• Introduced at a rate of 11% in 1997, to coincide with the elimination of film production services tax shelters (Department of Finance Canada news release, July 30, 1997). • The credit rate was increased to 16% in Budget 2003, for expenditures incurred after February 18, 2003.
Objective – category	To support business activity To support competitiveness
Objective	The Film or Video Production Services Tax Credit makes Canada a more attractive place for film production by complementing the existing Canadian Film or Video Production Tax Credit and by allowing a greater range of productions (usually foreign-owned) to qualify for assistance (Department of Finance Canada news release, July 30, 1997).
Category	Refundable tax credit
Reason why this measure is not part of benchmark tax system	This measure is classified as a transfer payment for government accounting purposes, and therefore is not considered to be a tax expenditure.
Subject	Arts and culture
CCOFOG 2014 code	70829 - Recreation, culture, and religion - Cultural services
Other relevant government programs	Programs within the mandate of Canadian Heritage also support arts and culture. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T2 Corporation Income Tax Return
Estimation method	The estimates are based on actual amounts earned and claimed by businesses.
Projection method	The cost of this measure is projected to grow in line with nominal gross domestic product.
Number of beneficiaries	About 550 corporations received this benefit in 2019.

Cost Information:

Millions of dollars	2016	2017	2018	2019	2020 (P)	2021 (P)	2022 (P)	2023 (P)
Corporate income tax	225	280	315	335	380	410	360	375

First-Time Donor's Super Credit

Description	The First-Time Donor's Super Credit provided a temporary, non-refundable tax credit of 25% in addition to the Charitable Donation Tax Credit. The First-Time Donor's Super Credit applied on up to $1,000 in cash donations, provided that neither the taxpayer nor their spouse had claimed the Charitable Donation Tax Credit after 2007. Contributions eligible for the credit must have been made in respect of any one taxation year from 2013 to 2017.
Tax	Personal income tax
Beneficiaries	Individual first-time donors
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, subsections 118.1(3.1) and (3.2)
Implementation and recent history	• Introduced in Budget 2013. Effective for gifts made on or after March 21, 2013, that are claimed in any one taxation year from 2013 to 2017. • As announced in Budget 2017, the credit expired in 2017 as planned.
Objective – category	To achieve a social objective
Objective	This measure encourages charitable giving by new donors (Budget 2013).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system. The tax benefit from this measure can be obtained in a taxation year other than the year during which it accrues. The tax benefit from this measure is transferable between spouses or common-law partners.
Subject	Donations, gifts, charities and non-profit organizations
CCOFOG 2014 code	705 - Environmental protection; 706 - Housing and community amenities; 707 - Health; 708 - Recreation, culture, and religion; 709 - Education; 710 - Social protection; Other various codes
Other relevant government programs	Many federal government entities provide direct funding to registered charities, non-profit organizations and international development associations through various programs.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	n/a
Number of beneficiaries	About 19,000 individuals claimed this credit in 2017.

Cost Information:

Millions of dollars	**2016**	**2017**	**2018**	**2019**	**2020 (P)**	**2021 (P)**	**2022 (P)**	**2023 (P)**
Personal income tax	4	4	–	–	–	–	–	–

First-Time Home Buyers' Tax Credit

Description	First-time home buyers who acquire a qualifying home after January 27, 2009 can obtain up to $750 in tax relief by claiming the First-Time Home Buyers' Tax Credit. The value of this non-refundable credit is calculated by multiplying the credit amount of $5,000 by the lowest personal income tax rate (15% in 2021). Any unused portion of the credit may be claimed by an individual's spouse or common-law partner. An individual is considered to be a first-time home buyer if neither the individual nor the individual's spouse or common-law partner owned and lived in another home in the calendar year of the home purchase or in any of the four preceding calendar years. A qualifying home is one that is generally considered to be a housing unit that an individual or an individual's spouse or common-law partner intends to occupy as a principal residence no later than one year after its acquisition. The First-Time Home Buyers' Tax Credit is also available for certain acquisitions of a home by or for the benefit of an individual who is eligible for the Disability Tax Credit, even if the first-time home buyer condition is not met.
Tax	Personal income tax
Beneficiaries	Individual first-time home buyers
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, section 118.05
Implementation and recent history	• Introduced in Budget 2009. Effective for the 2009 and subsequent taxation years.
Objective – category	To achieve a social objective
Objective	This measure assists first-time home buyers with the cost associated with the purchase of a home (Budget 2009).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system. The tax benefit from this measure is transferable between spouses or common-law partners.
Subject	Housing
CCOFOG 2014 code	70619 - Housing and community amenities - Housing development
Other relevant government programs	Programs within the mandate of the Canada Mortgage and Housing Corporation, Indigenous Services Canada and Crown-Indigenous Relations and Northern Affairs Canada are intended to promote the construction, repair and renewal of affordable and safe housing. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 191,000 individuals claimed this credit in 2019.

Cost Information:

Millions of dollars	**2016**	**2017**	**2018**	**2019**	**2020 (P)**	**2021 (P)**	**2022 (P)**	**2023 (P)**
Personal income tax	115	110	105	110	130	145	130	130

Flow-through share deductions

Description	Flow-through shares are an authorized tax shelter arrangement that allows a corporation to transfer certain unused tax deductions to equity investors. An investor buying a flow-through share, in addition to receiving an equity interest in the issuing corporation, is entitled to claim deductions on account of Canadian Exploration Expenses (100% immediate deduction, including for Canadian Renewable and Conservation Expenses) and Canadian Development Expenses (deductible at 30% per year) transferred to the investor by the corporation. Investors are willing to pay more for such shares than for regular equity because of the flow-through tax deductions. Flow-through shares are typically issued by corporations which are not yet profitable and therefore not able to immediately use the deductions themselves. It facilitates the raising of capital by allowing such firms to sell their equity at a premium. A flow-through share is deemed to have a zero cost base for income tax purposes, based on the fact that the shareholder will have claimed a flow-through deduction as high as the full cost of the share. As a result of the zero cost base, the gain realized on the sale of the share will be equal to the share's full value at the time of sale rather than the change in its value since the time of acquisition.
Tax	Personal (including trusts) and corporate income tax
Beneficiaries	Investors in flow-through shares and businesses in the oil and gas, mining and renewable energy sectors
Type of measure	Other
Legal reference	*Income Tax Act*, subsections 66(12.6) and 66(12.62)
Implementation and recent history	• Flow-through share deductions have existed in various forms since the 1950s. • The current flow-through share regime was introduced in Budget 1986 and implemented on March 1, 1986. • In response to COVID-19, the Government extended by 12 months the period to incur eligible flow-through share expenses under the general and look-back rules for agreements entered into during a specified and limited time period. The Government also announced that Part XII.6 tax would apply as if expenditures were incurred up to one year prior to the date they were actually incurred.
Objective – category	To encourage or attract investment
Objective	This measure assists corporations in the oil and gas, mining and renewable energy sectors to raise capital for eligible exploration, development and project start-up expenses by issuing their shares (*Improving the Income Taxation of the Resource Sector in Canada*, 2003).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure extends the unit of taxation.
Subject	Business - natural resources
CCOFOG 2014 code	70432 - Economic affairs - Fuel and energy - Petroleum and natural gas 70441 - Economic affairs - Mining, manufacturing, and construction - Mining of mineral resources other than mineral fuels 70435 - Economic affairs - Fuel and energy - Electricity 70439 - Economic affairs - Fuel and energy - Fuel and energy not elsewhere classified
Other relevant government programs	Programs within the mandate of Natural Resources Canada also support the natural resource sector. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return T2 Corporation Income Tax Return
Estimation method	See the Annex to Part 1 of this report for an explanation of the method used to estimate the value of this measure. The breakdown of the estimates between individuals and trusts is not available.
Projection method	Projections are based on current market conditions.

Number of beneficiaries	This measure provided tax relief to about 44,500 individuals and 350 corporations in 2019.

Cost Information:

Millions of dollars	2016	2017	2018	2019	2020 (P)	2021 (P)	2022 (P)	2023 (P)
Personal income tax	85	120	75	105	140	155	155	150
Corporate income tax	45	50	45	25	35	40	30	30
Total	130	165	120	130	180	195	185	180

Foreign Convention and Tour Incentive Program

Description	The Foreign Convention and Tour Incentive Program provides rebates of the GST paid in respect of: • certain property and services used in the course of a foreign convention (generally defined as a convention where at least 75% of participants are non-residents and the sponsor is a non-resident) held in Canada; and • the use of a convention site and related convention supplies acquired by non-resident exhibitors in respect of a foreign or Canadian convention held in Canada. • A rebate for the accommodation portion of a tour package supplied to a non-resident was also provided, but was repealed in Budget 2017.
Tax	Goods and Services Tax
Beneficiaries	Non-residents that are individuals, suppliers of tour packages, exhibitors in respect of conventions held in Canada, and sponsors and participants of foreign conventions held in Canada
Type of measure	Rebate
Legal reference	*Excise Tax Act*, sections 252.1, 252.3 and 252.4
Implementation and recent history	• The Foreign Convention and Tour Incentive Program was introduced in Budget 2007 and became effective on April 1, 2007. • This program replaced the former Visitors' Rebate Program, which had been in effect since the inception of the GST in 1991. Under the former program, non-residents visiting Canada were entitled to a rebate for the GST paid on most goods purchased for export and on short-term accommodation (whether or not provided as part of a tour package). Rebates were also provided for eligible conference-related expenses for conferences attended by non-residents. • Budget 2017 announced the repeal of the rebate in respect of the accommodation portion of a tour package supplied to a non-resident. The repeal generally applies in respect of supplies of tour packages or accommodations made after March 22, 2017. As a transitional measure, the rebate was available in respect of supplies made after March 22, 2017 but before January 1, 2018 if all of the consideration for the supply was paid before January 1, 2018.
Objective – category	To support business activity To support competitiveness
Objective	This measure promotes Canada as a destination of choice for group travel (Budget 2007).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	GST rebates effectively reduce the value added subject to tax, and are therefore deviations from a broadly defined value-added tax base.
Subject	Business – other
CCOFOG 2014 code	70473 - Economic affairs - Other industries - Tourism
Other relevant government programs	Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	GST106 - Information on Claims Paid or Credited for Foreign Conventions and Tour Packages GST115 - GST/HST Rebate Application for Tour Packages GST386 - Rebate Application for Conventions
Estimation method	The cost of this measure corresponds to the amounts of rebates approved, as reported in administrative data.
Projection method	The cost of this measure is projected to grow in line with non-merchandise travel exports.
Number of beneficiaries	No data is available.

Cost Information:

Millions of dollars	2016	2017	2018	2019	2020 (P)	2021 (P)	2022 (P)	2023 (P)
Goods and Services Tax	25	25	5	5	1	2	5	5

Foreign tax credit for individuals

Description	Individuals who are residents of Canada and who paid income tax to a foreign government may be eligible to claim a foreign tax credit, which provides a tax credit against Canadian income tax payable for income taxes paid to a foreign government up to a limit of the Canadian tax on that income. In addition, the foreign tax credit claimed in respect of tax paid on income from a foreign property cannot exceed 15% of the net income from that property. This credit is also available to trusts in respect of the foreign income of a trust that is retained and taxed within the trust.
Tax	Personal income tax (including trusts)
Beneficiaries	Individuals and trusts with foreign income
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, section 126
Implementation and recent history	• This measure has been in place since 1927.
Objective – category	To prevent double taxation
Objective	This measure ensures that foreign income is not subject to double taxation (June 1987 Tax Reform White Paper).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure is considered part of the benchmark tax system, and therefore is not a tax expenditure.
Subject	International
CCOFOG 2014 code	n/a
Other relevant government programs	n/a
Source of data	T1 Income Tax and Benefit Return T3 Trust Income Tax and Information Return
Estimation method	T1 and T3 micro-simulation models
Projection method	T1 micro-simulation model in the case of individuals. Projections for trusts are based on projected growth for individuals.
Number of beneficiaries	About 1.8 million individuals and 12,000 trusts claimed this credit in 2019.

Cost Information:

Millions of dollars	**2016**	**2017**	**2018**	**2019**	**2020 (P)**	**2021 (P)**	**2022 (P)**	**2023 (P)**
Personal income tax								
Individuals	1,590	1,650	1,825	1,975	1,970	2,010	2,040	2,065
Trusts	50	40	45	35	40	40	40	40
Total – personal income tax	1,640	1,690	1,870	2,010	2,010	2,050	2,085	2,105

Goods and Services Tax/Harmonized Sales Tax Credit

Description	A refundable income tax credit (now known as the GST/HST Credit) was established at the time of the introduction of the GST to ensure that low-income families would be better off under the new sales tax regime than under the former federal sales tax. The amount of the credit depends on family composition and income. Specifically, for the period from July 2021 to June 2022, based on net family income reported for the 2020 taxation year: • an adult receives a basic adult credit of $299 per year; • families with children aged 18 and under receive a basic child credit of $157 per year for each child; • single parents can claim, in lieu of the basic child credit, the full basic adult credit of $299 per year for one dependent child; • single parents are eligible for an additional credit of $157 per year in addition to their basic credit, child credits and full basic adult credit for the first dependent child; and • single adults without children are eligible for an additional credit of up to $157 per year (depending on income) in addition to their basic credit. The value of the credit is reduced for individuals and families with annual incomes over $38,892. Both the credit amounts and the income threshold are adjusted annually for inflation.
Tax	Income tax, in respect of Goods and Services Tax
Beneficiaries	Households
Type of measure	Credit, refundable
Legal reference	*Income Tax Act*, section 122.5
Implementation and recent history	• This measure has been in effect since the inception of the GST in 1991. • As part of the Government of Canada's COVID-19 Economic Response Plan, an one-time special supplemental payment under the GST/HST Credit was made beginning April 9, 2020. This top-up payment doubled the 2019-20 GST/HST Credit amounts and paid out the resulting difference in an individual's benefit entitlement as a lump sum.
Objective – category	To promote the fairness of the tax system To provide income support or tax relief
Objective	This measure alleviates the regressive features of consumption taxation.
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system.
Subject	Families and households
CCOFOG 2014 code	71099 - Social protection - Social protection not elsewhere classified
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada and Indigenous Services Canada also support Canadian families and households. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	*Public Accounts of Canada*
Estimation method	The cost of this measure is calculated from source data.
Projection method	T1 micro-simulation model
Number of beneficiaries	About 10.5 million individuals receive this benefit each year.

Cost Information:

Millions of dollars	**2016**	**2017**	**2018**	**2019**	**2020 (P)**	**2021 (P)**	**2022 (P)**	**2023 (P)**
Goods and Services Tax	4,440	4,550	4,650	4,935	10,450	5,055	5,140	5,060

Hardest-Hit Business Recovery Program

Description	The Hardest-Hit Business Recovery Program (HHBRP) provides a wage and rent subsidy for hardest-hit businesses that do not otherwise qualify for the Tourism and Hospitality Recovery Program or the Local Lockdown Program, and that have an average revenue reduction for the first year of the CEWS of 50% or more and have a current period revenue reduction of at least 50%. For qualifying entities, the HHBRP pays a wage and rent subsidy of between 10% and 50% until March 13, 2022. From March 13 to May 7, 2022 the maximum wage and rent subsidy rate will decrease by half.
Tax	Personal (including trusts) and corporate income tax
Beneficiaries	Businesses, individuals and other organizations
Type of measure	Credit, refundable
Legal reference	*Income Tax Act*, sections 125.7 and 164
Implementation and recent history	• On October 21, 2021, the government announced a new wage and rent subsidy program for hardest-hit businesses (i.e., businesses that have an average revenue reduction for the first year of the CEWS of 50% or more and have a current period revenue reduction of at least 50%).
Objective – category	To encourage employment To support business activity
Objective	This measure was put in place to help prevent job losses and encourage employers to quickly rehire workers previously laid off as a result of COVID-19.
Category	Refundable tax credit
Reason why this measure is not part of benchmark tax system	This measure is classified as a transfer payment for government accounting purposes, and therefore is not considered to be a tax expenditure.
Subject	Employment Business – other
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified 71059 - Social Protection - Unemployment
Other relevant government programs	Programs relevant to supporting individuals and businesses during the COVID-19 crisis, as part of the Canada's COVID-19 Economic Response Plan. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Administrative data provided by the Canada Revenue Agency
Estimation method	Micro-simulation model based on administrative data
Projection method	Micro-simulation model based on administrative data
Number of beneficiaries	No data is available.

Cost Information:

Millions of dollars	**2016**	**2017**	**2018**	**2019**	**2020 (P)**	**2021 (P)**	**2022 (P)**	**2023 (P)**
Personal and corporate income tax	–	–	–	–	–	1,070	975	–

Holdback on progress payments to contractors

Description	Contractors in the construction industry are typically given progress payments as construction proceeds. However, a portion of these progress payments can be held back by the client until the entire project is completed. Under this measure, amounts held back are considered not to be receivable when earned (as would be the case under the benchmark tax structure), but only when the project to which they apply is certified as complete, and these amounts are not deductible by the client and not brought into the income of the contractor until that time. In contrast, progress payments not held back are deductible by the client as incurred, and brought into the income of the contractor as earned.
Tax	Personal (including trusts) and corporate income tax
Beneficiaries	Construction contractors
Type of measure	Other
Legal reference	*Income Tax Act*, paragraph 12(1)(b)
Implementation and recent history	• This tax expenditure is the result of an interpretation of the *Income Tax Act* that has been effective since the early 1970s.
Objective – category	To provide relief for special circumstances
Objective	This measure is intended to alleviate potential cash-flow difficulties for construction contractors.
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure permits the deferral of the recognition of income or gains for income tax purposes.
Subject	Business – other
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Personal income tax: Data on holdbacks payable and receivable by unincorporated businesses is not available. Corporate income tax: T2 Corporation Income Tax Return
Estimation method	Personal income tax: No estimate is available. Corporate income tax: T2 micro-simulation model This tax expenditure may be positive or negative, depending on the tax rates applicable to contractors and clients and on whether holdbacks receivable exceed or are smaller than holdbacks payable. Total holdbacks receivable may not equal total holdbacks payable when related amounts receivable and payable are not assigned to the same calendar year (because the taxation years of contractors and clients end in different calendar years) or because no data is available in respect of amounts receivable and payable by unincorporated businesses.
Projection method	Personal income tax: No projection is available. Corporate income tax: The cost of this measure is projected to grow in line with nominal gross domestic product.
Number of beneficiaries	About 6,780 corporations claimed this deduction in 2019. No data is available for unincorporated businesses.

Cost Information:

Millions of dollars	2016	2017	2018	2019	2020 (P)	2021 (P)	2022 (P)	2023 (P)
Personal income tax	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Corporate income tax	10	25	50	40	45	50	50	55
Total	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Home Accessibility Tax Credit

Description	The Home Accessibility Tax Credit provides a non-refundable tax credit of 15% on up to $10,000 of eligible home renovation or alteration expenses per calendar year in respect of a qualifying individual, to a maximum of $10,000 per eligible dwelling. Qualifying individuals are persons with disabilities who are eligible for the Disability Tax Credit and seniors (65 years of age or older). Qualifying individuals, as well as eligible family members who are supporting the qualifying individual, may claim eligible expenses in respect of an eligible dwelling. The eligible dwelling must be the principal residence of the qualifying individual at any time during the taxation year. The dwelling must also be owned by the qualifying individual, their spouse or common-law partner, or an eligible family member in respect of the qualifying individual with whom the qualifying individual ordinarily inhabits that dwelling. Eligible expenses are home renovation or alteration expenses to the eligible dwelling incurred in order to allow the qualifying individual to gain access to the dwelling, allow the qualifying individual to be more mobile or functional within the dwelling, or reduce the risk of harm to the qualifying individual within the dwelling or in gaining access to the dwelling. Improvements must also be of an enduring nature and be integral to the eligible dwelling. Examples of eligible expenditures include costs associated with the purchase and installation of wheelchair ramps, walk-in bathtubs, wheel-in showers and grab bars.
Tax	Personal income tax
Beneficiaries	Seniors and persons with disabilities
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, section 118.041
Implementation and recent history	• Introduced in Budget 2015. Effective for eligible expenditures for work performed and paid for or goods acquired on or after January 1, 2016.
Objective – category	To achieve a social objective To recognize non-discretionary expenses (ability to pay)
Objective	This measure recognizes the particular impact that the costs of improving the safety, accessibility and functionality of a dwelling can have for seniors and persons with disabilities, and the additional benefits of independent living (Budget 2015).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system. This measure extends the unit of taxation.
Subject	Health Housing
CCOFOG 2014 code	70769 - Health - Health not elsewhere classified 71069 - Social protection - Housing
Other relevant government programs	Programs within the mandates of Health Canada, the Canadian Food Inspection Agency, the Canadian Institutes of Health Research, the Public Health Agency of Canada and Veterans Affairs Canada also support health-related objectives. Programs within the mandate of the Canada Mortgage and Housing Corporation, Indigenous Services Canada and Crown-Indigenous Relations and Northern Affairs Canada are intended to promote the construction, repair and renewal of affordable and safe housing. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	n/a
Projection method	Projections reflect the estimates presented in Budget 2015. The cost of this measure is projected to grow with the eligible population and inflation, as forecasted in the T1 micro-simulation model.
Number of beneficiaries	About 27,000 individuals claimed this credit in 2019.

Cost Information:

Millions of dollars	2016	2017	2018	2019	2020 (P)	2021 (P)	2022 (P)	2023 (P)
Personal income tax	10	15	15	15	20	20	20	20

Immediate expensing for small businesses

Description	Immediate expensing is provided in respect of certain property acquired by a Canadian-controlled private corporation (CCPC). This immediate expensing is available for “eligible property” acquired by a CCPC on or after April 19, 2021, and that becomes available for use before January 1, 2024, up to a maximum amount of $1.5 million per taxation year. The immediate expensing is only available for the year in which the property becomes available for use. The $1.5 million limit is shared among associated members of a group of CCPCs. The half-year rule is suspended for property for which this measure is used. For CCPCs with less than $1.5 million of eligible capital costs, no carry-forward of excess capacity is allowed. Eligible property under the immediate expensing is capital property that is subject to the capital cost allowance (CCA) rules, other than property included in CCA classes 1 to 6, 14.1, 17, 47, 49 and 51, which are generally long lived assets.
Tax	Corporate income tax
Beneficiaries	Canadian-controlled private corporations
Type of measure	Timing preference
Legal reference	Not yet legislated (as of December 31, 2021)
Implementation and recent history	• Introduced in Budget 2021.
Objective – category	To encourage or attract investment
Objective	This temporary measure provides an incentive for businesses to accelerate or increase capital investment.
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure may permit the depreciation of a capital asset faster than its useful life.
Subject	Business – other
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada, Innovation, Science and Economic Development Canada, Business Development Bank of Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T2 Corporation Income Tax Return
Estimation method	T2 micro-simulation model
Projection method	The cost of this measure is projected to decline over time considering that additional allowances claimed in early years will be offset by lower allowances in future years. This effect is partly offset by the projected growth in business investment.
Number of beneficiaries	No data is available.

Cost Information:

Millions of dollars	**2016**	**2017**	**2018**	**2019**	**2020 (P)**	**2021 (P)**	**2022 (P)**	**2023 (P)**
Corporate income tax	–	–	–	–	–	600	840	945

Inclusion of the Universal Child Care Benefit in the income of an eligible dependant

Description	The Universal Child Care Benefit (UCCB) provided families with $160 per month for each child under the age of 6 and $60 per month for children aged 6 through 17. In two-parent families, the UCCB was included in the income of the lower-income spouse or common-law partner. A single parent had the option of including the aggregate UCCB amount received in his or her income or in the income of the dependant for whom the Eligible Dependant Credit was claimed. In most cases, the dependant was not subject to tax. If a single parent was unable to claim the Eligible Dependant Credit, he or she had the option of including the aggregate UCCB amount in the income of one of the children for whom the UCCB was paid. The UCCB was replaced by the Canada Child Benefit in July 2016.
Tax	Personal income tax
Beneficiaries	Single-parents with minor children
Type of measure	Other
Legal reference	*Income Tax Act*, subsection 56(6.1)
Implementation and recent history	• The UCCB was introduced in Budget 2006 as a monthly $100 benefit for each child under the age of 6. For a single-parent family, the UCCB was generally included in the single parent's income and taxed at his or her marginal tax rate for the 2006 to 2009 taxation years. • Inclusion of the UCCB in the eligible dependant's income was introduced in Budget 2010, effective for the 2010 and subsequent taxation years. • Effective January 1, 2015, the UCCB was increased to $160 per month for children under the age of 6, and the new benefit of $60 per month for children aged 6 through 17 was introduced (Prime Minister of Canada news release, October 30, 2014). • The Canada Child Benefit was introduced in Budget 2016 and replaced the Canada Child Tax Benefit, including the National Child Benefit supplement, and the Universal Child Care Benefit. Payments of the Canada Child Benefit began in July 2016.
Objective – category	To provide income support or tax relief To ensure a neutral tax treatment across similar situations
Objective	This measure was intended to give single parents comparable tax treatment on the same UCCB amounts as single-earner two-parent families with the same income (Budget 2010).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure extended the unit of taxation.
Subject	Families and households
CCOFOG 2014 code	71049 - Social protection - Family and children
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada and Indigenous Services Canada also support Canadian families and households. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	n/a
Number of beneficiaries	About 302,000 individuals designated this amount to a dependant in 2016.

Cost Information:

Millions of dollars	2016	2017	2018	2019	2020 (P)	2021 (P)	2022 (P)	2023 (P)
Personal income tax	5	–	–	–	–	–	–	–

Income tax exemption for certain public bodies

Description	The *Income Tax Act* contains special rules that exempt from federal income tax the income of municipalities, public bodies performing a function of government in Canada, entities that are substantially owned by a provincial Crown (or owned by municipalities or public bodies performing a function of government in Canada) and the wholly-owned subsidiaries of such entities, where such entities are eligible for the exemption under the *Act*. In the absence of these special rules, these entities could be subject to federal income tax, because constitutional immunity from federal income taxation does not extend to these entities (except where they act as agent of a province).
Tax	Corporate income tax
Beneficiaries	Certain provincial, municipal and Indigenous public bodies and their entities
Type of measure	Exemption
Legal reference	*Income Tax Act*, paragraphs 149(1)(c) and (d) to (d.6)
Implementation and recent history	• This measure has been in effect since the inception of the federal income tax in 1917.
Objective – category	To implement intergovernmental tax arrangements
Objective	This measure extends exemption from federal taxation to certain public bodies.
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax certain taxpayers.
Subject	Intergovernmental tax arrangements
CCOFOG 2014 code	n/a
Other relevant government programs	n/a
Source of data	No data is available.
Estimation method	No estimate is available.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

Infirm Dependant Credit

Description	The Infirm Dependant Credit was replaced with the Canada Caregiver Credit in 2017. The Infirm Dependant Credit provided tax relief to individuals providing support to an infirm adult relative. The credit could be claimed by taxpayers supporting a child or grandchild, a spouse or common-law partner's child or grandchild, parent, grandparent, brother, sister, aunt, uncle, niece or nephew who was 18 years of age or over and dependent due to a mental or physical infirmity. The amount the supporting relative could claim depended on the net income of the dependant. The value of the credit was calculated by applying the lowest personal income tax rate to an amount of $6,788 (in 2016). The value of the Infirm Dependant Credit was reduced dollar-for-dollar when the dependant's net income exceeded $6,807 (in 2016). Both the credit amount and income threshold were indexed to inflation.
Tax	Personal income tax
Beneficiaries	Caregivers
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, paragraph 118(1)(d)
Implementation and recent history	• Introduced as part of the 1987 Tax Reform, effective for the 1988 and subsequent taxation years, to replace the previous deduction from income. • Budget 2011 increased the amount of the Infirm Dependant Credit by $2,000 (indexed to inflation), through the introduction of the Family Caregiver Tax Credit. • Indexation was introduced for this credit for the 1996 and subsequent taxation years. • Budget 2017 announced the repeal of the credit for the 2017 and subsequent taxation years.
Objective – category	To recognize non-discretionary expenses (ability to pay)
Objective	This measure recognizes that a taxpayer supporting an adult dependant who is physically or mentally infirm has a reduced ability to pay tax relative to a taxpayer with the same income and no such dependant (*Report of the Royal Commission on Taxation*, vol. 3, 1966).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system.
Subject	Families and households Health
CCOFOG 2014 code	71049 - Social protection - Family and children 71012 - Social protection - Sickness and disability - Disability
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada and Indigenous Services Canada also support Canadian families and households. Programs within the mandates of Health Canada, the Canadian Food Inspection Agency, the Canadian Institutes of Health Research, the Public Health Agency of Canada and Veterans Affairs Canada also support health-related objectives. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	n/a
Number of beneficiaries	About 21,000 individuals claimed this credit in 2016.

Cost Information:

Millions of dollars	2016	2017	2018	2019	2020 (P)	2021 (P)	2022 (P)	2023 (P)
Personal income tax	5	–	–	–	–	–	–	–

Investment corporation deduction

Description	An investment corporation is a Canadian public corporation whose activities are limited to owning portfolio investments, whose revenues must be substantially from Canadian sources, and that is required to distribute substantially all of its income (other than net taxable capital gains) in the form of dividends to shareholders in the taxation year in which the income is earned. An investment corporation is permitted to deduct from its tax otherwise payable an amount equal to 20% of its taxable income minus taxed capital gains. This special deduction achieves a degree of integration between the personal and corporate income tax systems.
Tax	Corporate income tax
Beneficiaries	Investment corporations
Type of measure	Preferential tax rate
Legal reference	*Income Tax Act*, subsection 130(1)
Implementation and recent history	• Introduced in 1946. • The deduction rate was initially set at 15% and has changed several times since then. Most recently, the deduction rate was set at 20% (up from 16⅔%) for years commencing after June 30, 1988.
Objective – category	To prevent double taxation To encourage or attract investment
Objective	This measure encourages investment in Canada rather than abroad by achieving a degree of integration between the personal and corporate tax systems so that investment in Canadian properties is taxed at a lower rate than investment abroad (Budget 1960).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure is considered part of the benchmark tax system, and therefore is not a tax expenditure.
Subject	Savings and investment
CCOFOG 2014 code	n/a
Other relevant government programs	n/a
Source of data	T2 Corporation Income Tax Return
Estimation method	The cost of this measure corresponds to the amount reported on line 620 of form 200 of the T2 Corporation Income Tax Return.
Projection method	The cost of this measure would be expected to be fairly stable; as such no growth is assumed over the projection period.
Number of beneficiaries	No corporations claimed this deduction in 2019.

Cost Information:

Millions of dollars	2016	2017	2018	2019	2020 (P)	2021 (P)	2022 (P)	2023 (P)
Corporate income tax	S	S	S	S	S	S	S	S

Investment Tax Credit for Child Care Spaces

Description	Certain expenditures incurred by eligible businesses in order to create new child care spaces in a new or existing licensed child care facility were eligible for a non-refundable investment tax credit of 25%, to a maximum credit of $10,000 per child care space created. Eligible expenditures included the cost or incremental cost of the building in which the child care facility is located, as well as the cost of furniture, appliances, computer equipment, audio-visual equipment, playground structures and playground equipment. Initial start-up costs such as landscaping costs for the children's playground, architect's fees, building permit costs and costs to acquire children's educational materials were also eligible. Unused credits could be carried back 3 years or forward 20 years to reduce taxes payable in those years. Budget 2017 announced the phase-out of this measure. Unused deductions may continue to be carried forward for up to 20 years.
Tax	Personal (including trusts) and corporate income tax
Beneficiaries	Businesses that create child care spaces
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, section 127
Implementation and recent history	• Introduced in Budget 2007, effective for eligible expenditures incurred on or after March 19, 2007. • Budget 2017 announced the elimination of the measure for eligible expenditures made on or after March 22, 2017. The credit remains available in respect of eligible expenditures incurred before 2020 pursuant to a written agreement entered into before March 22, 2017.
Objective – category	To achieve a social objective
Objective	This measure encourages businesses to create licensed child care spaces for the children of their employees and, potentially, for children in the surrounding community (Budget 2007).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system. The tax benefit from this measure could be obtained in a taxation year other than the year during which it accrued.
Subject	Families and households Business – other
CCOFOG 2014 code	71049 - Social protection - Family and children
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada and Indigenous Services Canada also support Canadian families and households. Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Personal income tax: T1 Income Tax and Benefit Return Corporate income tax: T2 Corporation Income Tax Return
Estimation method	The estimates are based on actual amounts earned and claimed by businesses. The estimates do not cover investment tax credits claimed by trusts.
Projection method	Personal income tax: The cost of this measure is projected based on historical growth. Corporate income tax: The cost of this measure is projected to grow in line with nominal gross domestic product.
Number of beneficiaries	A small number of individuals (fewer than 100) claim this credit each year. The number of corporations and trusts having claimed this credit in 2019 is not disclosed due to confidentiality restrictions.

Cost Information:

Millions of dollars	**2016**	**2017**	**2018**	**2019**	**2020 (P)**	**2021 (P)**	**2022 (P)**	**2023 (P)**
Personal income tax	S	S	S	S	S	S	S	S
Corporate income tax	S	S	S	S	S	S	S	S
Total	S	S	S	S	S	S	S	S

Labour-Sponsored Venture Capital Corporations Credit

Description	Labour-Sponsored Venture Capital Corporations (LSVCCs) are investment funds, sponsored by unions or other labour organizations, that make venture capital investments in small and medium-sized businesses. A tax credit is provided to individuals for the acquisition of shares of LSVCCs, up to an annual eligible share purchase limit of $5,000.
Tax	Personal income tax
Beneficiaries	Individual investors
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, section 127.4 *Income Tax Regulations*, section 6701
Implementation and recent history	• Implemented in Budget 1985. Effective for shares purchased by individuals after May 23, 1985. The rate of the tax credit was set at 20%, up to an annual eligible share purchase limit of $3,500 (maximum annual credit of $750). • Budget 1992 increased the annual eligible share purchase limit to $5,000 (for a maximum federal credit of $1,000). • Budget 1996 reduced the tax credit rate to 15% from 20%, and the annual eligible share purchase limit to $3,500 from $5,000 (for a maximum federal credit of $525). • For the 1998 and subsequent taxation years, the annual eligible share purchase limit was increased to $5,000 from $3,500 (for a maximum federal credit of $750) (Department of Finance Canada news release 1998-086, August 31, 1998). • Budget 2013 announced the reduction of the tax credit rate from 15% to 10% for the 2015 taxation year and to 5% for the 2016 taxation year, and the elimination of the tax credit for the 2017 and subsequent taxation years. • Budget 2016 restored the tax credit to 15% for provincially registered LSVCCs for the 2016 and subsequent taxation years.
Objective – category	To achieve an economic objective - other
Objective	This measure was introduced to foster entrepreneurship by encouraging investment by individuals in labour-sponsored venture capital organizations, set up to maintain or create jobs and stimulate the economy (Budget 1985).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system.
Subject	Savings and investment
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	n/a
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	Projections for this measure are based on expected LSVCC share purchases. The projections reflect policy changes and observed historical growth.
Number of beneficiaries	About 365,000 individuals claimed this credit in 2018.

Cost Information:

Millions of dollars	2016	2017	2018	2019	2020 (P)	2021 (P)	2022 (P)	2023 (P)
Personal income tax	145	150	155	160	180	175	180	185

Lifetime Capital Gains Exemption

Description	The Lifetime Capital Gains Exemption (LCGE) provides a tax exemption in computing taxable income in respect of capital gains realized by individuals on the disposition of qualified farm or fishing property and qualified small business shares. As only half of capital gains are included in income for income tax purposes, a $1 capital gains exemption under the LCGE translates into an effective reduction in taxable income of 50 cents. An individual may shelter capital gains realized on the disposition of qualified small business shares up to a lifetime limit of $892,218 in 2021, which is indexed to inflation. In the case of capital gains realized on the disposition of qualified farm or fishing property made after April 20, 2015, the lifetime capital gains limit is the greater of $1 million and the indexed lifetime limit for qualified small business shares. Before 2016, a spousal or common-law partner trust could claim the LCGE in the year the spouse or common-law partner beneficiary died, to the extent of the remaining exemption of the deceased beneficiary. For deaths occurring after 2015, capital gains realized by a spousal or joint spousal trust are deemed to have been made payable to the beneficiary.
Tax	Personal income tax
Beneficiaries	Individual owners of incorporated small businesses or incorporated or unincorporated farming and fishing businesses
Type of measure	Exemption
Legal reference	*Income Tax Act,* section 110.6
Implementation and recent history	• Introduced in Budget 1985. The $500,000 LCGE on qualified farm property was effective starting in 1985. The $500,000 LCGE on other capital gains, including small business corporation shares, was phased in between 1985 and 1990. • The 1987 Tax Reform capped the LCGE for capital gains other than gains on qualified farm property and small business corporation shares at $100,000 in 1988. • Budget 1992 excluded real property (except real property used in an active business) from the $100,000 LCGE on other capital gains. • Budget 1994 eliminated the $100,000 LCGE on other capital gains. • Budget 2006 extended the $500,000 LCGE to include qualified fishing property, effective May 2, 2006. • Budget 2007 increased the LCGE limit to $750,000, effective March 19, 2007. • Budget 2013 increased the LCGE limit to $800,000 for 2014, and indexed the LCGE limit to inflation effective for 2015 and subsequent years. • Budget 2014 eliminated the LCGE for spousal and common-law partner trusts, effective for the 2016 taxation year. • Budget 2015 increased the LCGE limit for qualified farm or fishing property to $1 million, effective April 21, 2015. For taxation years after 2015, the LCGE for qualified farm or fishing property will be maintained at $1 million until the indexed LCGE applicable to capital gains realized on the disposition of qualified small business shares exceeds $1 million. At that time, the same LCGE limit, indexed to inflation, will apply to the three types of property.
Objective – category	To encourage or attract investment To encourage savings To achieve an economic objective - other
Objective	This measure was introduced to bolster risk taking and investment in small businesses, to provide an incentive to invest in the development of productive farm and fishing businesses, and to help small business owners and farm and fishing business owners better ensure their financial security for retirement (Budget 1985; The Lifetime Capital Gains Exemption: An Evaluation, Department of Finance Canada, 1995; Budget 2006; Budget 2007).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base.

Subject	Business - farming and fishing Business - small businesses
CCOFOG 2014 code	70421 - Economic affairs - Agriculture, forestry, fishing, and hunting - Agriculture 70423 - Economic affairs - Agriculture, forestry, fishing, and hunting - Fishing and hunting 70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandates of Agriculture and Agri-Food Canada and Fisheries and Oceans Canada also support the farming and fishing sectors. Programs within the mandate of Innovation, Science and Economic Development Canada also support small businesses. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return T3 Trust Income Tax and Information Return
Estimation method	T1 and T3 micro-simulation models
Projection method	T1 micro-simulation model
Number of beneficiaries	About 57,000 individuals claimed this deduction in 2019.

Cost Information:

Millions of dollars	**2016**	**2017**	**2018**	**2019**	**2020 (P)**	**2021 (P)**	**2022 (P)**	**2023 (P)**
Individuals, by type of property								
Small business shares	805	990	1,075	1,085	1,120	1,190	1,295	1,330
Farm and fishing property	695	765	780	720	905	945	1,025	1,065
Total – personal income tax	1,500	1,755	1,855	1,805	2,025	2,135	2,320	2,395

Local Lockdown Program

Description	The Local Lockdown Program (LLP) provides wage and rent subsidies to employers that have one or more locations subject to a public health restriction (lasting for at least seven days in the current claim period) that requires them to cease activities that accounted for at least approximately 25% of total revenues of the employer during the prior reference period. Eligible organizations are not required to show a 12-month revenue decline over a certain threshold, but are required to show a current-month revenue loss of at least 40% to qualify for this new LLP. For qualifying entities, the LLP pays a wage and rent subsidy of between 40% and 75% until March 13, 2022. From March 13 to May 7, 2022 the maximum wage and rent subsidy rate will decrease by half. From December 19, 2021 until February 12, 2022, employers subject to capacity-limiting restrictions of 50% or more and with current-month revenue declines greater than 25% are also eligible for the program, with a subsidy rate from 25% to 75%, depending on their degree of revenue decline.
Tax	Personal (including trusts) and corporate income tax
Beneficiaries	Businesses, individuals and other organizations
Type of measure	Credit, refundable
Legal reference	*Income Tax Act*, sections 125.7 and 164
Implementation and recent history	• On October 21, 2021, the government announced a new Local Lockdown Program, that will provide businesses that face new local lockdowns with up to the maximum amount of support available under the wage and rent subsidy programs. To qualify, businesses must be subject to a qualifying public health restriction (lasting for at least seven days in the current claim period) that requires them to cease activities that accounted for at least approximately 25% of total revenues of the employer during the prior reference period and have a current period revenue reduction of at least 40%. • On December 22, 2021, the government proposed to temporarily expand this program to include employers subject to capacity-limiting restrictions of 50% or more; and reduce the current-month revenue decline threshold requirement to 25%. This expansion would be in effect from December 19, 2021 until February 12, 2022.
Objective – category	To encourage employment To support business activity
Objective	This measure was put in place to help prevent job losses and encourage employers to quickly rehire workers previously laid off as a result of COVID-19.
Category	Refundable tax credit
Reason why this measure is not part of benchmark tax system	This measure is classified as a transfer payment for government accounting purposes, and therefore is not considered to be a tax expenditure.
Subject	Employment Business – other
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified 71059 - Social Protection - Unemployment
Other relevant government programs	Programs relevant to supporting individuals and businesses during the COVID-19 crisis, as part of the Canada's COVID-19 Economic Response Plan. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	No data is available.
Estimation method	No estimate is available.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

Logging Tax Credit

Description	The Logging Tax Credit reduces federal income taxes payable by businesses by the lesser of two-thirds of any tax on income from logging operations paid to a province and 6⅔% of net income from logging operations in that province. Two provinces currently impose logging taxes that are prescribed by regulation for the purpose of this credit—British Columbia and Quebec.
Tax	Personal (including trusts) and corporate income tax
Beneficiaries	Businesses in the forest industry
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, section 127
Implementation and recent history	• Introduced in Budget 1962. Effective for taxation years commencing after 1961. • The Budget 1962 announcement followed discussions with provinces concerning the impact of provincial logging taxes on forest sector businesses. Budget 1962 expressed the hope that provinces imposing a logging tax would provide a provincial income tax credit equal to one-third of the logging tax. Both British Columbia and Quebec currently provide a partial credit against provincial income tax in respect of their logging tax.
Objective – category	To implement intergovernmental tax arrangements
Objective	This measure, along with parallel credits provided by provinces that impose logging taxes, is intended to provide relief to the forest industry for provincial logging taxes (Budget 1962).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system.
Subject	Intergovernmental tax arrangements
CCOFOG 2014 code	70422 - Economic affairs - Agriculture, forestry, fishing, and hunting – Forestry
Other relevant government programs	n/a
Source of data	Personal income tax: T1 Income Tax and Benefit Return and T3 Trust Income Tax and Information Return Corporate income tax: T2 Corporation Income Tax Return
Estimation method	Personal income tax: T1 and T3 micro-simulation models Corporate income tax: T2 data on actual credits used in a year
Projection method	Personal income tax: T1 micro-simulation model in the case of individuals. Projections for trusts are based on projected growth for individuals. Corporate income tax: The cost of this measure is projected to grow in line with nominal gross domestic product.
Number of beneficiaries	About 500 individuals and 700 corporations claimed this credit in 2019. The number of trusts having claimed this credit in 2019 is not disclosed due to confidentiality restrictions.

Cost Information:

Millions of dollars	2016	2017	2018	2019	2020 (P)	2021 (P)	2022 (P)	2023 (P)
Personal income tax								
Individuals	1	1	2	1	1	1	1	1
Trusts	X	X	X	X	X	X	X	X
Total – personal income tax	1	1	2	1	1	1	1	1
Corporate income tax	25	50	75	20	60	55	55	55
Total	25	50	80	25	60	55	55	55

Medical Expense Tax Credit

Description	The Medical Expense Tax Credit provides tax relief for qualifying above-average medical or disability-related expenses incurred by individuals on behalf of themselves, a spouse or a common-law partner, or a dependent relative. The value of the credit is calculated by applying the lowest personal income tax rate to the amount of qualifying medical expenses in excess of the lesser of 3% of net income and $2,421 (in 2021, indexed to inflation). The credit can be claimed in respect of expenses paid in any period of 12 consecutive months that ends in the taxation year in which the claim is made. Medical expense claims made on behalf of a spouse or common-law partner or minor children may be pooled with the medical expenses of the taxpayer, subject to the minimum expense threshold. There is no upper limit on the amount that can be claimed, except for certain specific expenses. For medical expenses paid on behalf of dependent relatives other than minor children, caregivers are able to claim qualifying medical expenses that exceed the lesser of 3% of the dependant's net income and $2,421 (in 2021, indexed to inflation). For purposes of the credit, a dependant is defined as a child, grandchild, parent, grandparent, brother, sister, uncle, aunt, niece or nephew who is dependent on the taxpayer for support.
Tax	Personal income tax
Beneficiaries	Individuals, caregivers
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, section 118.2 *Income Tax Regulations*, section 5700
Implementation and recent history	• Introduced as the Medical Expense Deduction in Budget 1942, and replaced by a non-refundable credit as part of the 1987 Tax Reform, applicable to the 1988 and subsequent taxation years. • The maximum eligible amount that can be claimed on behalf of dependent relatives other than minor children was eliminated in Budget 2011 for the 2011 and subsequent taxation years in order to allow caregivers to receive full tax recognition for eligible medical expenses. • Budget 2017 clarified the application of the Medical Expense Tax Credit so that individuals who require medical intervention in order to conceive a child are eligible to claim the same expenses that would generally be eligible for individuals on account of medical infertility, effective for the 2017 and subsequent taxation years. • The list of expenses eligible for this credit is regularly reviewed and expanded in light of new technologies and other disability-specific or medically-related developments.
Objective – category	To recognize non-discretionary expenses (ability to pay)
Objective	This measure recognizes the effect of above-average medical and disability-related expenses on the ability of an individual to pay income tax (Budget 1942; Budget 1997; Budget 2005).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system. The tax benefit from this measure is transferable between spouses or common-law partners.
Subject	Health
CCOFOG 2014 code	7071 - Health - Medical products, appliances, and equipment 7072 - Health - Outpatient services 7073 - Health - Hospital services
Other relevant government programs	Programs within the mandates of Health Canada, the Canadian Food Inspection Agency, the Canadian Institutes of Health Research, the Public Health Agency of Canada and Veterans Affairs Canada also support health-related objectives. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 5.3 million individuals claimed this credit in 2019.

Cost Information:

Millions of dollars	2016	2017	2018	2019	2020 (P)	2021 (P)	2022 (P)	2023 (P)
Personal income tax	1,435	1,550	1,645	1,700	1,750	1,800	1,850	1,900

Mineral Exploration Tax Credit for Flow-Through Share Investors

Description	Flow-through shares facilitate the financing of exploration by allowing companies to transfer unused tax deductions to investors. In addition to claiming regular flow-through deductions, individuals (other than trusts) who invest in flow-through shares of a corporation can claim a 15% non-refundable tax credit in respect of specified mineral exploration expenses incurred by the corporation and transferred to the individual under a flow-through share agreement. Expenses eligible for the credit are specified surface grassroots exploration expenses (i.e., seeking new resources away from an existing mine site) in respect of a mineral resource (other than a coal or oil sands deposit) in Canada. A "look-back" rule allows corporations to raise funds by issuing flow-through shares in one calendar year and spending the funds in the following calendar year, while allowing the investor to claim the flow-through deduction and the Mineral Exploration Tax Credit in the year the share investment is made. See the description of the measure "Flow-through share deductions" for additional information about flow-through shares.
Tax	Personal income tax
Beneficiaries	Individual investors (other than trusts) in flow-through shares
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, subsection 127(9), paragraph (a.2) of definition of "investment tax credit" and definition of "flow-through mining expenditure"
Implementation and recent history	• Introduced as part of the October 2000 Economic Statement and Budget Update. Effective in respect of expenditures incurred after October 17, 2000 and before 2004. • This measure has been extended on a number of occasions. Most recently, as part of the 2018 *Fall Economic Statement*, the Government extended the credit for an additional 5 years, until March 31, 2024.
Objective – category	To encourage or attract investment
Objective	This measure helps junior exploration companies raise capital by providing an incentive to investors in flow-through shares issued to finance mineral exploration (Budget 2015).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system.
Subject	Business - natural resources
CCOFOG 2014 code	70441 - Economic affairs - Mining, manufacturing, and construction - Mining of mineral resources other than mineral fuels
Other relevant government programs	Programs within the mandate of Natural Resources Canada also support the natural resource sector. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	The cost of this measure in a year is calculated by multiplying the estimated Canadian Exploration Expenses eligible for the credit by the credit rate (i.e., 15%). The cost in the initial year is partially offset in the following year as the investor's cumulative Canadian Exploration Expenses account is then reduced by the credit claimed the year before.
Projection method	Projections are based on current market conditions.
Number of beneficiaries	About 300 companies issued flow-through shares and over 8,000 individuals claimed the credit in 2019.

Cost Information:

Millions of dollars	**2016**	**2017**	**2018**	**2019**	**2020 (P)**	**2021 (P)**	**2022 (P)**	**2023 (P)**
Personal income tax	55	65	50	60	95	100	90	90

Moving expense deduction

Description	If a move is an “eligible relocation”, the related “eligible moving expenses” are deductible in computing employment or self-employment income earned at the new location. Eligible moving expenses include travel costs, the costs of transporting or storing household effects, meals and temporary accommodation and the cost of selling a former residence. Eligible moving expenses may also be deducted from a student’s taxable income from scholarships, bursaries and research grants if the expenses are incurred to begin full-time attendance at a post-secondary educational institution. Among other things, to be an “eligible relocation” requires that a taxpayer move at least 40 kilometres closer to the new place of employment or study. Most moving expense reimbursements provided by employers are not included in income; however, to the extent that certain employer-provided reimbursements are included in income, the moving expense deduction is allowed to the same extent as permitted for self-paid expenses.
Tax	Personal income tax
Beneficiaries	Employees and self-employed individuals, students
Type of measure	Deduction
Legal reference	*Income Tax Act*, section 62 and the definition “eligible relocation” in subsection 248(1)
Implementation and recent history	• Introduced in Budget 1971. Effective for the 1972 and subsequent taxation years.
Objective – category	To recognize expenses incurred to earn employment income To recognize education costs
Objective	This measure recognizes the expenses involved in moving to a new job or educational institution, and thus facilitates labour mobility by allowing taxpayers greater flexibility in pursuing new employment and business opportunities anywhere in Canada (Budget 1971; Budget 1998).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure provides tax recognition for an expense that is incurred to earn employment income. This measure provides tax recognition for an expense that is incurred for education purposes. Expenses incurred to earn business income are generally deductible under the benchmark tax system; however, moving expenses may also have an element of personal consumption, hence the classification of this measure as a tax expenditure.
Subject	Employment
CCOFOG 2014 code	70412 - Economic affairs - General economic, commercial, and labor affairs - General labor affairs
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support employment. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 94,000 individuals claimed this deduction in 2019.

Cost Information:

Millions of dollars	2016	2017	2018	2019	2020 (P)	2021 (P)	2022 (P)	2023 (P)
Personal income tax	100	110	110	110	105	110	115	120

Non-capital loss carry-overs

Description	Non-capital losses, including farm and fishing non-capital losses, may be carried back or forward and deducted against all sources of income. For losses incurred in or after 2006, the carry-back period is three years and the carry-forward period 20 years.
Tax	Personal (including trusts) and corporate income tax
Beneficiaries	Businesses
Type of measure	Timing preference
Legal reference	*Income Tax Act*, subsection 111(1)
Implementation and recent history	• The ability to carry forward non-capital losses was introduced in 1942 and the ability to carry back non-capital losses was introduced in 1944. • Budget 2006 extended the carry-forward period to 20 years from 10 years for non-capital losses arising in and after 2006.
Objective – category	To assess tax liability over a multi-year period
Objective	This measure supports businesses and investors by reducing the risk associated with investment, and provides tax relief for cyclical businesses (Budget 1983; Budget 2004; Budget 2006).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure is considered part of the benchmark tax system, and therefore is not a tax expenditure.
Subject	Business – other
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Personal income tax: T1 Income Tax and Benefit Return and T3 Trust Income Tax and Information Return Corporate income tax: T2 Corporation Income Tax Return
Estimation method	Personal income tax: T1 and T3 micro-simulation models. For individuals, the estimate for a given year represents the tax relief associated with the carry-forward to that year of losses incurred in prior years. Data on losses carried back to a previous year is not available. The estimates also do not include losses carried over by part-time farmers. For trusts, the estimate for a given year represents the tax relief associated with the carry-forward to that year of losses incurred in prior years, as well as the carry-back to that year of losses incurred in subsequent years. Data on amounts carried back are preliminary. Corporate income tax: The estimate for a given year represents the tax relief associated with both the carry-forward to that year of losses incurred in prior years and the carry-back to prior years of losses incurred in that year. The estimate is equal to the amount of losses carried over multiplied by the tax rate applicable in the year in which the losses are applied.
Projection method	Personal income tax: T1 micro-simulation model in the case of individuals. Projections for trusts are based on projected growth for corporations. Corporate income tax: The cost of this measure is projected to grow in line with corporate taxable income.
Number of beneficiaries	About 45,000 individuals, 4,500 trusts and 449,000 corporations made use of this measure in 2019 (not counting individuals that carried back losses only).

Cost Information:

Millions of dollars	2016	2017	2018	2019	2020 (P)	2021 (P)	2022 (P)	2023 (P)
Farm and fishing non-capital losses								
Personal income tax								
Individuals – carried back	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Individuals – applied to current year	15	15	15	15	20	20	20	20
Trusts	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total – personal income tax	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Corporate income tax								
Carried back	15	20	25	35	30	30	30	30
Applied to current year	35	50	40	45	50	55	60	60
Total – corporate income tax	55	65	70	80	80	90	90	95
Total – farm and fishing non-capital losses	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other non-capital losses								
Personal income tax								
Individuals – carried back	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Individuals – applied to current year	65	80	70	75	85	95	100	105
Trusts	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total – personal income tax	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Corporate income tax								
Carried back	2,655	1,985	2,030	2,255	2,810	2,715	2,695	2,660
Applied to current year	4,540	5,195	5,865	6,475	5,335	5,545	5,700	6,180
Total – corporate income tax	7,195	7,185	7,895	8,725	8,145	8,260	8,395	8,840
Total – other non-capital losses	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total – non-capital losses								
Personal income tax								
Individuals – carried back	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Individuals – applied to current year	80	95	85	90	105	115	120	125
Trusts	205	370	140	230	150	210	250	300
Total – personal income tax	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Corporate income tax								
Carried back	2,670	2,005	2,060	2,290	2,840	2,745	2,725	2,690
Applied to current year	4,575	5,245	5,905	6,520	5,385	5,600	5,760	6,240
Total – corporate income tax	7,245	7,250	7,965	8,805	8,225	8,345	8,485	8,935
Total – non-capital losses	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Non-deductibility of advertising expenses in foreign media

Description	Expenses for advertising in non-Canadian newspapers and periodicals or on non-Canadian broadcast media cannot generally be deducted for income tax purposes if the advertising is directed primarily to a market in Canada. This treatment results in a negative tax expenditure, since the deductibility of expenses incurred to earn business income is considered to be part of the benchmark tax system.
Tax	Personal (including trusts) and corporate income tax
Beneficiaries	Businesses that advertise in foreign media
Type of measure	Other
Legal reference	*Income Tax Act*, sections 19 to 19.1
Implementation and recent history	• Introduced in Budget 1965. Effective for expenses in respect of advertising in non-Canadian newspapers and periodicals made after December 31, 1965. • This measure was broadened to cover advertising on non-Canadian broadcast media, effective after September 21, 1976. • Following the 1999 Canada-U.S. Agreement on Magazines, expenses incurred to advertise in periodicals published after May 2000 are fully deductible if the periodicals contain at least 80% original editorial content. If the periodicals contain less than 80% original editorial content, then 50% of advertising expenses are deductible.
Objective – category	To achieve an economic objective - other
Objective	This measure is intended to ensure that control of periodicals and newspapers remains in the hands of Canadians and supports the continued existence of a viable and original Canadian magazine industry (*House of Commons Debates*, vol. 3, 1965; Department of Finance Canada news release, June 19, 1995).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure disallows the deduction of an expense that is incurred to earn business income.
Subject	Business – other
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Personal income tax: No data is available on expenses incurred by unincorporated businesses to advertise in non-Canadian media. Corporate income tax: T2 Corporation Income Tax Return
Estimation method	Personal income tax: No estimate is available. Corporate income tax: T2 micro-simulation model
Projection method	Personal income tax: No projection is available. Corporate income tax: The cost of this measure is projected to grow in line with nominal gross domestic product.
Number of beneficiaries	About 370 corporations reported non-deductible advertising expenses in 2019. No data is available for unincorporated businesses.

Cost Information:

Millions of dollars	2016	2017	2018	2019	2020 (P)	2021 (P)	2022 (P)	2023 (P)
Personal income tax	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Corporate income tax	S	S	S	S	S	S	S	S
Total	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Non-taxation of allowances for diplomats and other government employees posted abroad

Description	Diplomats and other government employees posted abroad can claim an exemption for the allowances received to cover the additional costs associated with living outside Canada.
Tax	Personal income tax
Beneficiaries	Diplomats and other government employees posted abroad
Type of measure	Exemption
Legal reference	*Income Tax Act*, subparagraph 6(1)(b)(iii)
Implementation and recent history	• Introduced in 1943.
Objective – category	To recognize expenses incurred to earn employment income
Objective	This measure recognizes the additional costs incurred by diplomats and other government personnel employed outside Canada.
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base.
Subject	Employment
CCOFOG 2014 code	70412 - Economic affairs - General economic, commercial, and labor affairs - General labor affairs
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support employment. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Global Affairs Canada and National Defence data
Estimation method	The value of this tax expenditure is estimated by multiplying total exempt allowances by the estimated marginal tax rates of recipients.
Projection method	The projection for 2019 is based on partial year data and historical growth. Projections for 2020 and 2021 are not provided as the value of this measure cannot be reliably forecast for these years.
Number of beneficiaries	More than 11,500 individuals received non-taxable allowances in 2019.

Cost Information:

Millions of dollars	**2016**	**2017**	**2018**	**2019**	**2020 (P)**	**2021 (P)**	**2022 (P)**	**2023 (P)**
Personal income tax	30	30	35	35	35	35	n.a.	n.a.

Non-taxation of allowances for members of legislative assemblies and certain municipal officers

Description	Elected members of provincial and territorial legislative assemblies and of incorporated municipalities, elected officers of municipal utilities boards, commissions, corporations, or similar bodies, and members of public or separate school boards may receive allowances for expenses incident to the discharge of their duties. Such allowances were not included in income so long as they did not exceed half of the salary or other remuneration received in that capacity in the year. This exemption was repealed as of the 2019 tax year.
Tax	Personal income tax
Beneficiaries	Members of provincial and territorial legislative assemblies and of incorporated municipalities; elected officers of municipal utilities boards, commissions, corporations, or similar bodies; and members of public or separate school boards
Type of measure	Exemption
Legal reference	*Income Tax Act*, subsections 81(2) and (3)
Implementation and recent history	• The exemptions for members of provincial and territorial legislative assemblies and for other municipal officers were introduced in 1947 and 1949 respectively. • Budget 2017 announced the repeal of this measure, effective for the 2019 and subsequent taxation years.
Objective – category	To recognize expenses incurred to earn employment income
Objective	This measure recognizes the additional costs incurred by members of legislative assemblies and certain municipal officers in the course of their duties.
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base.
Subject	Employment
CCOFOG 2014 code	70412 - Economic affairs - General economic, commercial, and labor affairs - General labor affairs
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support employment. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return and T4 Statement of Remuneration Paid
Estimation method	Allowances reported on T4 slips are matched against T1 returns and incremental tax is calculated on the basis of the individual's taxable income with and without the allowance.
Projection method	The cost of this measure is projected to grow in line with allowances.
Number of beneficiaries	About 26,000 individuals received non-taxable allowances in 2018.

Cost Information:

Millions of dollars	2016	2017	2018	2019	2020 (P)	2021 (P)	2022 (P)	2023 (P)
Personal income tax	20	20	20	–	–	–	–	–

Non-taxation of benefits from private health and dental plans

Description	Employer-paid benefits for private health and dental plans are deductible business expenses but are not a taxable employee benefit. In the case of self-employed individuals, they can claim a deduction in computing income from a business for amounts paid under a private health services plan for the benefit of the individual, the individual's spouse or common-law partner and members of the individual's household, subject to certain restrictions.
Tax	Personal income tax
Beneficiaries	Employees and self-employed individuals
Type of measure	Exemption (for employer-paid benefits); deduction (for self-employed individuals)
Legal reference	*Income Tax Act*, subparagraph 6(1)(a)(i), section 18 and section 20.01
Implementation and recent history	• The exemption of employee health plans was introduced in 1948. • The deduction for self-employed individuals was introduced in Budget 1998, applicable to amounts paid or payable in a fiscal period beginning after 1997.
Objective – category	To achieve a social objective
Objective	This measure improves access to supplementary health and dental benefits (Budget 1998).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base. This measure provides tax recognition for an expense that is not incurred to earn income.
Subject	Health
CCOFOG 2014 code	7072 - Health - Outpatient services
Other relevant government programs	Programs within the mandates of Health Canada, the Canadian Food Inspection Agency, the Canadian Institutes of Health Research, the Public Health Agency of Canada and Veterans Affairs Canada also support health-related objectives. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Canadian Life and Health Insurance Association Inc., *Health Insurance Benefits in Canada* and *Premium & Retail Tax on Life & Health Insurance* Conference Board of Canada, *Benefits Benchmarking*
Estimation method	The value of this tax expenditure is calculated as the tax revenue forgone from the non-taxation of employer-provided health related insurance premiums and benefits. These amounts are estimated using statistics provided by the Canadian Health and Life Insurance Association, in conjunction with survey information from the Conference Board of Canada. The estimated number of policy holders, along with the average value of benefits, is imputed into the T1 model using survey information from Statistics Canada to reflect estimated coverage by family type and income level. If these employer-paid amounts were taxable benefits, they would be eligible expenses under the Medical Expense Tax Credit; this interaction is taken into account in the estimation of the tax expenditure.
Projection method	T1 micro-simulation model
Number of beneficiaries	It is estimated that about 14.0 million individuals received employer-paid health or dental benefits in 2019.

Cost Information:

Millions of dollars	**2016**	**2017**	**2018**	**2019**	**2020 (P)**	**2021 (P)**	**2022 (P)**	**2023 (P)**
Personal income tax	2,480	2,840	3,050	3,170	3,210	3,450	3,810	3,990

Non-taxation of benefits in respect of home relocation loans

Description	The benefit associated with a home relocation loan provided to an employee by an employer was required to be included in income for tax purposes, but an offsetting deduction from net income was provided. The amount of the deduction was the lesser of the amount of the taxable benefit and the deemed interest benefit on the first $25,000 of a five-year interest-free loan. This approach effectively exempted such benefits from taxation, while ensuring that they were taken into account in determining income-tested credits and benefits. This deduction was repealed as of the 2018 taxation year.
Tax	Personal income tax
Beneficiaries	Employees
Type of measure	Exemption
Legal reference	*Income Tax Act*, paragraph 110(1)(j)
Implementation and recent history	• Introduced in Budget 1985. Effective for home relocation loans received after May 23, 1985. • Budget 2017 announced the repeal of this measure, effective for the 2018 and subsequent taxation years.
Objective – category	To encourage employment To recognize expenses incurred to earn employment income
Objective	This measure is intended to facilitate mobility by allowing employers to compensate relocated employees facing higher living costs at the new location (Budget 1985).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base. This measure provides tax recognition for an expense that is incurred to earn employment income.
Subject	Employment
CCOFOG 2014 code	70412 - Economic affairs - General economic, commercial, and labor affairs - General labor affairs
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support employment. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	n/a
Number of beneficiaries	About 1,100 individuals claimed this deduction in 2017.

Cost Information:

Millions of dollars	**2016**	**2017**	**2018**	**2019**	**2020 (P)**	**2021 (P)**	**2022 (P)**	**2023 (P)**
Personal income tax	S	S	–	–	–	–	–	–

Non-taxation of capital dividends

Description	A private corporation may distribute the balance of its capital dividend account to its shareholders in the form of a capital dividend. Where the corporation elects to pay this dividend from its capital dividend account, the dividend is received tax-free by the corporation's shareholders who are resident in Canada. At any time, the capital dividend account balance generally includes the total of the excess of the non-taxable portion of capital gains over the non-deductible portion of capital losses, the non-taxable portion of gains resulting from the disposition of eligible capital property, the net proceeds of certain life insurance policies received by the corporation, and the aggregate of capital dividends received by the corporation, less the aggregate of capital dividends paid by the corporation.
Tax	Personal (including trusts) and corporate income tax
Beneficiaries	Individual and corporate investors
Type of measure	Exemption
Legal reference	*Income Tax Act*, subsections 83(2) and 89(1)
Implementation and recent history	• Introduced in Budget 1971. Effective for the 1972 and subsequent taxation years.
Objective – category	To encourage or attract investment To encourage savings To support competitiveness
Objective	This measure maintains the non-taxable treatment of certain amounts received by individuals through private corporations, similar to the treatment of those amounts received directly by the individuals.
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base.
Subject	Savings and investment
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	n/a
Source of data	No data is available.
Estimation method	No estimate is available.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

Non-taxation of capital gains on donations of cultural property

Description	Certain objects certified by the Canadian Cultural Property Export Review Board as being of cultural importance to Canada are exempt from capital gains tax when disposed of by sale or donation within 24 months of certification to a cultural institution, such as a museum or art gallery, designated under the *Cultural Property Export and Import Act*. Recipient cultural institutions are required to hold the cultural property for at least 10 years. Such donations are also eligible for the Charitable Donation Tax Credit (for individuals) or deduction (for corporations).
Tax	Personal (including trusts) and corporate income tax
Beneficiaries	Individual and corporate donors
Type of measure	Exemption
Legal reference	*Income Tax Act*, subsections 118.1(1) and 110.1(1) and paragraph 39(1)(a)(i.1)
Implementation and recent history	• Introduced in 1977. • Budget 1998 extended the holding period for certified cultural property from 5 to 10 years, effective February 23, 1998. • Budget 2019 amended the *Income Tax Act* and *the Cultural Property Export and Import Act*, removing the requirement that property be of "national importance" in order to qualify for the ehanced tax incentives for donations of cultural property. The change applies to donations made on or after March 19, 2019.
Objective – category	To achieve a social objective
Objective	This measure preserves Canada's artistic, historic and scientific heritage by encouraging the donation of cultural property determined to be of outstanding significance to Canada's national heritage to designated Canadian institutions, such as museums and art galleries (Budget 1998).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base.
Subject	Donations, gifts, charities and non-profit organizations Arts and culture
CCOFOG 2014 code	70829 - Recreation, culture, and religion - Cultural services
Other relevant government programs	Many federal government entities provide direct funding to registered charities, non-profit organizations and international development associations through various programs. Programs within the mandate of Canadian Heritage also support arts and culture. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Personal income tax: Data from the Canadian Cultural Property Export Review Board and T1 Income Tax and Benefit Return. Corporate income tax: No data is available.
Estimation method	Personal income tax: The value of this measure is estimated by multiplying the exempt capital gains by the capital gains inclusion rate and an assumed marginal tax rate. Corporate income tax: No estimate is available.
Projection method	Personal income tax: Future donations of Canadian cultural property are projected based on a historical average. Corporate income tax: No projection is available.
Number of beneficiaries	The Canadian Cultural Property Export Review Board issued approximately 275 certificates to individuals and fewer than 20 corporations in 2019-20.

Cost Information:

Millions of dollars	2016	2017	2018	2019	2020 (P)	2021 (P)	2022 (P)	2023 (P)
Personal income tax								
Individuals	10	5	5	3	5	5	5	4
Trusts	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total – personal income tax	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Corporate income tax	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Donations of cultural property benefit from both the non-taxation of capital gains and the Charitable Donation Tax Credit in the case of an individual donor or the deductibility of charitable donations in the case of a corporate donor. The total tax assistance for donations of cultural property is as follows:

Millions of dollars	2016	2017	2018	2019	2020 (P)	2021 (P)	2022 (P)	2023 (P)
Charitable Donation Tax Credit	25	20	15	10	15	15	15	10
Deductibility of charitable donations	3	5	3	5	1	3	5	5
Non-taxation of capital gains – personal income tax	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Non-taxation of capital gains – corporate income tax	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Non-taxation of capital gains on donations of ecologically sensitive land

Description	A zero inclusion rate applies to capital gains arising from a donation of ecologically sensitive land (including a conservation easement, covenant or, in the province of Quebec, a personal servitude the rights to which the land is subject and which has a term of not less than 100 years, or a real servitude on such land) to a public conservation charity (other than a private foundation) or certain other qualified donees if the fair market value of the land is certified by the Minister of the Environment. These donations are also eligible for the Charitable Donation Tax Credit (for individuals) or deduction (for corporations).
Tax	Personal (including trusts) and corporate income tax
Beneficiaries	Individual and corporate donors
Type of measure	Exemption
Legal reference	*Income Tax Act*, subsections 110.1(1), 118.1(1) and 38(a.2), and section 207.31
Implementation and recent history	• Budget 1995 eliminated the net income limit for donations of ecologically sensitive land eligible for the tax credit. • Budget 2000 reduced by half the normal inclusion rate applicable to capital gains arising in respect of gifts of ecologically sensitive land and related easements, covenants and servitudes. • Budget 2006 further reduced the inclusion rate to 0%. • Budget 2014 extended the carry-forward period for donations of ecologically sensitive land from 5 to 10 years. • Budget 2017 removed private foundations as eligible recipients of donations of ecologically sensitive land, and introduced a number of administrative measures designed to better protect such gifts and broaden slightly the types of gifts which qualify (i.e., certain personal servitudes in Quebec).
Objective – category	To achieve a social objective
Objective	This measure encourages Canadians to protect ecologically sensitive land, including areas containing habitats for species at risk, by donating such property to conservation charities and certain other qualified donees (Budget 2000; Budget 2006).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base.
Subject	Donations, gifts, charities and non-profit organizations Environment
CCOFOG 2014 code	70549 - Environmental protection - Protection of biodiversity and landscape
Other relevant government programs	Many federal government entities provide direct funding to registered charities, non-profit organizations and international development associations through various programs. Programs within the mandates of Environment and Climate Change Canada, the Impact Assessment Agency of Canada, Parks Canada and Natural Resources Canada also support environment-related objectives. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Personal income tax: Data from Environment and Climate Change Canada's Ecological Gifts Program Corporate income tax: T2 Corporation Income Tax Return
Estimation method	Personal income tax: The value of this measure is estimated by multiplying the exempt capital gains by the capital gains inclusion rate and an assumed marginal tax rate. Corporate income tax: T2 micro-simulation model
Projection method	Personal income tax: Future donations of ecologically sensitive land are projected based on historical growth. Corporate income tax: Projections are based on the average of the last three historical years. The tax expenditure is projected to grow in line with nominal gross domestic product.
Number of beneficiaries	This measure provided tax relief to a small number of corporations (fewer than 20) in 2019. The number of individuals and trusts who obtained tax relief is unknown; however, fewer than 100 individuals made donations of ecologically sensitive land in that year.

Cost Information:

Millions of dollars	2016	2017	2018	2019	2020 (P)	2021 (P)	2022 (P)	2023 (P)
Personal income tax								
Individuals	3	2	3	2	2	3	3	3
Trusts	S	S	S	S	S	S	S	S
Total – personal income tax	4	2	3	2	3	3	3	3
Corporate income tax	S	2	1	1	S	1	1	1
Total	4	4	4	3	3	4	4	4

Donations of ecologically sensitive land benefit from both the non-taxation of capital gains and the Charitable Donation Tax Credit in the case of an individual donor or the deductibility of charitable donations in the case of a corporate donor. The total tax assistance for donations of ecologically sensitive land is as follows:

Millions of dollars	2016	2017	2018	2019	2020 (P)	2021 (P)	2022 (P)	2023 (P)
Charitable Donation Tax Credit	10	5	10	5	10	10	10	10
Deductibility of charitable donations	1	1	10	2	1	4	4	5
Non-taxation of capital gains – personal income tax	4	2	3	2	3	3	3	3
Non-taxation of capital gains – corporate income tax	S	2	1	1	S	1	1	1
Total	15	10	25	10	10	15	15	15

Non-taxation of capital gains on donations of publicly listed securities

Description	A zero inclusion rate applies to capital gains arising from a donation of publicly listed securities made to a qualified donee, which effectively exempts such gains from income tax. Donations of publicly listed securities are also eligible for the Charitable Donation Tax Credit (for individuals) or deduction (for corporations).
Tax	Personal (including trusts) and corporate income tax
Beneficiaries	Individual and corporate donors
Type of measure	Exemption
Legal reference	*Income Tax Act*, paragraphs 38(a.1) and (a.4), sections 38.3 and 38.4
Implementation and recent history	• Budget 1997 introduced a temporary reduction of half the normal inclusion rate applicable to capital gains arising from a donation of publicly listed securities to a registered charity that is not a private foundation. This measure was made permanent in Budget 2001. • Budget 2006 reduced the inclusion rate to 0%. • Budget 2007 extended the zero inclusion rate to capital gains arising on donations of publicly listed securities to private foundations. • Budget 2008 extended the zero inclusion rate to donations of unlisted exchangeable securities if exchanged for publicly listed securities and donated within 30 days of the exchange.
Objective – category	To achieve a social objective
Objective	This measure was introduced to facilitate the transfer of certain publicly listed securities to charities to help them respond to the needs of Canadians (Budget 1997).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base.
Subject	Donations, gifts, charities and non-profit organizations
CCOFOG 2014 code	705 - Environmental protection; 706 - Housing and community amenities; 707 - Health; 708 - Recreation, culture, and religion; 709 - Education; 710 - Social protection; Other various codes
Other relevant government programs	Many federal government entities provide direct funding to registered charities, non-profit organizations and international development associations through various programs.
Source of data	Personal income tax: T1 Income Tax and Benefit Return Corporate income tax: T2 Corporation Income Tax Return
Estimation method	Personal income tax: The value of this measure is estimated by multiplying the exempt capital gains on publicly listed shares by the capital gains inclusion rate and the top marginal tax rate. Corporate income tax: T2 micro-simulation model
Projection method	Personal income tax: Projections for publicly listed securities are made based on historical donation levels and projected growth in capital gains. Corporate income tax: Projections are based on the average of the last three historical years. The tax expenditure is projected to grow in line with nominal gross domestic product.
Number of beneficiaries	This measure provided tax relief to about 1,450 corporations in 2019. The number of individuals and trusts who obtained tax relief is unknown; however, about 7,700 individuals made donations of publicly listed securities in 2019.

Cost Information:

Millions of dollars	2016	2017	2018	2019	2020 (P)	2021 (P)	2022 (P)	2023 (P)
Personal income tax								
Individuals	75	95	75	125	105	105	110	110
Trusts	1	1	2	1	1	1	1	1
Total – personal income tax	75	95	75	125	105	105	110	110
Corporate income tax	65	100	75	190	115	140	150	155
Total	135	195	150	315	220	245	260	270

Donations of publicly listed securities benefit from both the non-taxation of capital gains and the Charitable Donation Tax Credit in the case of an individual donor or the deductibility of charitable donations in the case of a corporate donor. The total tax assistance for donations of publicly listed securities is as follows:

Millions of dollars	2016	2017	2018	2019	2020 (P)	2021 (P)	2022 (P)	2023 (P)
Charitable Donation Tax Credit	240	315	270	410	350	355	360	365
Deductibility of charitable donations	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Non-taxation of capital gains – personal income tax	75	95	75	125	105	105	110	110
Non-taxation of capital gains – corporate income tax	65	100	75	190	115	140	150	155
Total	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Non-taxation of capital gains on principal residences

Description	This measure provides an exemption from tax in respect of all or a portion of a capital gain from the sale of a principal residence of an individual or personal trust. In general, certain property of an individual or personal trust may be designated as a principal residence for a taxation year where the property was ordinarily inhabited in the year by the taxpayer or a particular beneficiary of the trust or by the spouse or common-law partner, former spouse or common-law partner, or child of the taxpayer or the particular beneficiary of the trust. Properties that may be designated as a principal residence of an individual or personal trust are a housing unit, a leasehold interest in a housing unit, and in certain circumstances, shares of the capital stock of a cooperative housing corporation owned by the individual or personal trust. The exempt portion of the capital gain from the sale of a principal residence is generally determined in proportion to the fraction where one plus the number of years after 1971 that the property was owned by and designated as the principal residence of the individual or personal trust while resident in Canada is divided by the number of years after 1971 that the property was owned by the individual or personal trust.
Tax	Personal income tax (including trusts)
Beneficiaries	Individual homeowners
Type of measure	Exemption
Legal reference	*Income Tax Act*, paragraph 40(2)(b), definition of "principal residence" in section 54 *Income Tax Regulations*, sections 2300 and 2301
Implementation and recent history	• Introduced as part of the 1972 Tax Reform. • Amended in Budget 1981 so that, for years after 1981, a family may only treat one property as its principal residence for a taxation year. • Amended on October 3, 2016 to require the reporting of dispositions (and introduce an indefinite reassessment period for unreported dispositions) and to limit the types of trusts that are eligible to designate a property as a principal residence for a taxation year beginning after 2016.
Objective – category	To achieve a social objective To achieve an economic objective – other
Objective	This measure recognizes that principal homes are generally purchased to provide basic shelter and not as an investment, and increases flexibility in the housing market by facilitating the movement of families from one principal residence to another in response to their changing circumstances (*Summary of 1971 Tax Reform Legislation*, 1971; Budget 1981).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base.
Subject	Housing
CCOFOG 2014 code	70619 - Housing and community amenities - Housing development
Other relevant government programs	Programs within the mandate of the Canada Mortgage and Housing Corporation, Indigenous Services Canada and Crown-Indigenous Relations and Northern Affairs Canada are intended to promote the construction, repair and renewal of affordable and safe housing. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return and data from the Multiple Listing Service
Estimation method	The value of this tax expenditure is estimated by multiplying total net exempt capital gains by the marginal tax rate on capital gains. Total net exempt capital gains are estimated using administrative data on claims (proceeds of disposition, year of acquisition). In determining net capital gains, adjustments are made to account for capital improvements (e.g., additions and renovations), acquisition costs (e.g., land transfer taxes, legal fees), and disposition costs (sales commissions). The breakdown of the estimates between individuals and trusts is not available.
Projection method	Projections are based on data for residential resales and average selling prices provided by the Canada Mortgage and Housing Corporation/Multiple Listing Service.
Number of beneficiaries	About 446,000 individuals claimed this exemption in 2019.

Cost Information:

Millions of dollars	**2016**	**2017**	**2018**	**2019**	**2020 (P)**	**2021 (P)**	**2022 (P)**	**2023 (P)**
Personal income tax	6,980	6,625	5,305	5,165	7,995	10,630	9,925	10,140

Non-taxation of certain importations

Description	Goods imported into Canada are generally taxable. However, a number of goods do not attract GST upon importation, including: • goods, other than prescribed goods (e.g., alcohol and tobacco products, certain books and periodicals), valued at not more than $20 and sent from other countries by mail or courier (other than by courier from Mexico or the United States) to residents of Canada; • goods, other than prescribed goods, valued at not more than $40 and imported by courier from Mexico or the United States; • goods imported by foreign diplomats or by settlers to Canada; • Canadian goods re-entering Canada and on which GST has already been paid; • goods imported on a temporary basis, such as tourists' baggage and foreign-based conveyances (ships, airplanes, trains, trucks) used in the international transportation of people or goods; • goods for emergency use, such as personal protective equipment (PPE) e.g. masks and gloves.
Tax	Goods and Services Tax
Beneficiaries	Households, businesses, foreign diplomats, settlers
Type of measure	Other
Legal reference	Schedule VII to the *Excise Tax Act* *Non-Taxable Imported Goods (GST/HST) Regulations* *Goods for Emergency Use Remission Order*
Implementation and recent history	• This measure has been in effect since the inception of the GST in 1991. • The list of non-taxable importations has been periodically amended. Most recently: o In accordance with the Canada—United States—Mexico Agreement (CUSMA), GST relief is provided for goods, other than prescribed goods, valued at not more than $40 and imported by courier from Mexico or the United States, applicable on or after July 1, 2020; o Budget 2012 announced a measure to provide GST relief on foreign-based rental vehicles temporarily imported by Canadian residents, applicable on or after June 1, 2012; and o regulations codifying the treatment of Canadian goods re-entering Canada were released on April 8, 2014, generally applicable retroactively to the inception of the GST (Department of Finance Canada news release 2014-051).
Objective – category	To reduce administration or compliance costs To prevent double taxation To achieve an economic objective - other
Objective	This measure is intended to simplify administration, prevent double taxation, promote tourism and ensure compliance with international convention precedents.
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	The non-taxation of goods that will be consumed in Canada is a deviation from a broadly defined value-added tax base.
Subject	International
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	n/a
Source of data	No data is available.
Estimation method	No estimate is available.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

Non-taxation of certain non-monetary employment benefits

Description	Fringe benefits provided to employees by their employers are not taxed when it is not administratively feasible to determine the value of the benefit. Examples include subsidized recreational facilities offered to all employees and scramble parking.
Tax	Personal income tax
Beneficiaries	Employees
Type of measure	Exemption
Legal reference	Administrative concession
Implementation and recent history	• Administrative positions have evolved over time.
Objective – category	To reduce administration or compliance costs
Objective	This measure recognizes the significant administrative and compliance costs that would be incurred in taxing certain non-monetary employment benefits.
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base.
Subject	Employment
CCOFOG 2014 code	70412 - Economic affairs - General economic, commercial, and labor affairs - General labor affairs
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support employment. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	No data is available.
Estimation method	No estimate is available.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

Non-taxation of certain veterans' benefits

Description	A number of benefits paid to veterans and Canadian Armed Forces members are tax free. These include the War Veterans Allowance, Disability Pensions, the Canadian Forces Income Support Benefit, the Caregiver Recognition Benefit, and certain other amounts payable under the *Pension Act* (as well as pension payments from allied countries that grant similar relief), the *Civilian War-related Benefits Act,* the *Gallantry Awards Order* and section 9 of the *Aeronautics Act.*
Tax	Personal income tax
Beneficiaries	Veterans, members of the Canadian Armed Forces and their families
Type of measure	Exemption
Legal reference	*Income Tax Act*, paragraphs 81(1)(d), (d.1) and (e)
Implementation and recent history	• Introduced in Budget 1942. Effective for pensions being administered on July 31, 1942. • Extended to the Canadian Forces Income Support Benefit in 2005, effective April 1, 2006. • Extended to the Family Caregiver Relief Benefit in 2015 (renamed the Caregiver Recognition Benefit in 2017), effective for the 2015 and subsequent taxation years.
Objective – category	To provide income support or tax relief
Objective	This measure recognizes that these benefits provide a basic level of support to veterans of Canada's military engagements and their families (Budget 1942; New Veterans Charter, 2006).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base.
Subject	Income support
CCOFOG 2014 code	70219 - Defense - Military defense
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada and Veterans Affairs Canada also support income security. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Data from Veterans Affairs Canada
Estimation method	The value of this tax expenditure is estimated by multiplying actual expenditures on exempt veterans' benefits by estimates of the marginal tax rates applicable to recipients.
Projection method	Projections for this tax expenditure are based on forecasted expenditures on exempt veterans' benefits.
Number of beneficiaries	About 88,000 individuals did not include these amounts in income in 2020-21.

Cost Information:

Millions of dollars	2016	2017	2018	2019	2020 (P)	2021 (P)	2022 (P)	2023 (P)
Personal income tax	220	205	200	200	185	180	180	175

Non-taxation of Guaranteed Income Supplement and Allowance benefits

Description	The Guaranteed Income Supplement is an income-tested benefit payable to low-income seniors as part of the Old Age Security program. There is also an income-tested Allowance that is provided to an eligible spouse, common-law partner, widow or widower aged 60 to 64. The Guaranteed Income Supplement and Allowance benefits are effectively non-taxable. Although these benefits must be included in income, an offsetting deduction from net income is provided. This approach ensures that such payments are taken into account in determining other income-tested credits and benefits.
Tax	Personal income tax
Beneficiaries	Low-income seniors
Type of measure	Exemption
Legal reference	*Income Tax Act*, paragraph 110(1)(f)
Implementation and recent history	• Introduced in Budget 1971. Effective for the 1971 and subsequent taxation years.
Objective – category	To provide income support or tax relief
Objective	This measure recognizes that these income-tested payments provide a basic level of support to elderly Canadians with little income other than the Old Age Security pension (Budget 1971).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base.
Subject	Income support Retirement
CCOFOG 2014 code	71029 - Social protection - Old age
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada and Veterans Affairs Canada also support income security. Programs within the mandate of Employment and Social Development Canada also support retirement income security. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	Of the approximately 2.3 million beneficiaries of the Guaranteed Income Supplement and Allowance benefits in 2019, it is estimated that about 820,000 additional individuals would have been in a taxable position in the absence of this measure.

Cost Information:

Millions of dollars	**2016**	**2017**	**2018**	**2019**	**2020 (P)**	**2021 (P)**	**2022 (P)**	**2023 (P)**
Personal income tax	175	225	225	235	240	235	235	245

Non-taxation of income earned by military and police deployed to international operational missions

Description	Income earned by members of the Canadian Armed Forces and police officers deployed on international operational missions must be included in income for tax purposes, but an offsetting deduction from net income is provided. This approach effectively exempts such income from taxation, while ensuring that it is taken into account in determining income-tested credits and benefits.
Tax	Personal income tax
Beneficiaries	Members of the Canadian Armed Forces and police officers deployed on international operational missions
Type of measure	Exemption
Legal reference	*Income Tax Act*, subparagraph 110(1)(f)(v)
Implementation and recent history	• The deduction was introduced in Budget 2004 for high-risk operational missions. Effective for the 2004 and subsequent taxation years. • On April 14, 2004, the Government announced that the deduction would be extended to moderate-risk missions (National Defence news release NR-04.028, April 14, 2004). • On May 18, 2017, the Government announced that the deduction would be extended to all international operational missions, effective for the 2017 and subsequent taxation years (National Defence news release, May 18, 2017). The maximum deduction was increased to the pay level of a Lieutenant-Colonel (General Services Officer).
Objective – category	To achieve a social objective
Objective	This measure is intended to provide special recognition for Canadian Armed Forces personnel and police serving their country on international operational missions (Budget 2004; National Defence news release NR-04.028, April 14, 2004; National Defence news release, May 18, 2017).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base.
Subject	Employment
CCOFOG 2014 code	70219 - Defense - Military defense 70319 - Public order and safety - Police services
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support employment. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Data from National Defence, the Royal Canadian Mounted Police, and the Canada Revenue Agency.
Estimation method	The value of this measure is estimated by multiplying total exempt earnings by an estimate of the marginal tax rate of the individuals that benefit from this measure. The estimates and projection are calculated based on administrative data from the Canada Revenue Agency and National Defence.
Projection method	Outer-year projections are not provided as the value of this measure cannot be reliably forecast for these years.
Number of beneficiaries	About 9,600 individuals received tax-deductible income in respect of international operational missions in 2019.

Cost Information:

Millions of dollars	2016	2017	2018	2019	2020 (P)	2021(P)	2022 (P)	2023 (P)
Personal income tax	15	40	40	40	30	40	n.a.	n.a.

Non-taxation of investment income on certain amounts received as damages in respect of personal injury or death

Description	Amounts received in respect of damages for personal injury or death, as well as awards paid pursuant to the authority of criminal injury compensation laws, are not taxable. In addition, investment income earned on personal injury awards is excluded from income until the end of the year in which the person reaches the age of 21. While the benchmark definition of income excludes amounts received as damages for personal injury or death (since they compensate taxpayers for a personal loss), it includes investment income earned on these amounts as part of this benchmark tax base. Thus, the non-taxation of investment income earned on these awards for those under age 22 is considered to be a tax expenditure.
Tax	Personal income tax
Beneficiaries	Individuals
Type of measure	Exemption
Legal reference	*Income Tax Act*, paragraphs 81(1)(g.1) and (g.2)
Implementation and recent history	• Introduced in Budget 1972. Effective for the 1972 and subsequent taxation years.
Objective – category	To provide income support or tax relief
Objective	This measure provides assistance to young persons receiving personal injury awards.
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base.
Subject	Income support
CCOFOG 2014 code	71099 - Social protection - Social protection not elsewhere classified
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada and Veterans Affairs Canada also support income security. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	No data is available.
Estimation method	No estimate is available.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

Non-taxation of life insurance companies' foreign income

Description	The income earned by a life insurer resident in Canada from an insurance business carried on in a country other than Canada is not subject to federal income tax in Canada.
Tax	Corporate income tax
Beneficiaries	Life insurance corporations
Type of measure	Exemption
Legal reference	*Income Tax Act*, subsection 138(2) *Income Tax Regulations*, sections 2400 to 2412
Implementation and recent history	• Introduced in 1954. • Amended in 2001, effective for taxation years ending after 1999, to clarify that only the gross investment revenue derived by the insurer from "designated insurance property" is included in the exempt income.
Objective – category	To provide relief for special circumstances To prevent double taxation
Objective	In recognition that other jurisdictions do not necessarily tax life insurance companies on the same basis as Canadian tax rules, this measure helps ensure that Canadian multinational life insurance companies are not adversely affected in foreign insurance markets by exempting their foreign income from tax in Canada (Budget 1977).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base.
Subject	International
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	n/a
Source of data	No data is available.
Estimation method	No estimate is available.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

Non-taxation of lottery and gambling winnings

Description	Lottery and gambling winnings are generally not subject to income tax unless, in the case of gambling winnings, the amounts are earned by the taxpayer through carrying on a business.
Tax	Personal income tax
Beneficiaries	Individuals with lottery or gambling winnings
Type of measure	Exemption
Legal reference	*Income Tax Act*, section 3, paragraph 40(2)(f) and subsection 52(4)
Implementation and recent history	• Canadian courts have generally held that lottery and gambling winnings are not considered to be a “source” of income for tax purposes, unless in the case of gambling winnings they were earned through the carrying on of a business. They have therefore generally not been taxed under the Canadian income tax system. • Paragraph 40(2)(f) and subsection 52(4) were introduced in 1972 as part of the 1971 Tax Reform and confirm the non-taxation of lottery and gambling winnings.
Objective – category	To implement intergovernmental tax arrangements
Objective	This measure reflects the agreement by the federal government to not tax this revenue in favour of the provinces.
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure is considered part of the benchmark tax system, and therefore is not a tax expenditure.
Subject	Intergovernmental tax arrangements
CCOFOG 2014 code	n/a
Other relevant government programs	n/a
Source of data	No data is available.
Estimation method	No estimate is available.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

Non-taxation of non-profit organizations

Description	A non-profit organization that is a club, society or association that is not a charity and that is organized and operated exclusively for social welfare, civic improvement, pleasure or for any other purpose except profit, qualifies for an exemption from income tax if it meets certain conditions. To be eligible, it is generally required that no part of the income of the organization be payable to, or otherwise available for the personal benefit of, any proprietor, member or shareholder of the organization. The exemption applies to both incorporated and unincorporated organizations. A tax expenditure results to the extent that the organization has income that would otherwise be taxable, such as investment income or profits from commercial activities.
Tax	Personal (including trusts) and corporate income tax
Beneficiaries	Non-profit organizations
Type of measure	Exemption
Legal reference	*Income Tax Act*, paragraph 149(1)(l)
Implementation and recent history	• Non-profit organizations have been exempt from federal income tax since the inception of the federal income tax in 1917.
Objective – category	To achieve a social objective
Objective	This measure provides tax relief for non-profit organizations in recognition of the important role they play in Canadian society.
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax certain taxpayers.
Subject	Donations, gifts, charities and non-profit organizations
CCOFOG 2014 code	705 - Environmental protection; 706 - Housing and community amenities; 707 - Health; 708 - Recreation, culture, and religion; 709 - Education; 710 - Social protection; Other various codes
Other relevant government programs	Many federal government entities provide direct funding to registered charities, non-profit organizations and international development associations through various programs.
Source of data	T1044 Non-Profit Organization (NPO) Information Return T2 Corporation Income Tax Return
Estimation method	Net income of non-profit organizations is estimated based on a presumed market rate of return on the organization's net assets. It is assumed that that income, in the absence of the tax exemption, would be subject to the same average effective tax rates as those of typical taxable corporations. This represents a lower bound estimate.
Projection method	The cost of this measure is projected based on the estimated growth of nominal gross domestic product and the average yield on 10-year benchmark bonds.
Number of beneficiaries	About 30,000 non-profit organizations with positive net assets filed a non-profit organization information return in 2018.

Cost Information:

Millions of dollars	2016	2017	2018	2019	2020 (P)	2021 (P)	2022 (P)	2023 (P)
Total – personal and corporate income tax	65	100	130	95	40	85	120	155

Non-taxation of payments to Canadian Armed Forces members and veterans in respect of pain and suffering

Description	The Disability Award provides injured Canadian Armed Forces members or veterans with an award for an injury or illness resulting from military service. The Critical Injury Benefit is a lump-sum award that addresses the immediate impacts of the most severe and traumatic service-related injuries or diseases sustained by Canadian Armed Forces members. Starting in 2019, the Pain and Suffering Compensation and the Additional Pain and Suffering Compensation are payments for life to recognize pain and suffering caused by a service-related disability. All these payments are exempt from income tax, as they are analogous to amounts received in respect of damages for personal injury. The benchmark definition of income excludes amounts received as damages since they compensate taxpayers for a personal loss.
Tax	Personal income tax
Beneficiaries	Veterans, members of the Canadian Armed Forces and their families
Type of measure	Exemption
Legal reference	*Income Tax Act*, paragraph 81(1)(d.1)
Implementation and recent history	• The Disability Award was made tax-free when it was introduced in 2005 as part of the New Veterans Charter. • The Critical Injury Benefit was made tax-free when it was introduced in 2015 (Veterans Affairs Canada news release, March 30, 2015). • The Pain and Suffering Compensation and the Additional Pain and Suffering Compensation were made tax-free when introduced as of April 1, 2019 (Veterans Affairs Canada, news release, December 20, 2017).
Objective – category	Other
Objective	This measure recognizes that these benefits provide a basic level of support to veterans of Canada's military engagements and their families (New Veterans Charter, 2005).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure is considered part of the benchmark tax system, and therefore is not a tax expenditure.
Subject	Other
CCOFOG 2014 code	71012 - Social protection - Sickness and disability - Disability 70219 - Defense - Military defense
Other relevant government programs	n/a
Source of data	Data from Veterans Affairs Canada
Estimation method	The value of this tax expenditure is estimated by multiplying actual expenditures on veterans' Disability Awards and Critical Injury Benefits by estimates of the marginal tax rates applicable to recipients.
Projection method	Projections for this tax expenditure are based on forecasted expenditures on veterans' Disability Awards and Critical Injury Benefits.
Number of beneficiaries	In 2020-21, there were about 26,000 Pain & Suffering beneficiaries and 18,000 Additional Pain & Suffering beneficiaries.

Cost Information:

Millions of dollars	**2016**	**2017**	**2018**	**2019**	**2020 (P)**	**2021 (P)**	**2022 (P)**	**2023 (P)**
Personal income tax	170	345	345	295	300	440	400	360

Non-taxation of personal property of status Indians and Indian bands situated on reserve

Description	Section 87 of the *Indian Act* exempts the personal property of status Indians and Indian bands from direct taxation if that property is situated on a reserve. Courts have held that the term "personal property" includes income. Determining whether income is situated on a reserve requires an examination of the factors that connect it to a reserve. Such connecting factors include the location (on or off a reserve) of the residence of the status Indian, the location at which the employment duties were performed and the location of other income-earning activities. In respect of the GST, the exemption applies if a status Indian makes a purchase of a good or service on a reserve, or if goods are purchased off-reserve by a status Indian and are delivered to a reserve by the vendor or vendor's agent.
Tax	Personal income tax Goods and Services Tax
Beneficiaries	Status Indians and Indian bands on reserve
Type of measure	Exemption
Legal reference	*Indian Act*, section 87 *Income Tax Act*, paragraph 81(1)(a)
Implementation and recent history	• The first tax exemption available to status Indians was enacted in 1850, later being replaced by the *Indian Act* in 1876. • The current wording of section 87 of the *Indian Act* was added in 1951 and has not changed materially since then. • Court decisions continue to have an important role in defining the scope of the exemption under section 87.
Objective – category	Other
Objective	This measure reflects provisions under section 87 of the *Indian Act*.
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax certain taxpayers.
Subject	Other
CCOFOG 2014 code	n/a
Other relevant government programs	n/a
Source of data	No data is available.
Estimation method	No estimate is available.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

Non-taxation of provincial assistance for venture investments in small businesses

Description	As a general rule, a taxpayer receiving government assistance (such as a provincial tax credit) for the purchase of an asset would need to either: (i) reduce the adjusted cost base of the asset such that when the asset is disposed of at a profit, taxes are payable on the portion of the gain that originates from the government assistance; or (ii) include the amount of the provincial assistance in income. This measure, however, ensures that a taxpayer who receives assistance from a provincial government to purchase the shares of a prescribed venture capital corporation is not subject to either of these income inclusion provisions.
Tax	Personal and corporate income tax
Beneficiaries	Individual and corporate investors
Type of measure	Exemption
Legal reference	*Income Tax Act*, paragraph 12(1)(x) *Income Tax Regulations*, sections 6700, 6702 and 7300
Implementation and recent history	• Introduced in 1986. Effective for shares acquired on or after May 23, 1985.
Objective – category	To encourage or attract investment
Objective	This measure supports investments in prescribed venture capital corporations that provide small businesses with capital and professional management support.
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base.
Subject	Business - small businesses
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandate of Innovation, Science and Economic Development Canada also support small businesses. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	No data is available.
Estimation method	No estimate is available.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

Non-taxation of RCMP pensions and other compensation in respect of injury, disability or death

Description	Pension payments or compensation received in respect of an injury, disability or death associated with the service of a member in the Royal Canadian Mounted Police (RCMP) are exempt from tax.
Tax	Personal income tax
Beneficiaries	RCMP members and their families
Type of measure	Exemption
Legal reference	*Income Tax Act*, paragraph 81(1)(i)
Implementation and recent history	• Introduced in 1958. Effective for the 1958 and subsequent taxation years.
Objective – category	To provide income support or tax relief
Objective	This measure recognizes that these benefits represent, to a large extent, compensation to members of Canada's national police force and their families for a loss suffered by members in the course of their duties.
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base.
Subject	Income support Employment
CCOFOG 2014 code	71011 - Social protection - Sickness and disability - Sickness 71012 - Social protection - Sickness and disability - Disability 71039 - Social protection - Survivors
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada and Veterans Affairs Canada also support income security. Programs within the mandate of Employment and Social Development Canada also support employment. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	*Public Accounts of Canada*
Estimation method	The value of this measure is estimated based on amounts paid to compensate members of the RCMP for injuries received in the performance of duty, as reported in the Public Accounts.
Projection method	The projection is based on the historical trend in the value of payments.
Number of beneficiaries	More than 16,000 individuals did not include these amounts in income in 2019-20.

Cost Information:

Millions of dollars	2016	2017	2018	2019	2020 (P)	2021 (P)	2022 (P)	2023 (P)
Personal income tax	30	35	40	50	55	60	60	65

Non-taxation of registered charities

Description	Registered charities, both incorporated and unincorporated, are exempt from income tax. Registered charities include charitable organizations, public foundations and private foundations. A tax expenditure results to the extent that the charity has income that would otherwise be taxable, such as investment income or profits from certain commercial activities.
Tax	Personal (including trusts) and corporate income tax
Beneficiaries	Registered charities
Type of measure	Exemption
Legal reference	*Income Tax Act*, paragraph 149(1)(f)
Implementation and recent history	• Charities have been exempt from federal income tax since the inception of the federal income tax in 1917.
Objective – category	To achieve a social objective
Objective	This measure provides tax relief for registered charities in recognition of the important role they play in Canadian society (*The Tax Treatment of Charities*, Discussion Paper, June 23, 1975).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax certain taxpayers.
Subject	Donations, gifts, charities and non-profit organizations
CCOFOG 2014 code	705 - Environmental protection; 706 - Housing and community amenities; 707 - Health; 708 - Recreation, culture, and religion; 709 - Education; 710 - Social protection; Other various codes
Other relevant government programs	Many federal government entities provide direct funding to registered charities, non-profit organizations and international development associations through various programs.
Source of data	No data is available.
Estimation method	No estimate is available.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

Non-taxation of social assistance benefits

Description	Social assistance payments generally must be included in income for tax purposes, but an offsetting deduction from net income is provided. This approach effectively exempts such benefits from taxation, while ensuring that they are taken into account in determining income-tested credits and benefits. Some other forms of benefits (e.g., payments to foster parents, benefits in kind) are not included in income, and are therefore exempt from taxation. If an individual lived with a spouse or common-law partner when the payments were received, the person with the higher net income must report all of the payments.
Tax	Personal income tax
Beneficiaries	Low-income individuals
Type of measure	Exemption
Legal reference	*Income Tax Act*, paragraph 110(1)(f)
Implementation and recent history	• To be consistent with the treatment of payments made under the Guaranteed Income Supplement, Budget 1981 made social assistance payments includable in income and deductible in computing taxable income, effective for the 1982 and subsequent taxation years.
Objective – category	To provide income support or tax relief
Objective	This measure recognizes the nature of social assistance as a payment of last resort (Budget 1981).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base.
Subject	Income support
CCOFOG 2014 code	71099 - Social protection - Social protection not elsewhere classified
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada and Veterans Affairs Canada also support income security. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model. The estimates do not include the non-taxation of social assistance benefits that are not included in income.
Projection method	T1 micro-simulation model
Number of beneficiaries	Of the approximately 1.7 million individuals who reported having received social assistance payments in 2019, it is estimated that 578,000 individuals would have had an increase in net tax owing in the absence of this measure.

Cost Information:

Millions of dollars	**2016**	**2017**	**2018**	**2019**	**2020 (P)**	**2021 (P)**	**2022 (P)**	**2023 (P)**
Personal income tax	240	265	300	330	370	350	330	320

Non-taxation of strike pay

Description	Most payments of the type commonly referred to as strike pay that are received from a member's union are not taxable.
Tax	Personal income tax
Beneficiaries	Union members
Type of measure	Exemption
Legal reference	Strike pay is not a source of income under the *Income Tax Act*.
Implementation and recent history	• The Supreme Court confirmed a longstanding administrative position that strike pay is non-taxable in a 1990 court case (*Wally Fries v. The Queen*, [1990] 2 CTC 439, 90 DTC 6662).
Objective – category	To implement a judicial decision
Objective	Strike pay is non-taxable by virtue of the Supreme Court of Canada's determination that it is not income from a source.
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure is considered part of the benchmark tax system, and therefore is not a tax expenditure.
Subject	Employment
CCOFOG 2014 code	70412 - Economic affairs - General economic, commercial, and labor affairs - General labor affairs
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support employment. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	No data is available.
Estimation method	No estimate is available.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

Non-taxation of up to $10,000 of death benefits

Description	Up to $10,000 of the total death benefit paid by a deceased person's employer or former employer in respect of the deceased person's employment service is exempt from tax in the hands of recipient individuals. The excess must be included in the recipients' income.
Tax	Personal income tax (including trusts)
Beneficiaries	Individuals receiving death benefits
Type of measure	Exemption
Legal reference	*Income Tax Act*, subparagraph 56(1)(a)(iii) and subsection 248(1), definition of "death benefit"
Implementation and recent history	• The exemption of up to $10,000 of a death benefit was introduced in Budget 1959, applicable to amounts received on or after the death of an employee that occurred after April 9, 1959.
Objective – category	To achieve a social objective To provide income support or tax relief
Objective	This measure alleviates the hardship faced by dependants upon the death of a supporting individual (Budget 1959).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base.
Subject	Families and households Income support
CCOFOG 2014 code	71039 - Social protection - Survivors
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada and Indigenous Services Canada also support Canadian families and households. Programs within the mandates of Employment and Social Development Canada and Veterans Affairs Canada also support income security. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T4A Statement of Pension, Retirement, Annuity, and Other Income
Estimation method	An estimate of forgone tax revenue is calculated by multiplying the exempt portion of death benefits paid in a year by the average marginal tax rate of individuals receiving such amounts. The estimates do not cover death benefits accruing to trusts.
Projection method	The projection assumes no growth in exempt death benefit amounts.
Number of beneficiaries	About 8,700 death benefits were paid in 2019. The number of individuals who benefited from the non-taxation of a portion of the death benefit in that year is unknown.

Cost Information:

Millions of dollars	2016	2017	2018	2019	2020 (P)	2021 (P)	2022 (P)	2023 (P)
Personal income tax	5	5	5	5	10	10	10	10

Non-taxation of workers' compensation benefits

Description	Compensation received under the employees' or workers' compensation law of Canada or a province in respect of an injury, disability or death must generally be included in income, but an offsetting deduction for the purposes of the calculation of taxable income is provided. This approach effectively exempts such benefits from taxation, while ensuring that they are taken into account in determining income-tested credits and benefits.
Tax	Personal income tax
Beneficiaries	Employees
Type of measure	Exemption
Legal reference	*Income Tax Act*, subparagraph 110(1)(f)(ii)
Implementation and recent history	• The first Workers' Compensation Boards were established in 1915, and workers' compensation benefits have been non-taxable since the inception of the income tax in 1917. • Prior to 1982, workers' compensation payments were excluded from income. From 1982 onward, workers' compensation benefits have been included in total income and deductible in computing taxable income.
Objective – category	To provide income support or tax relief
Objective	This measure provides assistance to workers suffering on-the-job injuries.
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base.
Subject	Income support Employment
CCOFOG 2014 code	71012 - Social protection - Sickness and disability - Disability 71099 - Social protection - Social protection not elsewhere classified
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada and Veterans Affairs Canada also support income security. Programs within the mandate of Employment and Social Development Canada also support employment. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 587,000 individuals reported having received workers' compensation benefits in 2019.

Cost Information:

Millions of dollars	2016	2017	2018	2019	2020 (P)	2021 (P)	2022 (P)	2023 (P)
Personal income tax	640	675	720	755	860	800	795	800

Northern Residents Deductions

Description	Individuals residing in prescribed areas in Canada for a specified period may claim the Northern Residents Deductions. Two different deductions can be claimed: a residency deduction of up to $22 a day, and a deduction for two vacation trips per year and unlimited medical travel. Residents of the Northern Zone are eligible for the full deductions, while residents of the Intermediate Zone are eligible for half of the deductions.
Tax	Personal income tax
Beneficiaries	Individuals residing in prescribed areas in the North
Type of measure	Deduction
Legal reference	*Income Tax Act*, section 110.7 *Income Tax Regulations*, sections 7303.1 and 7304
Implementation and recent history	• Introduced in Budget 1986. Effective for the 1987 and subsequent taxation years. • The current design of the Northern Residents Deductions was introduced in 1990 (Department of Finance Canada news release, December 7, 1990). • Budget 2008 increased the maximum daily residency deduction by 10%, from $15.00 to $16.50. • Budget 2016 increased the maximum daily residency deduction by 33%, from $16.50 to $22.00. • Budget 2021 proposed to allow northerners without employer-provided travel benefits to claim up to $1,200 in eligible travel expenses.
Objective – category	To encourage employment
Objective	This measure assists in drawing skilled labour to northern and isolated communities (Budget 1986; Budget 2008).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure provides tax recognition for an expense that is not incurred to earn income.
Subject	Employment
CCOFOG 2014 code	70412 - Economic affairs - General economic, commercial, and labor affairs - General labor affairs
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support employment. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 262,000 individuals claimed these deductions in 2019.

Cost Information:

Millions of dollars	**2016**	**2017**	**2018**	**2019**	**2020 (P)**	**2021 (P)**	**2022 (P)**	**2023 (P)**
Personal income tax	220	225	230	230	230	255	265	265

Partial deduction of and partial input tax credits for meals and entertainment

Description	The deductibility of meals and entertainment expenses in computing business income for income tax purposes is limited to 50% of the expenses incurred. This limit is increased to 80% in the case of meal expenses incurred by long-haul truck drivers. Similarly, 50% of the GST paid by businesses on meals and entertainment, increased to 80% in the case of meals consumed by long-haul truck drivers, can be claimed as input tax credits by GST registrants.
Tax	Personal (including trusts) and corporate income tax Goods and Services Tax
Beneficiaries	Businesses
Type of measure	Deduction; input tax credit
Legal reference	*Income Tax Act*, section 67.1 *Excise Tax Act*, section 236
Implementation and recent history	• The 1987 Tax Reform limited the deductibility of meals and entertainment expenses to 80% of the expenses incurred. • Budget 1994 reduced the deductibility limit from 80% to 50%. • Budget 2007 increased the deductibility limit to 80% for expenses incurred by long-haul truck drivers. • The rule limiting input tax credits for these expenses has been in place since the inception of the GST. The allowable amount is periodically amended, concurrently with the income tax rules.
Objective – category	n/a
Objective	n/a
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	Meals and entertainment expenses that are incurred by businesses for the purpose of earning business income may be viewed as also having an element of personal consumption. A tax expenditure would arise to the extent that a deduction is granted for the personal consumption portion of meals and entertainment expenses, or that an input tax credit is granted for the GST paid in respect of that portion. However, the personal consumption portion of meals and entertainment expenses cannot be determined, therefore it is not known the extent to which the partial deduction and input tax credits for meals and entertainment expenses depart from the benchmark tax system.
Subject	Business – other
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return T2 Corporation Income Tax Return
Estimation method	The estimates are based on actual expenses incurred by individuals (not including trusts) and businesses. The estimates are an upper bound, as they assume that all meal and entertainment expenses are incurred for personal consumption.
Projection method	The personal income tax component of this measure is projected using the T1 micro-simulation model; the corporate income tax component is projected to grow in line with corporate taxable income. The GST component is projected based on the income tax projections.
Number of beneficiaries	This measure provided tax relief to about 961,000 individuals and 925,000 corporations in 2019.

Cost Information:

Millions of dollars	2016	2017	2018	2019	2020 (P)	2021 (P)	2022 (P)	2023 (P)
Personal income tax	215	210	200	200	130	190	200	215
Corporate income tax	295	310	325	340	225	320	325	355
Goods and Services Tax	180	185	190	185	130	145	175	175
Total	690	705	715	725	490	650	700	745

Partial inclusion of capital gains

Description	Only half of net realized capital gains are included in income.
Tax	Personal (including trusts) and corporate income tax
Beneficiaries	Individuals and corporations
Type of measure	Exemption
Legal reference	*Income Tax Act*, section 38
Implementation and recent history	• Introduced in Budget 1971. Effective for the 1972 and subsequent taxation years. • The 1987 Tax Reform increased the capital gains inclusion for the 1988 and subsequent taxation years. In general terms, the inclusion rate increased to two-thirds from one-half for 1988 and 1989, and to three-quarters from two-thirds for the 1990 and subsequent taxation years. • The capital gains inclusion rate was reduced to two-thirds from three-quarters effective February 28, 2000 (Budget 2000), and reduced again to one-half from two-thirds, effective October 18, 2000 (2000 Economic Statement and Budget Update).
Objective – category	To encourage or attract investment To encourage savings To support competitiveness
Objective	This measure provides incentives to Canadians to save and invest, and ensures that Canada's treatment of capital gains is broadly comparable to that of other countries (*Proposals for Tax Reform*, 1969; *The White Paper: Tax Reform 1987*; Budget 2000; 2000 Economic Statement and Budget Update).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base.
Subject	Savings and investment
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	n/a
Source of data	Personal income tax: T1 Income Tax and Benefit Return and T3 Trust Income Tax and Information Return Corporate income tax: T2 Corporation Income Tax Return
Estimation method	Personal income tax: T1 and T3 micro-simulation models. The tax expenditure accruing to trusts is estimated under the assumption that the repeal of this measure would cause the same proportion of the simulated taxable capital gains as the actual taxable capital gains to be paid out to beneficiaries. Corporate income tax: T2 micro-simulation model
Projection method	Personal income tax: T1 micro-simulation model in the case of individuals. Projections for trusts are based on projected growth for individuals. Corporate income tax: Projections are based on the Department of Finance Canada's forecast for the growth of capital gains.
Number of beneficiaries	About 2.7 million individuals and 256,000 corporations reported capital gains in 2019. In addition, about 36,000 trusts are estimated to have benefited from this measure in 2019.

Cost Information:

Millions of dollars	**2016**	**2017**	**2018**	**2019**	**2020 (P)**	**2021 (P)**	**2022 (P)**	**2023 (P)**
Personal income tax								
Individuals	6,250	9,485	8,700	8,440	10,890	10,035	10,465	10,825
Trusts	570	835	700	750	1,125	900	945	990
Total – personal income tax	6,820	10,315	9,395	9,190	12,015	10,935	11,410	11,815
Corporate income tax	6,600	9,645	11,530	10,940	11,000	10,450	10,975	11,340
Total	13,420	19,965	20,925	20,130	23,015	21,390	22,385	23,155

Partial inclusion of U.S. Social Security benefits

Description	Individuals who are resident in Canada and receiving U.S. Social Security benefits since before 1996 (and their surviving spouses and common-law partners who are eligible to receive survivor benefits) can deduct 50% of those benefits in computing income. Other recipients of U.S. Social Security benefits can deduct 15% of the benefits received.
Tax	Personal income tax
Beneficiaries	Seniors
Type of measure	Exemption
Legal reference	*Income Tax Act*, section 110(1)(h) Canada-United States Tax Convention, article XVIII, paragraph 5(a)
Implementation and recent history	• From 1984 to 1996, under the Canada-United States Tax Convention, Canada had the sole right to tax U.S. Social Security benefits of Canadian residents. However, the Convention also required that half of these benefits be tax-exempt in Canada. This exemption was introduced to take into account how the benefits would have been taxed in the U.S. if paid to U.S. residents. Before 1996, the U.S. exempted up to 50% of U.S. Social Security benefits. • The 1995 Protocol to the Canada-United States Tax Convention granted the United States the exclusive right to tax the benefits of Canadian residents, effective for 1996 and 1997. • Under the 1997 Protocol, Canada regained exclusive taxing jurisdiction over U.S. Social Security benefits of Canadian residents, generally effective retroactively to January 1, 1996. Concurrently, 15% of those benefits became tax-exempt because the U.S. was exempting up to 15% of U.S. Social Security benefits since 1996. • Budget 2010 reinstated the 50% exemption for all Canadians and their spouses and common-law partners who have been in receipt of benefits since before January 1, 1996, effective for benefits received on or after January 1, 2010.
Objective – category	To provide income support or tax relief
Objective	This measure increases from 15% to 50% the percentage of U.S. Social Security payments that Canadian residents who have received such benefits since before January 1, 1996 can exclude from their taxable income in order to exempt the same proportion of U.S. Social Security benefits that the U.S. exempted before 1996.
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base.
Subject	Retirement
CCOFOG 2014 code	71029 - Social protection - Old age
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support retirement income security. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	No data is available.
Estimation method	No estimate is available.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

Patronage dividends paid as shares by agricultural cooperatives

Description	While patronage dividends not in respect of consumer goods and services are generally taxable when received, members of an agricultural cooperative are permitted to defer paying tax on a patronage dividend paid by the cooperative in the form of an eligible share until the disposition (or deemed disposition) of the share. In addition, when an eligible agricultural cooperative pays a patronage dividend to a member in the form of an eligible share, the withholding obligation in respect of the patronage dividend is deferred until the share is redeemed. In general terms, in order to issue eligible shares, agricultural cooperatives must be established in Canada and have as their principal business activity farming or the provision of goods or services required for farming in Canada. In order to be an eligible share, the share must be issued after 2005 and before 2026, and generally must not be redeemable or retractable within five years of its issue.
Tax	Personal (including trusts) and corporate income tax
Beneficiaries	Members of agricultural cooperatives
Type of measure	Timing preference
Legal reference	*Income Tax Act*, section 135.1
Implementation and recent history	• Introduced in Budget 2005. Effective in respect of eligible shares issued after 2005 and before 2016. • Budget 2015 extended this measure to apply in respect of eligible shares issued before 2021. • The 2020 *Fall Economic Statement* extended this measure to apply to eligible shares issued before 2026.
Objective – category	To encourage or attract investment
Objective	The objective of this measure is to aid the capitalization of agricultural cooperatives (Budget 2005).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure permits the deferral of the recognition of income or gains for income tax purposes.
Subject	Business - farming and fishing
CCOFOG 2014 code	70421 - Economic affairs - Agriculture, forestry, fishing, and hunting - Agriculture
Other relevant government programs	Programs within the mandates of Agriculture and Agri-Food Canada and Fisheries and Oceans Canada also support the farming and fishing sectors. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T2 Corporation Income Tax Return
Estimation method	This tax expenditure is calculated by multiplying the reported amount of patronage dividends paid as shares by agricultural cooperatives by the average marginal personal income tax rate for farmers.
Projection method	The cost of this tax expenditure is fairly stable; as such no growth is assumed over the projection period.
Number of beneficiaries	This measure provided tax relief to about 35 corporations in 2019. No data is available for unincorporated agricultural cooperatives.

Cost Information:

Millions of dollars	2016	2017	2018	2019	2020 (P)	2021 (P)	2022 (P)	2023 (P)
Personal income tax	2	2	2	S	1	1	1	1
Corporate income tax	5	4	4	S	3	3	3	3
Total	5	5	5	1	4	4	4	4

Pension Income Credit

Description	The Pension Income Credit is a non-refundable credit that provides tax relief to taxpayers receiving eligible pension income. The value of the credit is calculated by applying the lowest personal income tax rate to the first $2,000 of eligible pension income. Any unused portion of the credit may be transferred to a spouse or common-law partner. Eligible pension income is generally limited to certain types of income from registered plans, such as a lifetime pension from a Registered Pension Plan and, for individuals who are age 65 or over, income from a Pooled Registered Pension Plan, a Registered Retirement Savings Plan annuity, a Registered Retirement Income Fund or a Life Income Fund. Variable benefits payments from a defined contribution Registered Pension Plan are also eligible for individuals who are age 65 or over. Veterans' Retirement Income Security Benefit payments and Income Replacement Benefit payments are also eligible for the credit.
Tax	Personal income tax
Beneficiaries	Seniors and pensioners receiving eligible pension income
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, subsections 118(3) and (7)
Implementation and recent history	• Introduced as part of the 1987 Tax Reform, effective for the 1988 and subsequent taxation years, to replace the previous pension deduction. • The maximum amount of income eligible for the Pension Income Credit was doubled from $1,000 to $2,000 in Budget 2006. • Veterans' Retirement Income Security Benefit payments became eligible for the Pension Income Credit as of the 2015 taxation year and veterans' Income Replacement Benefit payments are eligible for the credit as of the 2019 taxation year.
Objective – category	To provide income support or tax relief To achieve a social objective
Objective	This measure was introduced to provide additional protection against inflation for the retirement income of elderly Canadians (Budget November 1974).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system. The tax benefit from this measure is transferable between spouses or common-law partners.
Subject	Retirement
CCOFOG 2014 code	71029 - Social protection - Old age
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support retirement income security. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 5.5 million individuals claimed this credit in 2019.

Cost Information:

Millions of dollars	2016	2017	2018	2019	2020 (P)	2021 (P)	2022 (P)	2023 (P)
Personal income tax	1,190	1,195	1,235	1,255	1,270	1,295	1,325	1,365

Pension income splitting

Description	Canadian residents receiving income that qualifies for the Pension Income Credit can allocate up to one-half of that income to their resident spouse or common-law partner for income tax purposes. Income that is eligible for the Pension Income Credit and pension income splitting is generally limited to certain types of income from registered plans, such as a lifetime pension from a Registered Pension Plan and, for individuals who are age 65 or over, income from a Pooled Registered Pension Plan, a Registered Retirement Savings Plan annuity, a Registered Retirement Income Fund or a Life Income Fund. Variable benefits payments from a defined contribution Registered Pension Plan are also eligible only for individuals who are age 65 or over. Income from a Retirement Compensation Arrangement (which is not eligible for the Pension Income Credit), as well as veterans' Retirement Income Security Benefit payments and Income Replacement Benefit payments, also qualify for pension income splitting for individuals who are age 65 or over, subject to specified conditions.
Tax	Personal income tax
Beneficiaries	Seniors and pensioners receiving eligible pension income
Type of measure	Other
Legal reference	*Income Tax Act*, section 60.03
Implementation and recent history	• Introduced as part of the 2006 Tax Fairness Plan. Effective for the 2007 and subsequent taxation years. • Income from a Retirement Compensation Arrangement became eligible for pension income splitting, subject to specified conditions, as of the 2013 taxation year. • Subject to specified conditions, veterans' Retirement Income Security Benefit payments became eligible for pension income splitting as of the 2015 taxation year and veterans' Income Replacement Benefit payments are eligible for pension income splitting as of the 2019 taxation year.
Objective – category	To provide income support or tax relief To extend or modify the unit of taxation
Objective	This measure recognizes the special challenges of planning and managing retirement income, and provides targeted assistance to pensioners (Tax Fairness Plan, 2006).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure extends the unit of taxation.
Subject	Retirement
CCOFOG 2014 code	71029 - Social protection - Old age
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support retirement income security. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 1.4 million couples split pension income in 2019.

Cost Information:

Millions of dollars	2016	2017	2018	2019	2020 (P)	2021 (P)	2022 (P)	2023 (P)
Personal income tax	1,135	1,290	1,380	1,415	1,495	1,625	1,750	1,890

Political Contribution Tax Credit

Description	Individuals (including testamentary trusts) who make monetary contributions to a registered party, a registered association or a candidate as defined in the *Canada Elections Act* can claim the Political Contribution Tax Credit in respect of their contributions. This non-refundable credit is calculated as 75% of the first $400 contributed, 50% of the next $350 contributed, and 33⅓% of the next $525 contributed. The maximum credit available is $650.
Tax	Personal income tax (including trusts)
Beneficiaries	Individuals
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, subsection 127(3)
Implementation and recent history	• Introduced as part of the *Election Expenses Act* of 1974. • In 2003, the amount to which the 75% credit applies was extended to $400, effective January 1, 2004. • Corporations were prohibited from making political contributions in 2007, following the adoption of the *Federal Accountability Act*.
Objective – category	To achieve a social objective
Objective	This measure encourages broad citizen participation in the electoral process.
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system.
Subject	Social
CCOFOG 2014 code	70111 - General public services - Executive and legislative organs, financial and fiscal affairs, external affairs - Executive and legislative organs
Other relevant government programs	Programs within the mandates of Canadian Heritage, Immigration, Refugees and Citizenship Canada, Transport Canada and Public Safety Canada (among other departments) also support various other social objectives. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return T3 Trust Income Tax and Information Return Data from Elections Canada
Estimation method	T1 micro-simulation model. The estimates do not cover political contributions made by testamentary trusts.
Projection method	Projections for this measure for individuals are derived using Elections Canada data and a T1 micro-simulation model. These projections take into account observed trends in political donations around federal election years.
Number of beneficiaries	This measure provided tax relief to about 214,500 individuals in 2019. The number of trusts having claimed this credit in 2019 is not disclosed due to confidentiality restrictions.

Cost Information:

Millions of dollars	2016	2017	2018	2019	2020 (P)	2021 (P)	2022 (P)	2023 (P)
Personal income tax	25	25	30	45	35	45	30	30

Pooled Registered Pension Plans

Description	A Pooled Registered Pension Plan (PRPP) is a type of pension plan that is similar to a defined contribution Registered Pension Plan. A deferral of tax is provided on savings in a PRPP in order to encourage and assist Canadians to save for retirement. Contributions to a PRPP are deductible from income, the investment income is not taxed as it accrues in the plan, and withdrawals and benefit payments are included in income for tax purposes. Contributions to PRPPs must be made within a PRPP member's available Registered Retirement Savings Plan contribution limit.
Tax	Personal income tax
Beneficiaries	Individuals with available RRSP contribution room
Type of measure	Timing preference
Legal reference	*Income Tax Act*, section 147.5
Implementation and recent history	• The income tax rules for PRPPs came into force on December 14, 2012 (Department of Finance Canada news release 2012-165, December 14, 2012).
Objective – category	To encourage savings
Objective	Consistent with tax assistance provided on savings in Registered Pension Plans and Registered Retirement Savings Plans, this measure encourages and assists Canadians to arrange for their financial security in later years.
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure permits the deferral of the recognition of income or gains for income tax purposes.
Subject	Retirement Savings and investment
CCOFOG 2014 code	71029 - Social protection - Old age
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support retirement income security. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	n/a
Estimation method	n/a
Projection method	n/a
Number of beneficiaries	No data is available.

Cost Information:

Millions of dollars	2016	2017	2018	2019	2020 (P)	2021 (P)	2022 (P)	2023 (P)
Personal income tax	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Note: The tax expenditure associated with this measure is combined with the tax expenditure associated with Registered Retirement Savings Plans (see measure "Registered Retirement Savings Plans").

Preferential tax rate for small businesses

Description	The first $500,000 of annual income earned by a Canadian-controlled private corporation (CCPC) from an active business carried on in Canada is taxed at a preferential federal corporate income tax rate of 9% (as of January 1, 2019). The $500,000 annual small business limit must be shared by a CCPC with other CCPCs with which it is associated. In order to target the preferential tax rate to small businesses, the annual small business limit is gradually reduced when: • The taxable capital of the CCPCs that are part of the same associated group is between $10 million and $15 million, and is zero if the taxable capital of the associated group is $15 million or greater. • The investment income of the CCPCs that are part of the same associated group is between $50,000 and $150,000, and is zero if the investment income of the associated group is $150,000 or greater. The annual small business limit is the lesser of the two reduced amounts.
Tax	Corporate income tax
Beneficiaries	Small Canadian-controlled private corporations
Type of measure	Preferential tax rate
Legal reference	*Income Tax Act*, section 125
Implementation and recent history	• A lower federal corporate tax rate was introduced in Budget 1949 to assist smaller corporations. In general terms, a low 10% rate applied to business income up to $10,000 while additional income was taxed at a 33% rate. All corporations were eligible for this lower rate, regardless of size; however, only one corporation in a controlled corporate group could claim that lower rate. • Eligibility rules to this lower rate were modified as part of the 1972 Tax Reform to limit access to CCPCs and provide for the sharing of the small business limit among associated corporations. • Budget 1994 introduced rules to phase out the preferential tax rate for CCPCs with taxable capital of at least $10 million. • The annual business limit was increased in stages from $200,000 in 2002 to $300,000 in 2005. It was increased to $400,000 effective 2007. • The 2007 Economic Statement reduced the preferential tax rate from 12% to 11% effective 2008 (compared to the general corporate income tax rate of 19.5% in 2008). The federal corporate surtax (equivalent to 1.12 percentage points of tax) was also eliminated for all corporations as of 2008. • Budget 2009 increased the annual income limit to $500,000 (from $400,000), effective 2009. • Budget 2015 announced a series of reductions to the preferential tax rate, including a reduction from 11% to 10.5% in 2016. • Budget 2016 introduced a change to prevent the small business deduction from applying to income earned from sales to another corporation, or related persons, that have a direct or indirect interest in the selling corporation. • On October 16, 2017 the Government announced a further reduction in the preferential tax rate to 10% as of January 1, 2018, and to 9% as of January 1, 2019. • Budget 2018 announced that the small business business limit would be reduced on a straight-line basis for CCPCs having between $50,000 and $150,000 of investment income, for tax years beginning after 2018. • Budget 2019 introduced a change to allow the income from sales of farming and fishing products by a CCPC to any arm's length corporation to count for the small business deduction.
Objective – category	To encourage or attract investment To support business activity
Objective	This measure allows small businesses to retain more of their earnings to reinvest and create jobs (Budget 2015).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	The applicable tax rate departs from the benchmark tax rate.
Subject	Business - small businesses

CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandate of Innovation, Science and Economic Development Canada also support small businesses. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T2 Corporation Income Tax Return
Estimation method	T2 micro-simulation model
Projection method	The cost of this measure is projected to grow in line with corporate taxable income. A rate of 9% is used for projection years.
Number of beneficiaries	This measure provided tax relief to about 816,000 corporations in 2019.

Cost Information:

Millions of dollars	**2016**	**2017**	**2018**	**2019**	**2020 (P)**	**2021 (P)**	**2022 (P)**	**2023 (P)**
Corporate income tax	3,535	3,760	4,165	4,905	5,670	5,905	6,075	6,600

Public Transit Tax Credit

Description	A non-refundable tax credit was available at the lowest personal income tax rate for the cost of monthly public transit passes or passes of longer duration. The credit could be claimed by the individual or the individual's spouse or common-law partner in respect of eligible transit costs of the individual, the individual's spouse or common-law partner, and the individual's children who were under 19 years of age. This credit was eliminated, effective for transit use after June 30, 2017.
Tax	Personal income tax
Beneficiaries	Individuals
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, section 118.02
Implementation and recent history	• Introduced in Budget 2006. Effective July 1, 2006 and subsequent taxation years. • Budget 2007 extended the credit to innovative fare products like electronic fare cards and weekly passes when used on an ongoing basis. • Budget 2017 announced the elimination of this measure, effective for transit use occurring after June 30, 2017.
Objective – category	To achieve a social objective
Objective	This measure is intended to encourage public transit use, as increasing public transit use will ease traffic congestion in urban areas and improve the environment (Budget 2006).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system. The tax benefit from this measure is transferable between spouses or common-law partners.
Subject	Environment Social
CCOFOG 2014 code	70456 - Economic affairs - Transport - Public Transit 70539 - Environmental protection - Pollution abatement
Other relevant government programs	Programs within the mandates of Environment and Climate Change Canada, the Impact Assessment Agency of Canada, Parks Canada and Natural Resources Canada also support environment-related objectives. Programs within the mandates of Canadian Heritage, Immigration, Refugees and Citizenship Canada, Transport Canada and Public Safety Canada (among other departments) also support various other social objectives. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	n/a
Number of beneficiaries	About 1.5 million individuals claimed this credit in 2017 .

Cost Information:

Millions of dollars	**2016**	**2017**	**2018**	**2019**	**2020 (P)**	**2021 (P)**	**2022 (P)**	**2023 (P)**
Personal income tax	190	105	–	–	–	–	–	–

Quebec Abatement

Description	The federal government provides an abatement of personal income tax to taxpayers residing in Quebec equal to 16.5% of Basic Federal Tax payable. The abatement represents compensation to the Province of Quebec for opting out of certain federal transfer programs established in the 1960s.
Tax	Personal income tax (including trusts)
Beneficiaries	n/a
Type of measure	Other
Legal reference	*Federal-Provincial Fiscal Arrangements Act*, Part VI *Federal Provincial Fiscal Revision Act*, 1964
Implementation and recent history	• During the 1960s, the federal government offered provinces opting-out arrangements for certain federal-provincial programs, such as hospital care and social welfare. Under the arrangements—which only Quebec opted to use—the federal government abated personal income tax by 13.5 percentage points while Quebec increased its personal income taxes by an equivalent amount. In order to ensure that Quebec would not receive federal transfer payments for health and social programs and (unlike other provinces) also the tax abatement, this abatement was originally deducted from transfer payments to Quebec. The abatement was rolled into the Canada Health and Social Transfer in 1995, and then into the Canada Health Transfer and Canada Social Transfer in 2004. In 2012, the *Federal-Provincial Fiscal Arrangements Act* was revised to clarify that the recovery is no longer linked to the Canada Health and Social Transfer or its successor programs (the Canada Health Transfer and Canada Social Transfer). • In 1964, the federal government introduced the Youth Allowances Program. Quebec had a similar program at the time and, wishing to continue it, obtained an abatement of three personal income tax points. The Youth Allowances Program was dismantled in 1974; however, in order to minimize disruption to Quebec's tax structure, an arrangement was made to maintain the three-point abatement. The value of the corresponding reduction is currently recovered through bi-annual payments made by the Province of Quebec to the Receiver General for Canada.
Objective – category	To implement intergovernmental tax arrangements
Objective	This measure reflects the election by the Province of Quebec to receive part of the federal program contribution in the form of a tax abatement.
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure is considered part of the benchmark tax system, and therefore is not a tax expenditure.
Subject	Intergovernmental tax arrangements
CCOFOG 2014 code	n/a
Other relevant government programs	n/a
Source of data	Canada Revenue Agency, Tax Sharing Statements
Estimation method	The value of the Quebec Abatement is calculated by multiplying Basic Federal Tax for Quebec residents by 0.165.
Projection method	Projections for this measure are based on forecasted growth of Basic Federal Tax.
Number of beneficiaries	n/a

Cost Information:

Millions of dollars	2016	2017	2018	2019	2020 (P)	2021 (P)	2022 (P)	2023 (P)
Personal income tax								
Individuals	4,420	4,745	5,130	5,415	5,600	5,930	6,230	6,440
Trusts	60	95	70	90	140	100	105	105
Total – personal income tax	4,480	4,840	5,200	5,505	5,740	6,025	6,330	6,545

Rate reduction for zero-emission technology manufacturers

Description	Budget 2021 proposed that taxpayers would be able to apply reduced tax rates on eligible zero-emission technology manufacturing and processing income of: • 7.5%, where that income would otherwise be taxed at the 15% general corporate tax rate; and • 4.5%, where that income would otherwise be taxed at the 9% small business tax rate. This measure would apply in respect of income from specified zero-emission technology manufacturing or processing activities, such as the manufacturing of solar, wind and water energy conversion equipment, electrical energy storage equipment, or zero-emission vehicles; and the production of hydrogen by electrolysis of water or solid, liquid and gaseous biofuels from specified waste material. A taxpayer would qualify for the reduced tax rates on its eligible income only if at least 10% of its gross revenue from all active businesses carried on in Canada is derived from eligible activities. The reduced tax rates would apply to taxation years that begin after 2021. The reduced rates would be gradually phased out starting in taxation years that begin in 2029 and fully phased out for taxation years that begin after 2031.
Tax	Corporate income tax
Beneficiaries	Businesses that undertake eligible zero-emission manufacturing and processing activities
Type of measure	Preferential tax rate
Legal reference	Not yet legislated (as of December 31, 2021)
Implementation and recent history	• Introduced in Budget 2021. Effective for taxation years that begin after 2021.
Objective – category	To encourage or attract investment To support competitiveness To support business activity
Objective	To grow the clean technology sector in Canada.
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure applies tax rates that depart from the benchmark tax rates.
Subject	Environment Business – other
CCOFOG 2014 code	70435 - Economic affairs - Fuel and energy - Electricity 70439 - Economic affairs - Fuel and energy - Fuel and energy not elsewhere classified 70442 – Economic affairs – Mining, manufactruing, and construction – Manufacturing 70434 – Economic affairs – Fuel and energy – Other fuels
Other relevant government programs	Programs within the mandates of Environment and Climate Change Canada, the Impact Assessment Agency of Canada, Parks Canada and Natural Resources Canada also support environment-related objectives. Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T2 Corporation Income Tax Return
Estimation method	T2 micro-simulation model and information on expected major investments
Projection method	The cost of this measure is projected to grow in line with the growth in zero-emission manufacturing and processing activities.

Number of beneficiaries	No data is available.

Cost Information:

Millions of dollars	2016	2017	2018	2019	2020 (P)	2021 (P)	2022 (P)	2023 (P)
Corporate income tax	–	–	–	–	–	–	10	10

Rebate for book purchases made by certain organizations

Description	A 100% rebate is provided in respect of GST paid on books acquired by: • schools, universities, public colleges and municipalities; • charities and qualifying non-profit organizations that operate public lending libraries; and • designated charities and qualifying non-profit organizations whose primary purpose is the promotion of literacy. The rebate is not available when the books are acquired for resale.
Tax	Goods and Services Tax
Beneficiaries	Schools, colleges, universities, municipalities, certain charities and certain non-profit organizations
Type of measure	Rebate
Legal reference	*Excise Tax Act*, section 259.1
Implementation and recent history	• Introduced on October 23, 1996 (Department of Finance Canada news release 1996-076). Effective in respect of GST paid after that date. • Budget 2012 extended the rebate to include books acquired to be given away by designated literacy organizations.
Objective – category	To achieve a social objective
Objective	This measure recognizes the important role played by public libraries, educational institutions and other community organizations in helping people learn how to read and improve their reading skills (Department of Finance Canada news release 1996-076, October 23, 1996).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	GST rebates effectively reduce the value added subject to tax, and are therefore deviations from a broadly defined value-added tax base.
Subject	Education
CCOFOG 2014 code	70959 - Education - Education not definable by level
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada, the Social Sciences and Humanities Research Council, the Natural Sciences and Engineering Research Council, the Canadian Institutes of Health Research and Indigenous Services Canada also support objectives related to education and training. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Form GST66 - Application for GST/HST Public Service Bodies' Rebate and GST Self-Government Refund
Estimation method	The cost of this measure corresponds to the amounts of rebates approved, as reported in administrative data.
Projection method	The cost of this measure is projected to grow in line with provincial government expenditures on education.
Number of beneficiaries	About 1,800 entities claim this rebate each year.

Cost Information:

Millions of dollars	2016	2017	2018	2019	2020 (P)	2021 (P)	2022 (P)	2023 (P)
Goods and Services Tax	15	15	15	15	10	15	10	10

Rebate for hospitals, facility operators and external suppliers

Description	Hospitals provide primarily tax-exempt services, and as such are unable to claim input tax credits for GST paid on most of their purchases. However, public hospitals are eligible for a rebate of 83% of the GST paid on purchases related to their supply of exempt services. Since 2005, government-funded charities and non-profit organizations that provide health care services similar to those traditionally performed in hospitals or supply ancillary support services to hospitals and eligible health care facilities ("facility operators and external suppliers") are also eligible for an 83% rebate of the GST paid on purchases related to their exempt health care supplies.
Tax	Goods and Services Tax
Beneficiaries	Public hospitals, facility operators and external suppliers
Type of measure	Rebate
Legal reference	*Excise Tax Act*, subsection 259(3)
Implementation and recent history	• The rebate for public hospitals has been in effect since the inception of the GST in 1991. • Budget 2005 extended the 83% rebate to facility operators and external suppliers to accommodate the restructuring by provinces and territories of the delivery of health care services that has resulted in some services formerly provided by hospitals being performed by other non-profit organizations.
Objective – category	To achieve a social objective
Objective	The rebate for public hospitals was implemented at the time of inception of the GST to ensure that the sales tax burden did not increase as a result of moving to the GST from the previous federal sales tax (*Goods and Services Tax: Technical Paper*, August 1989).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	GST rebates effectively reduce the value added subject to tax, and are therefore deviations from a broadly defined value-added tax base.
Subject	Health
CCOFOG 2014 code	7073 - Health - Hospital services
Other relevant government programs	Programs within the mandates of Health Canada, the Canadian Food Inspection Agency, the Canadian Institutes of Health Research, the Public Health Agency of Canada and Veterans Affairs Canada also support health-related objectives. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Form GST66 - Application for GST/HST Public Service Bodies' Rebate and GST Self-Government Refund
Estimation method	The cost of this measure corresponds to the amounts of rebates approved, as reported in administrative data.
Projection method	The cost of this measure is projected to grow in line with provincial government expenditures on health.
Number of beneficiaries	About 700 entities claim this rebate each year.

Cost Information:

Millions of dollars	2016	2017	2018	2019	2020 (P)	2021 (P)	2022 (P)	2023 (P)
Goods and Services Tax	630	665	695	745	980	1,035	1,070	1,095

Rebate for municipalities

Description	Municipalities are eligible for a 100% rebate for the GST paid on their purchases of inputs used in the provision of their exempt supplies. Entities that are not municipalities (e.g., library boards) may nonetheless be determined by the Minister of National Revenue to be municipalities for the purposes of this rebate. Similarly, service providers may be designated to be municipalities with respect to certain municipal-like services they provide (e.g., sewage treatment services). Entities determined or designated to be municipalities are eligible for the 100% rebate in respect of GST paid on inputs used in the course of their exempt municipal activities.
Tax	Goods and Services Tax
Beneficiaries	Municipalities
Type of measure	Rebate
Legal reference	*Excise Tax Act*, subsections 259(3) and (4)
Implementation and recent history	• This measure has been in effect since the inception of the GST in 1991, initially with a rebate rate of 57.14%. • The rebate rate was increased to 100%, generally effective since February 2004 (Department of Finance Canada news release 2004-007, February 3, 2004).
Objective – category	To implement intergovernmental tax arrangements
Objective	The partial rebate initially provided was intended to ensure that the sales tax burden of municipalities did not increase as a result of moving to the GST from the previous federal sales tax (*Goods and Services Tax: Technical Paper*, August 1989). The rebate was increased to 100% to provide municipalities with an increased source of reliable, predictable and long-term funding to address infrastructure priorities (Department of Finance Canada news release 2004-007, February 3, 2004).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	GST rebates effectively reduce the value added subject to tax and are therefore deviations from a broadly defined value-added tax base.
Subject	Intergovernmental tax arrangements
CCOFOG 2014 code	70183 - General public services - Transfers of a general character between different levels of government - General purpose transfers to local governments
Other relevant government programs	n/a
Source of data	Form GST66 - Application for GST/HST Public Service Bodies' Rebate and GST Self-Government Refund
Estimation method	The cost of this measure corresponds to the amounts of rebates approved, as reported in administrative data.
Projection method	The cost of this measure is projected to grow in line with local government expenditures.
Number of beneficiaries	About 9,500 entities claim this rebate each year.

Cost Information:

Millions of dollars	2016	2017	2018	2019	2020 (P)	2021 (P)	2022 (P)	2023 (P)
Goods and Services Tax	2,285	2,515	2,665	2,760	2,745	2,925	2,985	3,070

Rebate for new housing

Description	Builders or purchasers of newly constructed and substantially renovated residential housing are eligible for a rebate of the GST paid if the housing is for use as a primary place of residence. For houses valued at or below $350,000, the rebate is 36% of the total GST paid to a maximum of $6,300. The rebate is gradually phased out for houses valued between $350,000 and $450,000, and there is no rebate for houses valued at $450,000 or more. The same rebate is available for the GST paid by individuals to construct or substantially renovate housing that is for use by the owner or a relative as a primary place of residence. The rate of rebate was established so that the GST burden on new housing would be equal to the federal sales tax component of the total price of a new home before the introduction of the GST (which was approximately 4.5% on average).
Tax	Goods and Services Tax
Beneficiaries	Individuals who have purchased or constructed new homes
Type of measure	Rebate
Legal reference	*Excise Tax Act*, sections 254 and 256
Implementation and recent history	• This measure has been in effect since the inception of the GST in 1991. • The maximum dollar value of the rebate was lowered in Budget 2006 and in the 2007 Economic Statement concurrently with the reductions in the GST rate from 7% to 6% on July 1, 2006 and to 5% on January 1, 2008.
Objective – category	To achieve a social objective
Objective	This measure is designed to ensure that the GST does not pose a barrier to the affordability of new homes (*Goods and Services Tax Consolidated Explanatory Notes*, April 1997).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	GST rebates effectively reduce the value added subject to tax, and are therefore deviations from a broadly defined value-added tax base.
Subject	Housing
CCOFOG 2014 code	70619 - Housing and community amenities - Housing development
Other relevant government programs	Programs within the mandate of the Canada Mortgage and Housing Corporation, Indigenous Services Canada and Crown-Indigenous Relations and Northern Affairs Canada are intended to promote the construction, repair and renewal of affordable and safe housing. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Statistics Canada. Data on expenditures on residential construction from the System of National Accounts were adjusted by Statistics Canada for conceptual differences in the timing and tax treatment of land.
Estimation method	The cost of this measure is calculated from source data.
Projection method	The cost of this measure is projected to grow in line with housing completions.
Number of beneficiaries	No data is available.

Cost Information:

Millions of dollars	2016	2017	2018	2019	2020 (P)	2021 (P)	2022 (P)	2023 (P)
Goods and Services Tax	520	510	495	420	425	405	385	365

Rebate for new residential rental property

Description	Builders or purchasers of newly constructed or substantially renovated residential rental housing are eligible for a rebate of the GST payable if it can reasonably be expected that the first use of the individual residential units within the property will be as a primary place of residence for at least one year. The rebate also applies to builders or purchasers of new additions to multiple-unit residential rental housing and to the leasing of land (i.e., housing lots) to a person that affixes a new or substantially renovated house or sites in new residential trailer parks for long-term residential use. For single-unit residential housing (including duplexes) or units in multiple-unit residential housing valued at or below \$350,000, the rebate is 36% of the total GST paid to a maximum of \$6,300. The rebate is phased out for such residential housing or units valued between \$350,000 and \$450,000. In the case of leasing housing lots or sites in residential trailer parks, the rebate is 36% of the total GST paid to a maximum \$1,575. The rebate is phased out for each housing lot or site valued between \$87,500 and \$112,500.
Tax	Goods and Services Tax
Beneficiaries	Builders and purchasers of new residential rental property and landlords that lease housing lots or sites in new residential trailer parks for long-term residential use
Type of measure	Rebate
Legal reference	*Excise Tax Act*, section 256.1
Implementation and recent history	• Introduced in Budget 2000. Effective February 28, 2000. • The maximum dollar value of the rebate was lowered in Budget 2006 and in the 2007 Economic Statement concurrently with the reductions in the GST rate from 7% to 6% on July 1, 2006 and to 5% on January 1, 2008.
Objective – category	To achieve a social objective
Objective	This measure ensures that builders and purchasers of new residential rental property face the same effective GST rate faced by purchasers of new owner-occupied homes (Budget 2000).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	GST rebates effectively reduce the value added subject to tax, and are therefore deviations from a broadly defined value-added tax base.
Subject	Housing
CCOFOG 2014 code	70619 - Housing and community amenities - Housing development
Other relevant government programs	Programs within the mandate of the Canada Mortgage and Housing Corporation, Indigenous Services Canada and Crown-Indigenous Relations and Northern Affairs Canada are intended to promote the construction, repair and renewal of affordable and safe housing. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Form GST524 - GST/HST New Residential Rental Property Rebate Application
Estimation method	The cost of this measure is calculated from source data.
Projection method	The cost of this measure is projected to grow in line with housing completions for multiple units.
Number of beneficiaries	No data is available.

Cost Information:

Millions of dollars	**2016**	**2017**	**2018**	**2019**	**2020 (P)**	**2021 (P)**	**2022 (P)**	**2023 (P)**
Goods and Services Tax	170	160	170	205	190	220	230	205

Rebate for poppies and wreaths

Description	The Royal Canadian Legion is eligible for a 100% rebate of GST paid on Remembrance Day poppies and wreaths it acquires.
Tax	Goods and Services Tax
Beneficiaries	Royal Canadian Legion
Type of measure	Rebate
Legal reference	*Excise Tax Act*, section 259.2
Implementation and recent history	• Introduced on October 28, 2010 (Department of Finance Canada news release 2010-101). Effective in respect of tax payable or paid after 2009.
Objective – category	To achieve a social objective
Objective	This measure recognizes the special status of poppies and wreaths as symbols of the contribution, courage and sacrifices of those who served in the Canadian Forces (Department of Finance Canada news release 2010-101, October 28, 2010).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	GST rebates effectively reduce the value added subject to tax, and are therefore deviations from a broadly defined value-added tax base.
Subject	Donations, gifts, charities and non-profit organizations
CCOFOG 2014 code	70869 - Recreation, culture, and religion - Recreation, culture, and religion not elsewhere classified
Other relevant government programs	Many federal government entities provide direct funding to registered charities, non-profit organizations and international development associations through various programs.
Source of data	Form GST189 - General Application for Rebate of GST/HST
Estimation method	The cost of this measure corresponds to the amounts of rebates approved, as reported in administrative data.
Projection method	n/a
Number of beneficiaries	The Royal Canadian Legion is the sole direct beneficiary of this measure.

Cost Information:

Millions of dollars	2016	2017	2018	2019	2020 (P)	2021 (P)	2022 (P)	2023 (P)
Goods and Services Tax	X	X	X	X	X	X	X	X

Rebate for qualifying non-profit organizations

Description	Non-profit organizations that receive at least 40% of their funding from governments, municipalities or Indian Bands are eligible for a rebate of 50% of the GST paid on purchases related to their supplies of exempt services.
Tax	Goods and Services Tax
Beneficiaries	Non-profit organizations
Type of measure	Rebate
Legal reference	*Excise Tax Act*, subsection 259(3)
Implementation and recent history	• This measure has been in effect since the inception of the GST in 1991.
Objective – category	To achieve a social objective
Objective	This measure recognizes the important role of non-profit organizations in Canadian society (*Goods and Services Tax*, December 1989).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	GST rebates effectively reduce the value added subject to tax, and are therefore deviations from a broadly defined value-added tax base.
Subject	Donations, gifts, charities and non-profit organizations
CCOFOG 2014 code	705 - Environmental protection; 706 - Housing and community amenities; 707 - Health; 708 - Recreation, culture, and religion; 709 - Education; 710 - Social protection; Other various codes
Other relevant government programs	Many federal government entities provide direct funding to registered charities, non-profit organizations and international development associations through various programs.
Source of data	Form GST66 - Application for GST/HST Public Service Bodies' Rebate and GST Self-Government Refund
Estimation method	The cost of this measure corresponds to the amounts of rebates approved, as reported in administrative data.
Projection method	The cost of this measure is projected to grow in line with nominal gross domestic product.
Number of beneficiaries	About 7,000 entities claim this rebate each year.

Cost Information:

Millions of dollars	**2016**	**2017**	**2018**	**2019**	**2020 (P)**	**2021 (P)**	**2022 (P)**	**2023 (P)**
Goods and Services Tax	70	75	80	80	70	75	80	85

Rebate for registered charities

Description	Charities registered under the *Income Tax Act* and registered Canadian amateur athletic associations are eligible for a rebate of 50% of the GST paid on purchases related to their supplies of exempt services. Non-profit organizations operating a facility or part thereof to provide nursing home care are also eligible for the rebate.
Tax	Goods and Services Tax
Beneficiaries	Registered charities, registered Canadian amateur athletic associations, non-profit organizations operating a facility or part thereof to provide nursing home care
Type of measure	Rebate
Legal reference	*Excise Tax Act*, subsection 259(3)
Implementation and recent history	• This measure has been in effect since the inception of the GST in 1991.
Objective – category	To achieve a social objective
Objective	This measure recognizes the important role of charities in Canadian society (*Goods and Services Tax*, December 1989).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	GST rebates effectively reduce the value added subject to tax, and are therefore deviations from a broadly defined value-added tax base.
Subject	Donations, gifts, charities and non-profit organizations
CCOFOG 2014 code	705 - Environmental protection; 706 - Housing and community amenities; 707 - Health; 708 - Recreation, culture, and religion; 709 - Education; 710 - Social protection; Other various codes
Other relevant government programs	Many federal government entities provide direct funding to registered charities, non-profit organizations and international development associations through various programs.
Source of data	Form GST66 - Application for GST/HST Public Service Bodies' Rebate and GST Self-Government Refund
Estimation method	The cost of this measure corresponds to the amounts of rebates approved, as reported in administrative data.
Projection method	The cost of this measure is projected to grow in line with nominal gross domestic product.
Number of beneficiaries	About 45,000 entities claim this rebate each year.

Cost Information:

Millions of dollars	2016	2017	2018	2019	2020 (P)	2021 (P)	2022 (P)	2023 (P)
Goods and Services Tax	310	315	320	330	285	295	305	320

Rebate for schools, colleges and universities

Description	Schools, colleges and universities provide primarily tax-exempt services, and as such are unable to claim input tax credits for GST paid on most of their purchases. However, elementary and secondary schools operating on a not-for-profit basis are eligible for a rebate of 68% of the GST paid on purchases related to their supplies of exempt services. Publicly funded colleges and recognized degree-granting universities operating on a not-for-profit basis are eligible for a rebate of 67% of the GST paid on purchases related to their supplies of exempt services.
Tax	Goods and Services Tax
Beneficiaries	Schools, colleges and universities
Type of measure	Rebate
Legal reference	*Excise Tax Act*, subsection 259(3)
Implementation and recent history	• This measure has been in effect since the inception of the GST in 1991.
Objective – category	To achieve a social objective
Objective	This measure was implemented at the time of inception of the GST to ensure that the sales tax burden on these sectors did not increase as a result of moving to the GST from the previous federal sales tax (*Goods and Services Tax: Technical Paper*, August 1989).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	GST rebates effectively reduce the value added subject to tax, and are therefore deviations from a broadly defined value-added tax base.
Subject	Education
CCOFOG 2014 code	70929 - Education - Primary and Secondary education 70939 - Education - College education 70949 - Education - University education
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada, the Social Sciences and Humanities Research Council, the Natural Sciences and Engineering Research Council, the Canadian Institutes of Health Research and Indigenous Services Canada also support objectives related to education and training. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Form GST66 - Application for GST/HST Public Service Bodies' Rebate and GST Self-Government Refund
Estimation method	The cost of this measure corresponds to the amounts of rebates approved, as reported in administrative data.
Projection method	The cost of this measure is projected to grow in line with provincial government expenditures on education.
Number of beneficiaries	About 4,500 entities claim this rebate each year.

Cost Information:

Millions of dollars	**2016**	**2017**	**2018**	**2019**	**2020 (P)**	**2021 (P)**	**2022 (P)**	**2023 (P)**
Rebate for schools	420	445	470	470	450	480	495	510
Rebate for colleges	95	105	125	110	95	105	110	110
Rebate for universities	235	280	295	275	245	260	270	275
Total – Goods and Services Tax	745	830	885	860	790	840	875	900

Rebate for specially equipped motor vehicles

Description	A GST rebate is available in respect of motor vehicles specially equipped with certain features for use by individuals with disabilities. The amount of the rebate is the GST paid on the portion of the purchase price attributable to the special features. The rebate is available in respect of both new and used vehicles, and in respect of vehicles purchased either in Canada or abroad (with the GST being paid on importation). The rebate is also available when a vehicle is imported after being modified with special features.
Tax	Goods and Services Tax
Beneficiaries	Individuals with disabilities, organizations serving these individuals and caregivers
Type of measure	Rebate
Legal reference	*Excise Tax Act*, sections 258.1 and 258.2
Implementation and recent history	• Introduced on April 3, 1998 (Department of Finance Canada news release 1998-036). Effective in respect of new vehicles paid for after April 3, 1998. • An amendment to extend the relief to used vehicles was announced on November 27, 2006 (Department of Finance Canada news release 2006-073), effective retrospectively to vehicles paid for after April 3, 1998.
Objective – category	To achieve a social objective
Objective	This measure ensures that all individuals and organizations get tax relief on the additional cost of purchasing vehicles, such as a car or minivan, that meet their special needs (Department of Finance Canada news release 1998-036, April 3, 1998).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	GST rebates effectively reduce the value added subject to tax, and are therefore deviations from a broadly defined value-added tax base.
Subject	Health
CCOFOG 2014 code	70713 - Health - Medical products, appliances, and equipment - Therapeutic appliances and equipment
Other relevant government programs	Programs within the mandates of Health Canada, the Canadian Food Inspection Agency, the Canadian Institutes of Health Research, the Public Health Agency of Canada and Veterans Affairs Canada also support health-related objectives. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Form GST518 - GST/HST Specially Equipped Motor Vehicle Rebate Application
Estimation method	The cost of this measure corresponds to the amounts of rebates approved, as reported in administrative data.
Projection method	The cost of this measure is projected to grow in line with consumption expenditures on vehicles and parts.
Number of beneficiaries	No data is available.

Cost Information:

Millions of dollars	2016	2017	2018	2019	2020 (P)	2021 (P)	2022 (P)	2023 (P)
Goods and Services Tax	S	S	S	S	S	S	S	S

Rebate to employees and partners

Description	Employees and partners may incur expenses in the course of carrying out their duties that are not directly reimbursed by their employers and partnerships. Instead, compensation may be provided through salaries, commissions, profits and other means that would not be subject to GST. Consequently, employers and partnerships cannot recover the GST paid by the employees and partners through the input tax credit mechanism. A rebate is available to an employee of a GST registrant (other than a listed financial institution) for the GST paid on those expenses that are deductible in computing the employee's income from employment for income tax purposes. For example, an employee is allowed to claim a rebate in respect of the GST on a portion of entertainment expenses or on the capital cost allowance for an automobile, aircraft or musical instrument that is used in his or her employment and on which GST is payable. This rebate is also available to an individual who is a member of a GST-registered partnership in respect of expenses incurred outside the partnership that are deducted in computing the member's income from the partnership for income tax purposes.
Tax	Goods and Services Tax
Beneficiaries	Employees and partners
Type of measure	Rebate
Legal reference	*Excise Tax Act*, section 253
Implementation and recent history	• This measure has been in effect since the inception of the GST in 1991.
Objective – category	To provide relief for special circumstances
Objective	This measure is designed to reduce the possible tax-cascading effect that would occur in certain cases when employers and partnerships cannot recover GST paid by employees and partners in the course of their duties.
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	GST rebates effectively reduce the value added subject to tax, and are therefore deviations from a broadly defined value-added tax base.
Subject	Employment Business – other
CCOFOG 2014 code	70412 - Economic affairs - General economic, commercial, and labor affairs - General labor affairs 70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support employment. Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Form GST370 - Employee and Partner GST/HST Rebate Application
Estimation method	The cost of this measure corresponds to the amounts of rebates approved, as reported in administrative data.
Projection method	The cost of this measure is projected to grow in line with nominal gross domestic product.
Number of beneficiaries	No data is available.

Cost Information:

Millions of dollars	2016	2017	2018	2019	2020 (P)	2021 (P)	2022 (P)	2023 (P)
Goods and Services Tax	55	50	50	50	40	45	45	50

Reclassification of expenses under flow-through shares

Description	Small corporations in the oil and gas sector were entitled to reclassify as Canadian Exploration Expenses (CEE) the first $1 million per year of eligible Canadian Development Expenses (CDE) renounced to shareholders under a flow-through share agreement. CEE is fully deductible in the year incurred, while CDE is deductible at the rate of 30% per year. For background information, see the related item "Flow-through share deductions". Budget 2017 announced the elimination of this measure.
Tax	Personal (including trusts) and corporate income tax
Beneficiaries	Investors in flow-through shares and small oil and gas corporations
Type of measure	Timing preference
Legal reference	*Income Tax Act*, subsection 66(12.601)
Implementation and recent history	• Introduced in the 1992 Economic and Fiscal Statement. Effective after December 2, 1992. • Budget 1996 reduced the amount of CDE that can be reclassified to $1 million per year from $2 million and restricted the reclassification to firms with less than $15 million of taxable capital employed in Canada. • Budget 2017 announced the elimination of this tax expenditure by April 2019.
Objective – category	To encourage or attract investment
Objective	This measure was introduced to facilitate financing and promote investment in the junior oil and gas sector (Economic and Fiscal Statement, 1992; Budget 1996).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure may permit the depreciation of a capital asset faster than its useful life.
Subject	Business - natural resources
CCOFOG 2014 code	70432 - Economic affairs - Fuel and energy - Petroleum and natural gas
Other relevant government programs	Programs within the mandate of Natural Resources Canada also support the natural resource sector. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return T2 Corporation Income Tax Return
Estimation method	The value of this tax expenditure is estimated by comparing the tax benefits received by the shareholders to the tax benefits that would have been received if the CDE had been flowed out as CDE rather than CEE. It is assumed that the issuing corporations would have been able to fully flow out the expenses as CDE, even though CDE is generally less attractive to investors than CEE. To the extent that they could not, the tax expenditure would be higher than this estimate. The breakdown of the estimates between individuals and trusts is not available.
Projection method	Projections are based on current market conditions.
Number of beneficiaries	Information on the number of flow-through share investors who benefitted from the measure is not available. No corporations reclassified expenses under this provision in 2019.

Cost Information:

Millions of dollars	**2016**	**2017**	**2018**	**2019**	**2020 (P)**	**2021 (P)**	**2022 (P)**	**2023 (P)**
Personal income tax	-5	-2	-4	-3	-2	-1	-1	-1
Corporate income tax	S	S	-1	-1	S	S	S	S
Total	-5	-2	-4	-3	-2	-2	-1	-1

Refundable capital gains tax for investment corporations, mutual fund corporations and mutual fund trusts

Description	Capital gains realized by an investment corporation or a mutual fund corporation are taxed at the corporation level, and the tax is accumulated in an account known as the "refundable capital gains tax on hand" account. The tax accumulated in that account is refunded to the corporation upon distribution of its capital gains to its shareholders or when a mutual fund corporation redeems shares. These distributions are taxed as capital gains in the hands of the shareholder and not as dividends. This departs from general practice in that income earned by a public corporation (including taxable capital gains) does not generally retain its character for tax purposes when subsequently distributed to shareholders. Similarly, a mutual fund trust can claim a refund when it redeems units in respect of the tax the trust has paid on capital gains retained within the trust.
Tax	Personal (trusts only) and corporate income tax
Beneficiaries	Investment and mutual fund corporations and mutual fund trusts
Type of measure	Other
Legal reference	*Income Tax Act*, subsections 131(2) and (6)
Implementation and recent history	• Introduced as part of the 1971 Tax Reform to enable investment corporations and mutual fund corporations that realize capital gains to flow them out to shareholders in a subsequent distribution.
Objective – category	To prevent double taxation
Objective	This measure permits capital gains earned by investors through investment corporations and mutual fund corporations to be taxed on a similar basis as capital gains earned directly by investors.
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure is considered part of the benchmark tax system, and therefore is not a tax expenditure.
Subject	Savings and investment
CCOFOG 2014 code	n/a
Other relevant government programs	n/a
Source of data	T2 Corporation Income Tax Return T3 Trust Income Tax and Information Return
Estimation method	The value of this measure is the sum of the amounts of federal capital gains refunds claimed by investment corporations, mutual fund corporations and mutual fund trusts.
Projection method	Projections for this measure are derived under the assumption that capital gains refunds will increase at the same rate as the average of corporate taxable income and taxable capital gains.
Number of beneficiaries	About 70 investment and mutual fund corporations and 2,300 mutual fund trusts claimed a capital gain refund in 2019.

Cost Information:

Millions of dollars	2016	2017	2018	2019	2020 (P)	2021 (P)	2022 (P)	2023 (P)
Investment and mutual fund corporations – corporate income tax	925	1,540	1,125	1,175	1,165	1,215	1,260	1,310
Mutual fund trusts – personal income tax	3,355	4,480	2,405	4,840	5,920	6,215	6,525	6,720
Total	4,280	6,020	3,530	6,015	7,085	7,430	7,785	8,030

Refundable Medical Expense Supplement

Description	The Refundable Medical Expense Supplement is a refundable credit that provides low-income working Canadians with assistance for medical and disability-related expenses. For 2021, the supplement is available to individuals whose earnings from employment or self-employment meet or exceed a minimum threshold of $3,751. To be eligible for the supplement, individuals must be 18 years of age or older and have claimed eligible medical expenses under the Medical Expense Tax Credit or the disability supports deduction. The supplement is equal to the lesser of $1,285 (for 2021) and 25% of the allowable portion of expenses that can be claimed under the Medical Expense Tax Credit and the disability supports deduction. The supplement is reduced by 5% of net family income above an income threshold of $28,446. The maximum supplement amount, the minimum earnings threshold and the family net income threshold are indexed to inflation.
Tax	Personal income tax
Beneficiaries	Low-income employees and self-employed individuals
Type of measure	Credit, refundable
Legal reference	*Income Tax Act*, section 122.51
Implementation and recent history	• Introduced in Budget 1997. Effective for the 1997 and subsequent taxation years. • The maximum supplement amount was increased to $750 in Budget 2005 (from $562 in 2004) and to $1,000 in Budget 2006.
Objective – category	To encourage employment
Objective	This measure improves work incentives for Canadians with disabilities by helping to offset the loss of coverage for medical and disability-related expenses when individuals move from social assistance to the paid labour force (Budget 2006).
Category	Refundable tax credit
Reason why this measure is not part of benchmark tax system	This measure is classified as a transfer payment for government accounting purposes, and therefore is not considered to be a tax expenditure.
Subject	Employment Health
CCOFOG 2014 code	7071 - Health - Medical products, appliances, and equipment 7072 - Health - Outpatient services 7073 - Health - Hospital services 71012 - Social protection - Sickness and disability – Disability
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support employment. Programs within the mandates of Health Canada, the Canadian Food Inspection Agency, the Canadian Institutes of Health Research, the Public Health Agency of Canada and Veterans Affairs Canada also support health-related objectives. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 545,000 individuals received this benefit in 2019.

Cost Information:

Millions of dollars	**2016**	**2017**	**2018**	**2019**	**2020 (P)**	**2021 (P)**	**2022 (P)**	**2023 (P)**
Personal income tax	155	155	165	165	140	155	165	175

Refundable taxes on investment income of private corporations

Description	An individual could defer personal income tax on investment income if the individual earned the investment income through a private corporation that is subject to a corporate income tax rate that is significantly lower than the highest personal income tax rate. Consequently, the *Income Tax Act* provides rules that counter such a deferral: • Under Part I of the *Income Tax Act*, investment income (other than taxable dividends) received by a Canadian-controlled private corporation is subject to a partly refundable 38⅔% income tax rate (an unreduced 28% general tax rate plus an additional tax of 10⅔%). The refundable portion corresponds to 30⅔% of the investment income. • Under Part IV of the Act, taxable dividends received by a private corporation are generally subject to a 38⅓% income tax rate. The refundable portion of the Part I tax and the Part IV tax paid on ineligible dividends are added to the corporation's Non-Eligible Refundable Dividend Tax on Hand account. The Part IV tax paid on eligible dividends is added to the corporation's Eligible Refundable Dividend Tax on Hand account. Amounts in both accounts are refundable to the corporation upon the payment of ineligible dividends, at the effective rate of 38⅓% of ineligible dividends paid. Only amounts in the corporation's Eligible Refundable Dividend Tax on Hand account, however, are refundable upon the payment of eligible dividends, also at the effective rate of 38⅓%.
Tax	Corporate income tax
Beneficiaries	Private corporations
Type of measure	Other
Legal reference	*Income Tax Act*, sections 123, 123.3, 123.4, 124, 129 and 186
Implementation and recent history	• Introduced as part of the 1971 Tax Reform. The Part I tax was 50% and the refundable portion of that tax was 25%. The Part IV tax was introduced at a rate of 33⅓% and was fully refundable. The refundable tax paid on investment income was refundable at a basic rate of one dollar for every three dollars of taxable dividends paid. • Amended as part of the 1987 Tax Reform, effective after 1987, to reflect changes in federal tax rates. The Part I tax was reduced to 28% from 36%, and its refundable portion to 20%. The Part IV tax was reduced to 25%. The rate of refund was decreased to one dollar for every four dollars of taxable dividends paid. • Budgets 1994 and 1995 increased the rate of the Part IV tax to 33⅓% to further reduce personal income tax deferral possibilities. The rate of refund was increased to one dollar for every three dollars of taxable dividends paid. These changes were generally effective for taxation years beginning after June 1995. • Budget 1995 introduced an additional refundable 6⅔% Part I tax on investment income earned by Canadian-controlled private corporations. • These refundable taxes (and the related refund rate) were increased to their current levels effective January 1, 2016, in order to reflect the new 33% top personal income tax rate applicable as of that date. • In July 2017, the Government launched consultations on proposals to limit tax planning strategies using private corporations. The 2017 *Fall Economic Statement* announced that the Government will move forward with measures to limit tax deferral opportunities related to investment income earned through private corporations, with further details to be announced in Budget 2018. • Budget 2018 announced that Canadian-controlled private corporations would no longer be able to obtain refunds of taxes paid on investment income while distributing dividends from income taxed at the general corporate rate. Private corporations will now track two Refundable Dividend Tax on Hand accounts to allow Part IV tax paid on eligible dividend income to be recovered upon the payment of eligible dividends. This measure applies in respect of tax years beginning after 2018.
Objective – category	To ensure a neutral tax treatment across similar situations
Objective	This measure is intended to reduce the possibility for individuals to defer personal income tax on investment income by earning such income through a private corporation instead of earning such income directly (Budget 1995).
Category	Structural tax measure

Reason why this measure is not part of benchmark tax system	This measure is considered part of the benchmark tax system, and therefore is not a tax expenditure.
Subject	Other
CCOFOG 2014 code	n/a
Other relevant government programs	n/a
Source of data	T2 Corporation Income Tax Return
Estimation method	The tax expenditure is comprised of the additional Part I tax (the difference between the applicable Part I tax rate and the federal general corporate income tax rate of 15%), the Part IV tax and the sum of the aforementioned refunds. In these accounts, tax revenues are recorded as negative amounts.
Projection method	The cost of this measure is projected to grow in line with investment income and taxable income.
Number of beneficiaries	About 308,000 and 255,000 corporations were respectively subject to the additional Part I tax and Part IV tax in 2019, while 286,000 corporations claimed the dividend refund in that year.

Cost Information:

Millions of dollars	**2016**	**2017**	**2018**	**2019**	**2020 (P)**	**2021 (P)**	**2022 (P)**	**2023 (P)**
Additional Part I tax	-4,950	-6,105	-7,580	-7,560	-7,665	-8,110	-9,030	-9,615
Part IV tax	-5,320	-6,125	-8,020	-7,575	-7,240	-7,665	-8,535	-9,085
Dividend refund	8,990	10,430	13,230	12,590	11,715	12,400	13,805	14,695
Total – corporate income tax	-1,280	-1,800	-2,365	-2,545	-3,190	-3,375	-3,760	-4,000

Refunds for Indigenous self-governments

Description	Under agreements which are given force of law by Parliament, Indigenous self-governments are provided with a 100% refund of the GST for goods and services acquired for use in governmental activities.
Tax	Goods and Services Tax
Beneficiaries	Indigenous self-governments, their corporations and entities performing functions of government
Type of measure	Refund
Legal reference	The agreements are given force of law by the implementation legislation related to Self-Government Agreements and Comprehensive Land Claims and Self-Government Agreements.
Implementation and recent history	• The refund first became available in the late 1990s in Self-Government Agreements signed with certain Yukon First Nations. • To date, 18 combined Comprehensive Land Claims and Self-Government Agreements have been concluded (in the Yukon, British Columbia, the Northwest Territories and Newfoundland and Labrador) and several other Indigenous groups, mainly in British Columbia, Saskatchewan, Quebec and the Northwest Territories, are at the final agreement stage.
Objective – category	To implement intergovernmental tax arrangements
Objective	This measure relieves from GST the expenditures incurred by Indigenous self-governments in exercising governmental activities.
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	GST refunds effectively reduce the value-added subject to tax, and are therefore deviations from a broadly defined value-added tax base.
Subject	Intergovernmental tax arrangements
CCOFOG 2014 code	7018 - General public services - Transfers of a general character between different levels of government
Other relevant government programs	n/a
Source of data	Form GST66 - Application for GST/HST Public Service Bodies' Rebate and GST Self-Government Refund
Estimation method	The cost of this measure corresponds to the amounts of rebates approved, as reported in administrative data.
Projection method	The cost of this measure is projected to grow in line with government expenditures and expected ratification of new Self-Government Agreements and Comprehensive Land Claims and Self-Government Agreements.
Number of beneficiaries	About 30 entities claim these refunds each year.

Cost Information:

Millions of dollars	**2016**	**2017**	**2018**	**2019**	**2020 (P)**	**2021 (P)**	**2022 (P)**	**2023 (P)**
Goods and Services Tax	5	10	10	10	10	10	10	10

Registered Disability Savings Plans

Description	A Registered Disability Savings Plan (RDSP) is a tax-assisted long-term savings plan that may generally be established for the benefit of an individual under 60 years of age who is eligible for the Disability Tax Credit. Contributions to an RDSP are not deductible from income, and therefore are also not included in income for tax purposes when paid out of an RDSP. Canada Disability Savings Grants (CDSGs) and Canada Disability Savings Bonds (CDSBs) are not taxed when they are paid into an RDSP and investment income earned in the plan is not taxed as it accrues. CDSGs, CDSBs and investment income earned in the plan are included in the beneficiary's income for tax purposes when paid out of an RDSP. Contributions to an RDSP are limited to a lifetime maximum of $200,000, and are permitted up until the end of the year in which a beneficiary attains 59 years of age. Up to $70,000 in matching CDSGs and up to $20,000 in CDSBs may be provided to a beneficiary over their lifetime, up until the end of the year in which the beneficiary attains 49 years of age. While the CDSGs and CDSBs are not tax expenditures, they increase the cost of the tax expenditure to the extent that they encourage increased use of RDSPs.
Tax	Personal income tax
Beneficiaries	Individuals with disabilities
Type of measure	Timing preference
Legal reference	*Income Tax Act*, sections 146.4 and 205 *Canada Disability Savings Act* and *Canada Disability Savings Regulations*
Implementation and recent history	• Introduced in Budget 2007. Effective for the 2008 and subsequent taxation years. • Budget 2019 eliminated the requirement to close an RDSP when a beneficiary no longer qualifies for the Disability Tax Credit.
Objective – category	To encourage savings
Objective	This measure helps individuals with severe disabilities and their families save for their long-term financial security (Budget 2014).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure permits the deferral of the recognition of income or gains for income tax purposes.
Subject	Health Savings and investment
CCOFOG 2014 code	71012 - Social protection - Sickness and disability - Disability
Other relevant government programs	Programs within the mandates of Health Canada, the Canadian Food Inspection Agency, the Canadian Institutes of Health Research, the Public Health Agency of Canada and Veterans Affairs Canada also support health-related objectives. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Employment and Social Development Canada
Estimation method	The value of this tax expenditure is calculated as the tax revenue forgone from the non-taxation of investment income earned on RDSP assets as well as from the non-taxation of CDSBs and CDSGs when deposited in an RDSP, minus the taxes paid on RDSP withdrawals. These amounts are determined using assumed marginal tax rates for plan contributors and beneficiaries. The tax-sheltered investment income is estimated based on the assumption that the rate of return on net RDSP assets is equal to the rate of return on Government of Canada bonds. Estimates and projections vary from those in last year's report due primarily to a revision in the reporting of actual and projected levels of bond payments.
Projection method	Projections for this measure are based on projected RDSP net assets and withdrawals produced by Employment and Social Development Canada. Future bond yields are based on the average private sector forecast of the 10-year government bond rate.

Number of beneficiaries	About 234,000 RDSPs were registered from December 2008 to October 2021.

Cost Information:

Millions of dollars	**2016**	**2017**	**2018**	**2019**	**2020 (P)**	**2021 (P)**	**2022 (P)**	**2023 (P)**
Personal income tax	50	60	65	70	70	80	85	95

Registered Education Savings Plans

Description	A Registered Education Savings Plan (RESP) is a tax-assisted savings vehicle designed to help families accumulate savings for the post-secondary education of their children. Contributions to an RESP are not deductible for income tax purposes and as such are not taxed upon withdrawal, while the investment income accruing in the plan is not subject to tax until withdrawal. An individual can contribute to an RESP on behalf of a designated beneficiary. For each beneficiary of an RESP, there is a lifetime contribution limit of $50,000, but no annual limit on contributions. Contributions to an RESP may attract additional government assistance through the Canada Education Savings Grant (CESG) and the Canada Learning Bond (CLB), both of which are generally included in the income of the plan's beneficiary on withdrawal. While the CESG and CLB are not tax expenditures, they increase the tax expenditure associated with RESPs to the extent that they encourage the use of RESPs, are not taxable until withdrawn and generate investment income on which tax can be deferred.
Tax	Personal income tax
Beneficiaries	Individuals who subscribe under an RESP
Type of measure	Timing preference
Legal reference	*Income Tax Act*, section 146.1 *Canada Education Savings Act* and *Canada Education Savings Regulations*
Implementation and recent history	• Introduced in 1973 (Department of Finance Canada news release 1973-97). Effective for the 1972 and subsequent taxation years. • Budget 1998 introduced the CESG, equal generally to 20% of annual contributions made after 1997 to an RESP for beneficiaries up to and including age 17. • Budget 2004 introduced the CLB and enhanced the CESG. • Budget 2007 eliminated the $4,000 limit on annual contributions and increased the maximum CESG annual amount to $500 from $400 (to $1,000 from $800 if there is unused grant room). The lifetime RESP contribution limit was raised to $50,000 from $42,000. • Budget 2008 raised the number of years that contributions can be made to an RESP (to 31 years from 21 years) and the number of years before an RESP must be terminated (to 35 years from 25 years).
Objective – category	To encourage savings
Objective	This measure broadens access to higher education by encouraging Canadians to save towards the post-secondary education of children (Budget 1998).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure permits the deferral of the recognition of income or gains for income tax purposes.
Subject	Education Savings and investment
CCOFOG 2014 code	70939 - Education - College education 70949 - Education - University education
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada, the Social Sciences and Humanities Research Council, the Natural Sciences and Engineering Research Council, the Canadian Institutes of Health Research and Indigenous Services Canada also support objectives related to education and training. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Employment and Social Development Canada
Estimation method	The value of this tax expenditure is calculated as the tax revenue forgone from the non-taxation of investment income earned on RESP assets, minus the taxes paid on RESP withdrawals. These amounts are determined using assumed marginal tax rates for plan contributors and beneficiaries. The tax-sheltered investment income is estimated assuming that the rate of return on net RESP assets is equal to the rate of return on Government of Canada bonds.
Projection method	The projection for the first year is based on projected RESP net assets and withdrawals produced by Employment and Social Development Canada, while projections for outer years are made based on historical growth. Future Government of Canada bond yields are based on the average private sector forecast of the 10-year government bond rate.

Number of beneficiaries	No data on the total number of individuals with an RESP is available. About 6.6 million individuals with an RESP have received a Canada Education Savings Grant between 1998 and 2019.

Cost Information:

Millions of dollars	**2016**	**2017**	**2018**	**2019**	**2020 (P)**	**2021 (P)**	**2022 (P)**	**2023 (P)**
Personal income tax	135	110	110	120	100	115	145	150

Registered Pension Plans

Description	A deferral of tax is provided on contributions to Registered Pension Plans (RPPs) in order to encourage and assist Canadians to save for retirement. Contributions to these plans are deductible from income, the investment income is not taxed as it accrues in the plan, and withdrawals are included in income for tax purposes. For defined contribution RPP members, contributions are limited to 18% of employment earnings up to a specified dollar amount ($29,210 for 2021). For defined benefit RPP members, pension benefits are limited to 2% of employment earnings per year of service up to a specified dollar amount ($3,245.56 for 2021).
Tax	Personal income tax
Beneficiaries	Employees with a registered pension plan
Type of measure	Timing preference
Legal reference	*Income Tax Act*, sections 147.1 to 147.4
Implementation and recent history	• Employer RPP contributions became deductible with the introduction of income tax in 1917. Employee RPP contributions became deductible in 1919. • A major reform of the RPP and Registered Retirement Savings Plan limits was introduced in 1990 in order to provide more comparable tax-assisted savings opportunities for Canadians regardless of whether they saved in a defined benefit RPP, a defined contribution RPP or a Registered Retirement Savings Plan. • The maximum dollar contribution and benefit limits for RPPs were increased in 2003 and 2005. • The RPP dollar limits were indexed to average wage growth for 2010 and subsequent years.
Objective – category	To encourage savings
Objective	By allowing taxpayers to defer tax on savings, this measure encourages and assists Canadians to arrange for their financial security in later years (*Pension Reform: Improvements in Tax Assistance for Retirement Saving*, Department of Finance Canada, 1989).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure permits the deferral of the recognition of income or gains for income tax purposes.
Subject	Retirement Savings and investment
CCOFOG 2014 code	71029 - Social protection - Old age
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support retirement income security. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return Statistics Canada, Registered pension plans, Trusteed pension funds and Pension satellite account (Tables 11-10-0122-01, 11-10-0079-01 and 36-10-0576-01)
Estimation method	The value of this tax expenditure is calculated on a cash-flow basis as the sum of forgone tax revenue from the deductibility of RPP contributions and non-taxation of investment income earned on RPP assets, minus the tax revenue from RPP benefit payments.
Projection method	Projections are derived using T1 micro-simulation model and data from Statistics Canada on historical RPP assets.
Number of beneficiaries	About 8 million households had individuals that had accrued benefits under RPPs in 2019.

Cost Information:

Millions of dollars	2016	2017	2018	2019	2020 (P)	2021 (P)	2022 (P)	2023 (P)
Deduction for contributions	15,595	16,125	16,460	16,405	16,490	16,855	17,970	18,685
Non-taxation of investment income	20,725	23,345	20,235	24,660	20,775	23,875	25,370	29,360
Taxation of withdrawals	-10,605	-11,580	-11,815	-11,985	-13,085	-14,090	-14,090	-15,055
Total – personal income tax	25,715	27,890	24,885	29,075	24,180	26,645	29,255	32,995

Registered Retirement Savings Plans

Description	A deferral of tax is provided on contributions to Registered Retirement Savings Plans (RRSPs) in order to encourage and assist Canadians to save for retirement. Contributions to these plans are deductible from income, the investment income is not taxed as it accrues in the plan, and withdrawals are included in income for tax purposes. Contribution limits are determined as 18% of prior year earned income up to a specified dollar limit ($27,830 for 2021), less an estimate of contributions made to a Registered Pension Plan and/or a Deferred Profit-Sharing Plan, plus unused contribution room carried forward from previous years. Earned income for this purpose includes income from employment and self-employment as well as other specified types of earnings. Tax-free withdrawals from RRSPs are permitted under the Home Buyers' Plan and the Lifelong Learning Plan to promote home ownership and skills enhancement respectively, subject to specified eligibility conditions, withdrawal limits and repayment provisions.
Tax	Personal income tax
Beneficiaries	Individuals with earned income
Type of measure	Timing preference
Legal reference	*Income Tax Act*, section 146
Implementation and recent history	• Introduced in 1957. • A major reform of the RRSP and Registered Pension Plan limits was introduced in 1990 in order to provide more comparable tax-assisted savings opportunities for Canadians regardless of whether they saved in a defined benefit Registered Pension Plan, a defined contribution Registered Pension Plan or an RRSP. • The maximum dollar contribution limit for RRSPs was increased in 2003 and 2005. • The RRSP dollar limit was indexed to average wage growth for 2011 and subsequent years.
Objective – category	To encourage savings
Objective	By allowing taxpayers to defer tax on savings, this measure encourages and assists Canadians to arrange for their financial security in later years (*Pension Reform: Improvements in Tax Assistance for Retirement Saving*, Department of Finance Canada, 1989).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure permits the deferral of the recognition of income or gains for income tax purposes.
Subject	Retirement Savings and investment
CCOFOG 2014 code	71029 - Social protection - Old age
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support retirement income security. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return Statistics Canada, Pension satellite account (Table 36-10-0576-01)
Estimation method	The value of this tax expenditure is calculated on a cash-flow basis as the sum of forgone tax revenue from the deductibility of RRSP contributions and non-taxation of investment income earned on RRSP assets, minus the tax revenue from Registered Retirement Income Fund/annuity income and RRSP withdrawals.
Projection method	Projections are derived using the T1 micro-simulation model and Statistics Canada data on historical RRSP assets.
Number of beneficiaries	About 9.3 million households had individuals that had RRSPs or Registered Retirement Income Funds in 2019.

Cost Information:

Millions of dollars	2016	2017	2018	2019	2020 (P)	2021 (P)	2022 (P)	2023 (P)
Deduction for contributions	8,855	9,375	9,750	10,080	10,055	10,390	10,385	10,440
Non-taxation of investment income	13,715	15,145	12,795	15,810	13,525	14,940	15,605	17,700
Taxation of withdrawals	-6,710	-6,965	-7,665	-8,215	-8,035	-8,955	-9,150	-9,765
Total – personal income tax	15,860	17,560	14,880	17,675	15,545	16,380	16,840	18,380

Note: The cost information includes the tax expenditures associated with Pooled Registered Pension Plans and the Saskatchewan Pension Plan.

Rollovers of investments in small businesses

Description	Individuals are permitted to defer the tax on a capital gain arising from the disposition of shares in a qualified small business investment, to the extent the proceeds are reinvested in shares of another qualified small business. An eligible small business investment consists of shares issued from treasury in an active Canadian-controlled private corporation with assets not exceeding $50 million, excluding professional corporations, specified financial institutions, rental or leasing corporations, and real estate corporations. The reinvestment must be made at any time in the year of disposition or within 120 days after the end of that year.
Tax	Personal income tax
Beneficiaries	Individual investors
Type of measure	Timing preference
Legal reference	*Income Tax Act*, section 44.1
Implementation and recent history	• Introduced in Budget 2000. Effective for dispositions after February 27, 2000. • The October 2000 Economic Statement and Budget Update increased the size of an eligible investment from $500,000 to $2 million and the size of business eligible for the rollover from $10 million to $50 million. • Budget 2003 eliminated the individual investor limits on the amount of the original investment and reinvestment eligible for the deferral and allowed a reinvestment to be eligible for the rollover when made at any time in the year of disposition or within 120 days after the end of the year.
Objective – category	To encourage or attract investment
Objective	This measure was implemented to improve access to capital for small business corporations (Economic Statement and Budget Update, October 2000; Budget 2003).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure permits the deferral of the recognition of income or gains for income tax purposes.
Subject	Business - small businesses
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandate of Innovation, Science and Economic Development Canada also support small businesses. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 1,800 individuals reported capital gains eligible for this measure in 2019.

Cost Information:

Millions of dollars	**2016**	**2017**	**2018**	**2019**	**2020 (P)**	**2021 (P)**	**2022 (P)**	**2023 (P)**
Personal income tax	25	10	15	10	10	10	10	10

Saskatchewan Pension Plan

Description	A deferral of tax is provided on contributions to the Saskatchewan Pension Plan (SPP) in order to encourage and assist Canadians to save for retirement. Contributions to the SPP are deductible from income, the investment income is not taxed as it accrues in the plan, and withdrawals and benefit payments are included in income for tax purposes. While the tax rules permit SPP contributions to be made within an SPP member's available Registered Retirement Savings Plan (RRSP) contribution limit, the SPP restricts annual contributions to a specified maximum ($6,600 for 2021).
Tax	Personal income tax
Beneficiaries	Individuals with available RRSP contribution room
Type of measure	Timing preference
Legal reference	*Income Tax Act*, subsections 146(21) to (21.3) *Income Tax Regulations*, section 7800
Implementation and recent history	• The SPP was introduced in 1986. Deductible contributions were initially limited to $600 annually, if made within an SPP member's available RRSP contribution limit. • In 2011, the federal tax rules were amended to accommodate certain changes proposed by the Saskatchewan government to improve the plan, in particular an increase in the annual contribution limit to $2,500 (Department of Finance Canada news release 2010-118, December 7, 2010). • In January 2018, the SPP increased its annual contribution limit to $6,000 and indexed the limit to increases in the Year's Maximum Pensionable Earnings for the Canada Pension Plan.
Objective – category	To encourage savings
Objective	This measure was introduced to ensure consistency in the tax treatment of Canadians saving for their retirement, whether they save through a private or a provincially sponsored registered plan (Budget 1987).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure permits the deferral of the recognition of income or gains for income tax purposes.
Subject	Retirement Savings and investment
CCOFOG 2014 code	71029 - Social protection - Old age
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support retirement income security. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	n/a
Estimation method	n/a
Projection method	n/a
Number of beneficiaries	About 11,500 individuals contributed to the Saskatchewan Pension Plan in 2020.

Cost Information:

Millions of dollars	2016	2017	2018	2019	2020 (P)	2021 (P)	2022 (P)	2023 (P)
Personal income tax	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Note: The tax expenditure associated with this measure is combined with the tax expenditure associated with Registered Retirement Savings Plans (see measure "Registered Retirement Savings Plans").

Scientific Research and Experimental Development Investment Tax Credit

Description	A credit is available in respect of eligible expenditures on scientific research and experimental development (SR&ED) performed by businesses in Canada. SR&ED involves the systematic investigation or search carried out in a field of science or technology by means of experiment or analysis, and eligible SR&ED activities cover basic research and applied research as well as experimental development. Expenditures eligible for the credit include most current expenditures in respect of SR&ED performed by or on behalf of a taxpayer and that are related to a business of the taxpayer, including salary and wages, materials, overhead and contracts. The credit is provided at a general rate of 15%. An enhanced rate of 35% is provided to small Canadian-controlled private corporations (CCPCs) on their first $3 million per year of eligible expenditures. Small CCPCs that have prior-year taxable capital of $10 million or less can obtain a refund in respect of credits earned in a year but not used, at a rate of 100% on the first $3 million of eligible expenses. The $3 million expenditure limit is gradually reduced if prior-year taxable capital is between $10 million and $50 million. Qualifying expenditures in excess of a CCPC's expenditure limit are eligible for the 15% tax credit. Unused SR&ED credits earned at this rate may be partially refundable depending on the CCPC's taxable income and taxable capital. Unused credits that are not refunded can be carried forward 20 years and back 3 years to reduce taxes payable in those years. Unincorporated businesses are not eligible for the enhanced 35% credit rate, but are generally eligible for a 40% refund. An immediate income tax deduction is also provided in respect of eligible SR&ED expenditures (see the measure "Expensing of current expenditures on scientific research and experimental development").
Tax	Personal (including trusts) and corporate income tax
Beneficiaries	Businesses conducting eligible scientific research and experimental development
Type of measure	Credit, refundable and non-refundable
Legal reference	*Income Tax Act*, section 127
Implementation and recent history	• Federal tax incentives for SR&ED were first introduced in 1948. The basic structure of the current credit system was put in place between 1983 and 1985. • Several changes were introduced in Budget 2012, including: the reduction of the general credit rate to 15% from 20% and the removal of capital expenditures from the base of expenditures eligible for the credit (both changes effective January 1, 2014); the reduction in the prescribed proxy amount in respect of overhead expenses from 65% of the salaries and wages of employees directly engaged in the conduct of SR&ED to 60% in 2013 and 55% in subsequent years; and the removal of the profit element for arm's length third-party contracts (effective January 1, 2013). • For taxation years ending after March 19, 2019, Budget 2019 announced the repeal of the use of taxable income as a factor in determining a CCPC's annual expenditure limit for the purpose of the enhanced SR&ED tax credit.
Objective – category	To encourage or attract investment
Objective	This measure is intended to encourage the performance of scientific research and experimental development in Canada by the private sector and to assist small businesses to perform scientific research and experimental development (Budget 1996). The rationale for this tax support is that the benefits of SR&ED extend beyond the performers themselves to other firms and sectors of the economy. The existence of these spillovers of externalities means that, in the absence of government support, firms would perform less SR&ED than desirable for the economy.
Category	Non-structural tax measure and refundable tax credit
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system. The tax benefit from this measure can be obtained in a taxation year other than the year during which it accrues. The portion of this measure that is refundable is classified as a transfer payment for government accounting purposes, and therefore is not considered to be a tax expenditure.
Subject	Business - research and development
CCOFOG 2014 code	7048 - Economic affairs - R&D Economic affairs

Other relevant government programs	Programs within the mandates of Innovation, Science and Economic Development Canada, the National Research Council Canada and the federal granting councils also support research and development. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Personal income tax: T1 Income Tax and Benefit Return Corporate income tax: T2 Corporation Income Tax Return
Estimation method	The cost of this measure is based on data on actual credits claimed. Estimates for the personal income tax for 2010 to 2013 include investment tax credits claimed in respect of certain other certified property under a provision that is now repealed. These credits cannot be separated from SR&ED investment tax credits, but are likely negligible. The estimates do not cover investment tax credits claimed by trusts.
Projection method	Personal income tax: The cost of this measure is projected based on historical growth. Corporate income tax: The cost of this measure is projected to grow in line with nominal gross domestic product. The projected cost of the non-refundable portion of the measure is reduced for 2019 to 2021 by the introduction of the Accelerated Investment Incentive, full expensing for manufacturing or processing machinery and equipment, and full expensing for clean energy generation equipment, which will reduce corporate taxable income.
Number of beneficiaries	About 4,400 individuals and 22,300 corporations claimed this credit in 2019. The number of trusts having claimed this credit in 2019 is not disclosed due to confidentiality restrictions.

Cost Information:

Millions of dollars	**2016**	**2017**	**2018**	**2019**	**2020 (P)**	**2021 (P)**	**2022 (P)**	**2023 (P)**
Personal income tax	S	1	1	1	S	S	S	S
Corporate income tax								
Non-refundable portion								
Earned and claimed in current year	445	445	560	480	465	485	515	540
Claimed in current year but earned in prior years	930	1,035	825	920	895	935	960	1,045
Earned in current year but carried back to prior years	70	70	30	40	45	45	50	50
Total – non-refundable portion	1,445	1,550	1,415	1,445	1,410	1,465	1,525	1,635
Refundable portion	1,280	1,300	1,405	1,855	1,805	1,880	2,000	2,090
Total – corporate income tax	2,725	2,850	2,820	3,300	3,215	3,345	3,525	3,725
Total	2,725	2,850	2,820	3,300	3,215	3,345	3,525	3,725

Search and Rescue Volunteers Tax Credit

Description	Individuals who performed at least 200 hours of eligible ground, air and marine search and rescue volunteer services during a year can claim the non-refundable Search and Rescue Volunteers Tax Credit. The value of the credit is calculated by applying the lowest personal income tax rate to a credit amount of $3,000. An individual who performs both eligible volunteer search and rescue services and eligible volunteer firefighting services for a total of at least 200 hours in the year can claim either the Search and Rescue Volunteers Tax Credit or the Volunteer Firefighters Tax Credit. An individual who claims the Search and Rescue Volunteers Tax Credit is ineligible for the exemption from income that would otherwise apply to up to $1,000 of income (honoraria) received in the year for being a search and rescue volunteer (see the measure "Tax-free amount for emergency services volunteers").
Tax	Personal income tax
Beneficiaries	Search and rescue volunteers
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, section 118.07
Implementation and recent history	• Introduced in Budget 2014. Effective for the 2014 and subsequent taxation years.
Objective – category	To achieve a social objective
Objective	This measure recognizes the important role played by search and rescue volunteers in contributing to the security and safety of Canadians (Budget 2014).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system.
Subject	Social
CCOFOG 2014 code	70369 - Public order and safety - Public order and safety not elsewhere classified
Other relevant government programs	Programs within the mandates of Canadian Heritage, Immigration, Refugees and Citizenship Canada, Transport Canada and Public Safety Canada (among other departments) also support various other social objectives. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 5,700 individuals claimed this credit in 2019.

Cost Information:

Millions of dollars	2016	2017	2018	2019	2020 (P)	2021 (P)	2022 (P)	2023 (P)
Personal income tax	2	2	2	2	2	2	2	2

Small Businesses Air Quality Improvement Tax Credit

Description	Small businesses may claim a refundable tax credit of 25% on eligible air quality improvement expenses incurred between September 1, 2021, and December 31, 2022. Eligible businesses include individuals (other than trusts) and Canadian-controlled private corporations with taxable capital employed in Canada of less than $15 million in the taxation year immediately preceding the taxation year in which the qualifying expenditure is incurred. Businesses may claim the credit on eligible expenses related to the purchase or upgrade of mechanical heating, ventilation and air conditioning (HVAC) systems and the purchase of devices designed to filter air using high efficiency particulate air (HEPA) filters, up to a maximum of $10,000 per location and $50,000 in total.
Tax	Personal and corporate income tax
Beneficiaries	Small businesses and small commercial landlords
Type of measure	Credit, refundable
Legal reference	*Income Tax Act*, section [127.43]
Implementation and recent history	• Introduced in the *2021 Economic and Fiscal Update*.
Objective – category	To achieve a social objective To support business activity
Objective	The government proposes a refundable Small Businesses Air Quality Improvement Tax Credit of 25% on eligible air quality improvement expenses incurred by small businesses to make it more affordable for them to invest in safer and healthier ventilation and air filtration. (2021 *Economic and Fiscal Update*).
Category	Refundable tax credit
Reason why this measure is not part of benchmark tax system	This measure is classified as a transfer payment for government accounting purposes, and therefore is not considered to be a tax expenditure.
Subject	Health Business – other
CCOFOG 2014 code	70761 - Health - Health not elsewhere classified - Health prevention programs (collective)
Other relevant government programs	Programs within the mandate of Infrastructure Canada also support projects whose primary purpose is to increase outdoor air intake and/or increase air cleaning in order to help reduce the transmission of the virus that causes COVID-19. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return T2 Corporation Income Tax Return
Estimation method	Micro-simulation model
Projection method	Micro-simulation model
Number of beneficiaries	n.a.

Cost Information:

Millions of dollars	**2016**	**2017**	**2018**	**2019**	**2020 (P)**	**2021 (P)**	**2022 (P)**	**2023 (P)**
Personal income tax	–	–	–	–	–	–	5	1
Corporate income tax	–	–	–	–	–	–	155	80
Total	–	–	–	–	–	–	155	80

Small suppliers' threshold

Description	Small suppliers (other than taxi businesses, which include ride-sharing providers) are not required to register for GST purposes. Small suppliers who choose not to register do not have to charge and remit GST on taxable supplies (other than sales of real property and, in the case of municipalities, of capital property) and they are not entitled to input tax credits. A "small supplier" is a person whose total taxable supplies in the preceding year do not exceed $30,000 ($50,000 in the case of public service bodies). A charity or public institution (i.e., a registered charity that is a university, a public college, a school authority, a hospital authority or a designated municipality) can also qualify as a small supplier if its gross annual revenue in either of its previous two fiscal years does not exceed $250,000.
Tax	Goods and Services Tax
Beneficiaries	Small businesses, charities and public institutions
Type of measure	Other
Legal reference	*Excise Tax Act*, paragraph 240(1)(a) and section 166
Implementation and recent history	• This measure has been in effect since the inception of the GST in 1991. • Municipalities that are small suppliers are required to charge and remit GST on sales of their capital property, effective after March 9, 2004 (Department of Finance Canada news release 2004-018, March 9, 2004). This change was made concurrently with the increase to 100% of the rebate for municipalities. • Budget 2017 announced that the definition of "taxi business" in the *Excise Tax Act* would be amended to include providers of ride-sharing services. This means that the small suppliers' threshold no longer applies to these providers; they must register for and collect GST/HST regardless of the total amount of sales they make. The change was effective July 1, 2017. • The 2020 *Fall Economic Statement* announced that an electronic platform that facilitates the supply of goods located in Canadian fulfillment warehouses or elsewhere in Canada, or short-term accommodation in Canada, by vendors that are not registered for the GST/HST, would be deemed to be the supplier of the goods or accommodation for purposes of the GST/HST. As the platform operator is required to collect and remit the GST/HST, the small suppliers' threshold no longer operates to relieve the tax on these supplies. The changes were effective July 1, 2021. However, the Canada Revenue Agency is providing flexibility for platform operators who are unable to comply with the new requirements by that date. Therefore, the effects of this measure may not be fully visible until the second half of 2022.
Objective – category	To reduce administration or compliance costs
Objective	This measure ensures that very small businesses do not face an additional compliance burden as a result of the introduction of the GST (*Goods and Services Tax: Technical Paper*, August 1989).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure is a deviation from a broadly defined value-added tax base.
Subject	Business - small businesses
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandate of Innovation, Science and Economic Development Canada also support small businesses. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return T2 Corporation Income Tax Return GST34 Goods and Services Tax/Harmonized Sales Tax Return
Estimation method	The cost of this measure is estimated by applying the GST rate to the net revenues of non-registered businesses with gross revenue under $30,000. Net revenues of the small businesses are estimated using personal and corporate income tax data. Businesses that are registered for the GST are identified from GST34 return and deducted to obtain the net revenues of non-registered businesses.

Projection method	The cost of this measure is projected to grow in line with nominal gross domestic product.
Number of beneficiaries	About 1.4 million small suppliers make use of this measure each year.

Cost Information:

Millions of dollars	**2016**	**2017**	**2018**	**2019**	**2020 (P)**	**2021 (P)**	**2022 (P)**	**2023 (P)**
Goods and Services Tax	225	225	240	295	210	235	250	260

Special tax computation for certain retroactive lump-sum payments

Description	Taxpayers receiving qualifying retroactive lump-sum payments may use a special mechanism to compute the tax on those payments. The tax under the special mechanism is the federal tax that would have been payable if the principal portion of the retroactive lump-sum payment had been taxed in the year to which it relates, plus interest to reflect the time value of money in respect of the delay in paying the tax. The interest component of the receipt of a lump-sum payment is fully included in income in the year in which it is received. To be eligible for the special tax calculation, the right to receive the income must have existed in a prior year. In addition, the principal portion of the lump-sum payment must be at least $3,000, and must have been received in a year after 1994.
Tax	Personal income tax
Beneficiaries	Individuals
Type of measure	Other
Legal reference	*Income Tax Act*, sections 110.2 and 120.31
Implementation and recent history	• Introduced in Budget 1999. Effective for the 1995 and subsequent taxation years.
Objective – category	To assess tax liability over a multi-year period
Objective	This measure aims to ensure that the Government does not benefit from the delay in certain types of lump-sum payments at the taxpayer's expense as a result of the progressivity of the income tax system (Budget 1999).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure is considered part of the benchmark tax system, and therefore is not a tax expenditure.
Subject	Other
CCOFOG 2014 code	n/a
Other relevant government programs	n/a
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model. The value of this measure corresponds to the difference between the tax that would be owed on the principal portion of eligible retroactive lump-sum payments if they were taxed in the year received, and the tax computed under the special mechanism.
Projection method	T1 micro-simulation model
Number of beneficiaries	This measure provided tax relief to about 2,300 individuals in 2019.

Cost Information:

Millions of dollars	2016	2017	2018	2019	2020 (P)	2021 (P)	2022 (P)	2023 (P)
Personal income tax	1	1	1	2	1	1	1	1

Special tax rate for credit unions

Description	Credit unions are eligible for the preferential small business tax rate of 9% (as of January 1, 2019) that generally applies to a Canadian-controlled private corporation on the first $500,000 of qualifying income (the cost associated with this preferential tax rate is included under the tax expenditure "Preferential tax rate for small businesses"). An additional deduction, available only to credit unions, provided access to the preferential income tax rate for income that is not eligible for the small business deduction. This tax expenditure represents the cost of this additional preference. Budget 2013 announced the phase-out over five years of this additional preference for credit unions. For 2013, the preferential tax rate applied to 80% of the qualifying income of a credit union that exceeds $500,000. This percentage is reduced to 60% in 2014, 40% in 2015, 20% in 2016, and 0% in 2017 and subsequent years.
Tax	Corporate income tax
Beneficiaries	Credit unions
Type of measure	Preferential tax rate
Legal reference	*Income Tax Act*, subsection 137(3)
Implementation and recent history	• Introduced in 1972 to provide credit unions with access to the preferential tax rate for small businesses. • Over time, changes made to the design of the preferential tax rate for small businesses resulted in a more generous tax preference being available to credit unions. • Budget 2013 announced the phase-out over five years of this additional preference for credit unions (see the description for details). • On October 16, 2017 the Government announced a further reduction in the preferential tax rate to 10% as of January 1, 2018, and to 9% as of January 1, 2019.
Objective – category	To encourage or attract investment
Objective	This measure permits a credit union to accumulate capital on a tax-preferred basis up to a maximum of 5% of deposits and capital (Department of Finance Canada news release 71-157, December 6, 1971).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	The applicable tax rate departs from the benchmark tax rate.
Subject	Business - other
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T2 Corporation Income Tax Return
Estimation method	This tax expenditure is estimated by multiplying the additional deduction claimed by credit unions with a factor that represents the difference between the federal general corporate tax rate of 15% and the preferential small business tax rate.
Projection method	Projections for this measure are derived under the assumption that the amount of deduction claimed will increase at the same rate as the average of taxable income and will be subject to applicable phase-out factors.
Number of beneficiaries	About 325 credit unions applied this special tax rate in 2016.

Cost Information:

Millions of dollars	2016	2017	2018	2019	2020 (P)	2021 (P)	2022 (P)	2023 (P)
Corporate income tax	10	S	–	–	–	–	–	–

Spouse or Common-Law Partner Credit

Description	A taxpayer supporting a spouse or common-law partner may be eligible for the non-refundable Spouse or Common-Law Partner Credit, the value of which is calculated by applying the lowest personal income tax rate to the credit amount. The credit amount is indexed to inflation. The credit amount is reduced dollar-for-dollar by the net income of the dependent spouse or common-law partner. As of 2020, a taxpayer may also claim an income-tested supplement to the Spouse or Common-Law Partner Credit. This supplement is legislated to gradually increase in steps exceeding inflation each year until 2023, at which time the maximum credit amount will reach $15,000. The maximum credit amount for 2021 is $13,808, with the fully reduced amount being $12,421.
Tax	Personal income tax
Beneficiaries	Couples
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, paragraph 118(1)(a)
Implementation and recent history	• Introduced as part of the 1987 Tax Reform, effective for the 1988 and subsequent taxation years, to replace the previous married exemption. • Until 2007, the Spouse or Common-Law Partner Credit amount was less than the Basic Personal Amount, and was reduced dollar-for-dollar by the net income of the dependent spouse or common-law partner in excess of the income threshold applicable for the taxation year. • Budget 2007 introduced two changes to the Spouse or Common-Law Partner Credit: (i) the credit amount was set equal to the Basic Personal Amount; and (ii) the income threshold was eliminated, resulting in the credit amount being reduced dollar-for-dollar by the net income of the dependent spouse or common-law partner. These changes became effective in 2007. • In December 2019, the Government introduced a gradual increase to the Spouse or Common-Law Partner Credit to $15,000 over the 2020 to 2023 period. The increased portion of the credit is subject to an income test beginning at a level of individual net income equal to the fourth federal tax bracket threshold ($151,978 in 2021), and is fully phased out by the fifth federal bracket threshold ($216,511 in 2021).
Objective – category	To recognize non-discretionary expenses (ability to pay)
Objective	This measure recognizes that a taxpayer whose spouse or common-law partner has little or no income has a reduced ability to pay tax relative to a single taxpayer with the same income (*Report of the Royal Commission on Taxation*, vol. 3, 1966).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system.
Subject	Families and households
CCOFOG 2014 code	71049 - Social protection - Family and children
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada and Indigenous Services Canada also support Canadian families and households. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model

Number of beneficiaries	About 2.1 million individuals claimed this credit in 2019.

Cost Information:

Millions of dollars	**2016**	**2017**	**2018**	**2019**	**2020 (P)**	**2021 (P)**	**2022 (P)**	**2023 (P)**
Personal income tax	1,575	1,715	1,740	1,740	1,615	1,815	1,960	2,045

Student Loan Interest Credit

Description	Individuals can claim a non-refundable credit in respect of interest paid in the year or in the preceding five years on a student loan received for post-secondary education under the *Canada Student Loans Act*, the *Canada Student Financial Assistance Act*, the *Apprentice Loans Act* or similar provincial or territorial government programs. The value of the credit is calculated by applying the lowest personal income tax rate to the amount of interest paid.
Tax	Personal income tax
Beneficiaries	Students
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, section 118.62
Implementation and recent history	• Introduced in Budget 1998. Effective for the 1998 and subsequent taxation years. • Extended to Canada Apprentice Loans in Budget 2014.
Objective – category	To recognize education costs
Objective	This measure helps individuals manage their student debt loads by providing tax relief for interest payments on student loans and improving the Canada Student Loan Program to help borrowers facing financial difficulties (Budget 1998).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system. The tax benefit from this measure can be obtained in a taxation year other than the year during which it accrues.
Subject	Education
CCOFOG 2014 code	70939 - Education - College education 70949 - Education - University education 70959 - Education - Education not definable by level
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada, the Social Sciences and Humanities Research Council, the Natural Sciences and Engineering Research Council, the Canadian Institutes of Health Research and Indigenous Services Canada also support objectives related to education and training. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 560,000 individuals claimed this credit in 2019.

Cost Information:

Millions of dollars	2016	2017	2018	2019	2020 (P)	2021 (P)	2022 (P)	2023 (P)
Personal income tax	40	45	50	55	25	25	15	55

Surtax on the profits of tobacco manufacturers

Description	Tobacco manufacturers were subject to a surtax on their profits, equivalent to an additional income tax of 10.5% on Canadian tobacco manufacturing profits. This measure was a negative tax expenditure as the surtax resulted in more revenues than would otherwise be raised under the benchmark tax system. Budget 2017 announced the repeal of the surtax as of March 23, 2017.
Tax	Corporate income tax
Beneficiaries	Tobacco manufacturers
Type of measure	Surtax
Legal reference	*Income Tax Act*, Part II, section 182
Implementation and recent history	• Introduced in February 1994 as part of the National Action Plan to Combat Smuggling for a three-year period at a level equivalent to an additional income tax of 8.4% on Canadian tobacco manufacturing profits. • Announcement in November 1996 that the surtax would be extended for another three years from February 1997 to February 2000. • Announcement in November 1999 that the surtax would be made permanent, effective February 2000. • The surtax was increased to a level equivalent to an income tax of 10.5% on Canadian tobacco manufacturing profits, effective April 2001. • Following the review of federal tax expenditures, Budget 2017 announced that the tobacco surtax would be eliminated effective March 23, 2017, and tobacco excise duty rates would be adjusted in order to maintain the intended tax burden of the manufacturers' surtax on tobacco products.
Objective – category	To achieve a social objective
Objective	This measure was introduced as part of the National Action Plan to Combat Smuggling to reduce the windfall profits for the tobacco industry that resulted from the reduction in tobacco excise taxes that were implemented as part of this plan. The rate of surtax was increased in 2001 as part of the Government's comprehensive strategy to improve the health of Canadians by discouraging tobacco consumption (Department of Finance Canada news release 2001-039, April 5, 2001).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	The applicable tax rate departs from the benchmark tax rate.
Subject	Health
CCOFOG 2014 code	70761 - Health - Health not elsewhere classified - Health prevention programs (collective)
Other relevant government programs	Programs within the mandates of Health Canada, the Canadian Food Inspection Agency, the Canadian Institutes of Health Research, the Public Health Agency of Canada and Veterans Affairs Canada also support health-related objectives. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T2 Corporation Income Tax Return
Estimation method	The value of this measure is based on data on actual amounts of surtax paid.
Projection method	n/a
Number of beneficiaries	The number of corporations affected by this measure is not published in order to preserve taxpayer confidentiality.

Cost Information:

Millions of dollars	2016	2017	2018	2019	2020 (P)	2021 (P)	2022 (P)	2023 (P)
Corporate income tax	X	X	–	–	–	–	–	–

Tax status of certain federal Crown corporations

Description	Under section 125 of the *Constitution Act*, 1867, Canada and the Provinces are immune from taxation. This immunity generally extends to federal Crown corporations that act as agents of the Crown. However, federal Crown corporations prescribed under the *Income Tax Regulations* that carry on substantial business activities, as well as their subsidiaries, are subject to federal corporate income tax. This gives rise to a negative tax expenditure. For agent Crown corporations, the applicable federal tax rate is increased by 10% (i.e., they do not benefit from the federal abatement) given that no provincial taxes apply. Prescribed non-agent Crown corporations are taxed at the regular applicable rate by both the federal and provincial governments.
Tax	Corporate income tax
Beneficiaries	Certain federal Crown corporations
Type of measure	Other
Legal reference	*Income Tax Act*, sections 27 and 124 and paragraphs 149(1)(d) to (d.4) *Income Tax Regulations*, section 7100
Implementation and recent history	• The taxation of prescribed federal Crown corporations was introduced in 1952. • The list of prescribed federal Crown corporations is reviewed and updated as required.
Objective – category	To ensure a neutral tax treatment across similar situations To support competitiveness
Objective	This measure is intended to ensure a level playing field between these corporations and similar businesses in the private sector.
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	The measure imposes federal tax on prescribed federal Crown corporations that would otherwise be immune or exempt from income tax.
Subject	Business – other
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T2 Corporation Income Tax Return
Estimation method	The value of this (negative) tax expenditure corresponds to the taxes paid by prescribed federal Crown corporations.
Projection method	n/a
Number of beneficiaries	The Income Tax Regulations currently prescribe 10 federal Crown corporations.

Cost Information:

Millions of dollars	**2016**	**2017**	**2018**	**2019**	**2020 (P)**	**2021 (P)**	**2022 (P)**	**2023 (P)**
Corporate income tax	X	X	X	X	X	X	X	X

Tax treatment of active business income of foreign affiliates of Canadian corporations and deductibility of expenses incurred to invest in foreign affiliates

Description	The active business income of a foreign affiliate of a Canadian corporation is effectively exempt from tax in Canada, both when it is earned and when paid out as a dividend to the Canadian corporation, if the foreign affiliate is located in a country which has a tax treaty or tax information exchange agreement (TIEA) with Canada and has earned the income from a business carried on in such a country (referred to as "exempt surplus" treatment). In other situations the active business income of a foreign affiliate is generally taxable in Canada when paid out as a dividend to the Canadian corporation ("taxable surplus" treatment). Half of a dividend paid out of certain capital gains of a foreign affiliate is taxable in Canada, and half is exempt ("hybrid surplus" treatment). If the active business income is earned by a controlled foreign affiliate in a country with which Canada has no tax treaty and has not concluded a TIEA within five years of being asked by Canada to do so, then it is taxed to the Canadian corporation as it accrues (i.e., on a current basis as "foreign accrual property income"). Where active business income is taxable, relief is provided for foreign tax paid on that income. Interest and other expenses incurred by a Canadian corporation in respect of an investment in a foreign affiliate can generally be deducted in Canada, regardless of whether income from that investment is taxable in Canada, subject only to the general limitations on the deductibility of interest that are not specific to investments in foreign affiliates.
Tax	Corporate income tax
Beneficiaries	Corporations with foreign affiliates
Type of measure	Exemption; deduction
Legal reference	*Income Tax Act*, sections 91 and 113 and subsections 20(1), 93.1(1), 94.2(2) and 95(1) *Income Tax Regulations*, sections 5900-5902, 5905 and 5907
Implementation and recent history	• Most aspects of the current system were introduced as part of the 1972 Tax Reform and became effective as of 1976. • Budget 2007 added the provisions related to TIEAs, effective 2008. • The hybrid surplus provisions were added in 2014, effective retrospectively to August 2011.
Objective – category	To support competitiveness To prevent double taxation
Objective	The tax treatment of foreign active business income prevents international double taxation, supports the competitiveness of Canadian companies abroad, and assists Canada's policy on tax information exchange by giving an incentive to non-treaty countries to enter into TIEAs with Canada (*Proposals for Tax Reform*, 1969; Budget 2007).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	There are at least three possible benchmarks for taxing the active business income of foreign affiliates of Canadian corporations (see part I of this report, footnote 5). Under the benchmark where that income would be exempt, its taxation in Canada in certain circumstances would be a negative tax expenditure, while the deductibility of interest would be a positive tax expenditure. Under the benchmark where that income would be taxable when dividends are paid to the Canadian corporation, the exemption in some cases would be a positive tax expenditure, taxation of the income on an accrual basis in certain cases would be a negative tax expenditure, and the immediate deductibility of interest would be a positive tax expenditure. Under the benchmark where that income would be taxable in Canada as it accrues, the exemption of that income in some cases and the deferral of tax until the income is paid out as dividends in other cases would both be considered a positive tax expenditure.
Subject	International
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	n/a
Source of data	n/a
Estimation method	n/a
Projection method	n/a
Number of beneficiaries	No data is available.

Tax treatment of alimony and maintenance payments

Description	Spousal support payments (also called "alimony and maintenance payments") paid on a periodic basis under a written agreement or court order are deductible by the payer and included in the taxable income of the recipient.
Tax	Personal income tax
Beneficiaries	Former couples
Type of measure	Other
Legal reference	*Income Tax Act*, paragraph 56(1)(b) and subsection 60(b)
Implementation and recent history	• Budget 1944 made alimony and comparable payments deductible from income. • Budget 1958 extended the tax treatment of payments in support of a dependant to cases where no divorce or written separation agreement was made, so long as the payments are made under a court order.
Objective – category	To extend or modify the unit of taxation
Objective	This measure provides consistent tax treatment of alimony payments under a written agreement or court order.
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure extends the unit of taxation.
Subject	Families and households
CCOFOG 2014 code	71049 - Social protection - Family and children
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada and Indigenous Services Canada also support Canadian families and households. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model. The value of this tax expenditure corresponds to the value of the deduction to the payer, less the tax collected from the recipient.
Projection method	T1 micro-simulation model
Number of beneficiaries	About 85,000 individuals reported having received alimony or maintenance payments in 2019, while about 65,000 individuals claimed a deduction.

Cost Information:

Millions of dollars	**2016**	**2017**	**2018**	**2019**	**2020 (P)**	**2021 (P)**	**2022 (P)**	**2023 (P)**
Personal income tax	95	95	95	120	100	110	125	135

Tax treatment of Canada Pension Plan and Quebec Pension Plan contributions and benefits

Description	Contributions to the Canada Pension Plan/Quebec Pension Plan receive tax recognition for income tax purposes, consistent with the taxation of the benefits received. Employees receive a tax credit for their contributions, and employer contributions are not included in their incomes. Self-employed individuals also receive a tax credit for the employee portion of the contribution, as well as a deduction for the employer portion. For both employees and self-employed individuals, the value of the credit for contributions is calculated by applying the lowest personal income tax rate to the value of contributions (15% in 2021). A tax deduction is provided on employee contributions (and on the employee share of contributions by self-employed individuals) associated with the enhanced portion of the Canada Pension Plan and Quebec Pension Plan (contributions to the enhanced portion of the Canada Pension Plan and Quebec Pension Plan began in 2019).
Tax	Personal income tax
Beneficiaries	Employees and self-employed individuals
Type of measure	Exemption; credit, non-refundable; deduction
Legal reference	*Income Tax Act*, section 118.7 and paragraphs 56(1)(a), 60(1)(e) and (e.1)
Implementation and recent history	• Budget 1965 introduced a deduction for Canada Pension Plan contributions, effective for the 1965 and subsequent taxation years. This deduction was replaced by a non-refundable tax credit as part of the 1987 Tax Reform. • Budget 2016 introduced the enhancement of the Canada Pension Plan, which is being phased in from 2019 to 2025. Employee contributions to the enhanced portion of the Canada Pension Plan are deductible. • Budget 2018 introduced an amendment to provide a tax deduction for employee contributions to the enhanced portion of the Quebec Pension Plan (the enhanced portion of the Quebec Pension Plan is being phased in from 2019 to 2025).
Objective – category	Other
Objective	These measures ensure a consistent tax treatment of Canada Pension Plan/Quebec Pension Plan contributions and benefits.
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	These measures are considered part of the benchmark tax system, and therefore are not tax expenditures.
Subject	Employment Retirement
CCOFOG 2014 code	70412 - Economic affairs - General economic, commercial, and labor affairs - General labor affairs 71029 - Social protection - Old age
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support employment. Programs within the mandate of Employment and Social Development Canada also support retirement income security. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 16.8 million individuals claimed the credit for Canada Pension Plan or Quebec Pension Plan contributions on employment income in 2019, while about 2 million claimed the credit for these contributions on self-employment or other income .

Cost Information:

Millions of dollars	2016	2017	2018	2019	2020 (P)	2021 (P)	2022 (P)	2023 (P)
Tax recognition for employee-paid contributions	3,815	4,015	4,200	4,595	4,695	5,435	6,245	6,930
Non-taxation of employer-paid contributions	5,795	6,060	6,415	6,950	7,050	8,230	9,160	9,985
Total – personal income tax	9,610	10,075	10,615	11,540	11,745	13,665	15,405	16,910

Tax treatment of Employment Insurance and Quebec Parental Insurance Plan premiums and benefits

Description	A tax credit is provided for Employment Insurance and Quebec Parental Insurance Plan premiums paid by employees, while premiums paid by employers are not included in employees' incomes. The recognition for income tax purposes of employee and employer premiums is consistent with the taxation of the benefits received. The value of the credit for employee premiums is calculated by applying the lowest personal income tax rate to the premiums.
Tax	Personal income tax
Beneficiaries	Employees and self-employed individuals
Type of measure	Exemption; credit, non-refundable
Legal reference	*Income Tax Act*, section 118.7, subparagraphs 56(1)(a)(iv) and (vii) and paragraph 56(1)(r)
Implementation and recent history	• Budget 1971 introduced a deduction for employee premiums. This deduction was replaced by a non-refundable tax credit as part of the 1987 Tax Reform. • The credit was amended in 2010 to allow for a credit in respect of Quebec Parental Insurance Plan premiums, effective for 2006 and subsequent years, and to allow for a credit in respect of premiums paid by self-employed individuals.
Objective – category	Other
Objective	These measures ensure a consistent tax treatment of Employment Insurance and Quebec Parental Insurance Plan premiums and benefits.
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	These measures are considered part of the benchmark tax system, and therefore are not tax expenditures.
Subject	Employment Social
CCOFOG 2014 code	70412 - Economic affairs - General economic, commercial, and labor affairs - General labor affairs 71049 - Social protection - Family and children
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support employment. Programs within the mandates of Canadian Heritage, Immigration, Refugees and Citizenship Canada, Transport Canada and Public Safety Canada (among other departments) also support various other social objectives. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	In 2019, about 16.3 million individuals claimed the credit for Employment Insurance contributions on employment income, while about 9,000 individuals claimed this credit on self-employment or other eligible earnings. About 4 million individuals claimed the credit for Quebec Parental Insurance Plan contributions on employment income earned in the province of Quebec, while about 122,000 individuals claimed the credit on income earned outside Quebec. About 487,000 individuals claimed the Quebec Parental Insurance Plan credit on self-employment or other eligible income.

Cost Information:

Millions of dollars	2016	2017	2018	2019	2020 (P)	2021 (P)	2022 (P)	2023 (P)
Credit for employee-paid premiums	1,360	1,280	1,365	1,390	1,320	1,425	1,540	1,635
Non-taxation of employer-paid premiums	2,855	2,690	2,875	2,940	2,810	3,130	3,345	3,565
Total – personal income tax	4,215	3,970	4,240	4,330	4,135	4,555	4,885	5,200

Tax treatment of farm savings accounts (AgriInvest and Agri-Québec)

Description	AgriInvest is a producer savings account that provides flexible coverage to farmers for small income declines (first 15% of income) and supports investments to mitigate risks and improve market income. Generally, producers may make a deposit into an AgriInvest account each year, and receive a matching contribution from the federal and provincial governments. Interest income earned in AgriInvest accounts and government contributions to them are not taxable until the year of withdrawal. Since 2011, the province of Quebec has supplemented AgriInvest with the Agri-Québec program, an agricultural income stabilization account program that is very similar to the AgriInvest program. The Agri-Québec program is accorded the same income tax treatment as is provided to the AgriInvest program.
Tax	Personal (including trusts) and corporate income tax
Beneficiaries	Farming businesses
Type of measure	Timing preference
Legal reference	*Income Tax Act*, subsections 12(10.2) and 248(1)
Implementation and recent history	• Introduced in Budget 2007. Effective for the 2007 and subsequent taxation years. A similar tax treatment was previously granted to accounts established under the Net Income Stabilization Account program. This program was introduced in 1991 and terminated in 2009. • Budget 2011 extended the AgriInvest tax treatment to the Agri-Québec program, effective for the 2011 and subsequent taxation years.
Objective – category	To achieve an economic objective - other To encourage savings
Objective	This measure is provided in support of the AgriInvest program, which is designed to encourage farmers, through government-matched contributions, to set aside earnings in order to provide coverage against income declines.
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure permits the deferral of the recognition of income or gains for income tax purposes.
Subject	Business - farming and fishing
CCOFOG 2014 code	70421 - Economic affairs - Agriculture, forestry, fishing, and hunting – Agriculture
Other relevant government programs	Programs within the mandates of Agriculture and Agri-Food Canada and Fisheries and Oceans Canada also support the farming and fishing sectors. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Agriculture and Agri-Food Canada
Estimation method	Personal income tax (unincorporated farms): The value of this tax expenditure is estimated on a cash-flow basis and corresponds to the taxes forgone in the year on the government contributions to and interest income earned in the farm savings accounts, minus the taxes paid on amounts withdrawn from the accounts in the year. This amount is multiplied by the share of farms that are unincorporated. Calculations are based on a marginal tax rate for unincorporated farm income as estimated by the Department of Finance Canada. The breakdown of the estimates between individuals and trusts is not available. Corporate income tax (incorporated farms): The estimated amount described above is multiplied by the share of farms that are incorporated and then by the average tax rate faced by farms, based on T2 tax return data. No estimate is available for Agri-Québec.
Projection method	Projections for 2021 through 2023 are not provided as the value of this measure cannot be reliably forecast for these years.
Number of beneficiaries	As of December 2020, about 97,000 AgriInvest accounts were registered.

Cost Information:

Millions of dollars	2016	2017	2018	2019	2020 (P)	2021 (P)	2022 (P)	2023 (P)
AgriInvest program								
Personal income tax	15	5	4	-1	1	n.a.	n.a.	n.a.
Corporate income tax	2	1	1	S	S	n.a.	n.a.	n.a.
Total	15	5	5	-1	1	n.a.	n.a.	n.a.
Agri-Québec program								
Personal income tax	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Corporate income tax	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total								
Personal income tax	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Corporate income tax	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Tax treatment of investment income from life insurance policies

Description	A life insurance policyholder is not subject to annual taxation on the investment income earned in a life insurance policy as long as the policy qualifies as an exempt life insurance policy. Instead, life insurance companies pay a 15% tax (known as the Investment Income Tax) on the income they earn on investments that they hold to meet their liabilities under the life insurance policy. This treatment results in a tax deferral and tax rate reduction to the extent that the Investment Income Tax is less than the income tax that the policyholders would pay if they were taxed on the investment income as this income accrues. In practice, almost all life insurance policies with a savings element are structured by the life insurance industry to qualify as exempt policies, with the result that the Investment Income Tax system is the *de facto* system.
Tax	Personal (including trusts) and corporate income tax
Beneficiaries	Life insurance policyholders
Type of measure	Preferential tax rate
Legal reference	*Income Tax Act*, subsections 12.2(9) and 211.1(1) and (2)
Implementation and recent history	• Prior to 1968, the accumulated savings within a life insurance policy were not taxed. • To reduce the tax preference given to savings accumulated in a life insurance policy, the Investment Income Tax was introduced in 1968, along with additional rules to tax on an accrual basis the income earned in non-exempt life insurance policies. • The Investment Income Tax was repealed in 1978, reintroduced in 1987, and modified and considerably simplified in 1990.
Objective – category	To reduce administration or compliance costs
Objective	This measure simplifies the taxation of investment income earned on life insurance policies.
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	The applicable tax rate departs from the benchmark tax rate.
Subject	Savings and investment
CCOFOG 2014 code	71029 - Social protection - Old age
Other relevant government programs	n/a
Source of data	T2 Corporation Income Tax Return, industry survey statistics
Estimation method	The tax expenditure is estimated as the difference between the annual tax that would be payable by policyholders and the Investment Income Tax paid by life insurance companies. The breakdown of the estimated value by type of policyholders is not available.
Projection method	Projected growth in the Investment Income Tax is based on changes to average reserves and long-term bond rates.
Number of beneficiaries	According to the Canadian Health and Life Insurance Association, about 22 million individuals own life insurance.

Cost Information:

Millions of dollars	2016	2017	2018	2019	2020 (P)	2021 (P)	2022 (P)	2023 (P)
Personal and corporate income tax	205	225	215	230	235	205	220	235

Taxation of capital gains upon realization

Description	In general, capital gains are taxed on a realization basis, upon the disposition of property. This results in a tax expenditure because, under the benchmark tax system, capital gains (net of capital losses) would be included in income as they accrue.
Tax	Personal (including trusts) and corporate income tax
Beneficiaries	Individuals and corporations
Type of measure	Timing preference
Legal reference	*Income Tax Act*, subsection 40(1)
Implementation and recent history	• Introduced in Budget 1971. Effective for the 1972 and subsequent taxation years.
Objective – category	To reduce administration or compliance costs
Objective	This measure recognizes that, in many cases, it is difficult to estimate with accuracy the value of unsold assets, and that taxing the accrued gains on assets that have not been sold would be administratively complex and could create significant liquidity problems for taxpayers (*Report of the Royal Commission on Taxation*, vol. 3, 1966).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure permits the deferral of the recognition of income or gains for income tax purposes.
Subject	Savings and investment
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	n/a
Source of data	No data is available.
Estimation method	No estimate is available.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

Tax-free amount for emergency services volunteers

Description	A volunteer emergency service provider can claim an exemption of up to $1,000 for amounts received from a government, municipality or other public authority for work as a volunteer ambulance technician, firefighter, or search, rescue or other type of emergency worker. If the volunteer emergency service provider claims the $1,000 exemption, he or she cannot claim the Volunteer Firefighters Tax Credit or Search and Rescue Volunteers Tax Credit in respect of the emergency work.
Tax	Personal income tax
Beneficiaries	Providers of volunteer emergency services
Type of measure	Exemption
Legal reference	*Income Tax Act*, subsection 81(4)
Implementation and recent history	• Introduced in Budget 1961. Retroactive to the 1958 taxation year and effective in subsequent taxation years. The exemption was initially limited to volunteer firefighters. • Budget 1998 increased the exemption for volunteer firefighters to $1,000 from $500 and extended the exemption to other emergency services volunteers.
Objective – category	To achieve a social objective
Objective	This measure assists small and rural communities, which are often unable to maintain full-time emergency staff and depend on the services of volunteers. The measure supports emergency services volunteers who give freely of their time and expertise, often at considerable risk to themselves, in the service of their community (Budget 1998).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base.
Subject	Social
CCOFOG 2014 code	70329 - Public order and safety - Fire protection services 70369 - Public order and safety - Public order and safety not elsewhere classified
Other relevant government programs	Programs within the mandates of Canadian Heritage, Immigration, Refugees and Citizenship Canada, Transport Canada and Public Safety Canada (among other departments) also support various other social objectives. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T4 Statement of Remuneration Paid
Estimation method	The value of this measure is estimated by first excluding taxpayers who claim the Volunteer Firefighters Tax Credit rather than the exemption. An estimate of forgone tax revenue is calculated by multiplying the total number of individuals assumed to claim the exemption by the average amount claimed in the year, and by the marginal tax rate of individuals claiming the Volunteer Firefighters Tax Credit over the estimation period.
Projection method	The projection assumes 0.68% average annual growth in the number of emergency services volunteers claiming the exemption.
Number of beneficiaries	It is estimated that about 19,000 individuals benefitted from this exemption in 2019.

Cost Information:

Millions of dollars	2016	2017	2018	2019	2020 (P)	2021 (P)	2022 (P)	2023 (P)
Personal income tax	3	3	3	3	3	3	3	3

Tax-Free Savings Account

Description	The Tax-Free Savings Account (TFSA) is a general-purpose savings account that allows individuals to earn tax-free investment income. Individuals 18 years of age and older acquire TFSA contribution room each year, with unused room being carried forward. The TFSA annual contribution limit was $6,000 for 2021. TFSA contributions are not deductible, but investment income earned in the account and amounts withdrawn are not included in income for tax purposes or taken into account in determining eligibility for federal income-tested benefits and credits. Withdrawals also create contribution room in the following year for future savings.
Tax	Personal income tax
Beneficiaries	Individuals
Type of measure	Exemption
Legal reference	*Income Tax Act*, sections 146.2 and 207.01
Implementation and recent history	• Introduced in Budget 2008. Effective for 2009 and subsequent years. • The TFSA annual contribution limit was initially $5,000 per individual, indexed to inflation in $500 increments. The limit increased to $5,500 on January 1, 2013 due to indexation. • Budget 2015 increased the TFSA annual contribution limit to $10,000, not indexed to inflation, for 2015 and subsequent taxation years. • On December 7, 2015, the Government announced that the TFSA annual contribution limit would be returned to $5,500 and that indexation would be reinstated, effective for 2016.
Objective – category	To encourage savings
Objective	This measure improves incentives for Canadians to save by reducing taxes on savings (Budget 2008).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base.
Subject	Savings and investment
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	n/a
Source of data	Canada Revenue Agency, Tax-Free Savings Account statistics
Estimation method	The value of this tax expenditure corresponds to the tax revenues forgone on the investment income earned in TFSAs. It is calculated by estimating how much of the total investment income earned in TFSAs is interest, dividends or capital gains, and multiplying these amounts by estimates of the average marginal tax rates applicable to TFSA holders (accounting for the dividend gross-up and tax credit and for the partial inclusion of capital gains). Interest income and dividend income are calculated based on estimated shares of TFSA assets that are fixed income and equity investments and on historical interest rates and dividend yields. Capital gains (or losses) are determined residually by subtracting estimated interest and dividend income from the total investment income.
Projection method	The value of this measure is projected based on the expected growth of net contributions and investment income earned in the accounts.
Number of beneficiaries	About 15.3 million individuals had a TFSA at the end of 2019.

Cost Information:

Millions of dollars	2016	2017	2018	2019	2020 (P)	2021 (P)	2022 (P)	2023 (P)
Personal income tax	810	1,075	870	1,095	1,515	1,820	2,020	2,200

Teacher and Early Childhood Educator School Supply Tax Credit

Description	Teachers and early childhood educators may claim a 25% refundable tax credit based on an amount of up to $1,000 in expenditures made in a taxation year for eligible supplies. Eligible supplies must be purchased for the purpose of teaching or otherwise enhancing students' learning in the classroom or learning environment. Eligible supplies include consumable goods, such as construction paper for activities, flashcards or activity centres, as well as prescribed durable goods. This measure applies to supplies acquired on or after January 1, 2016.
Tax	Personal income tax
Beneficiaries	Teachers and early childhood educators
Type of measure	Credit, refundable
Legal reference	*Income Tax Act*, section 122.9 *Income Tax Regulations*, section 9600
Implementation and recent history	• Introduced in Budget 2016, effective for the 2016 and subsequent taxation years. • The 2021 *Economic and Fiscal Update* proposed to increase the credit rate to 25%; remove a requirement that supplies be used in the classroom; and extend the list of prescribed durable goods, effective for the 2021 and subsequent taxation years
Objective – category	To recognize expenses incurred to earn employment income
Objective	This measure provides tax recognition for costs that educators often incur at their own expense for supplies that enrich the learning environment (Budget 2016).
Category	Refundable tax credit
Reason why this measure is not part of benchmark tax system	This measure is classified as a transfer payment for government accounting purposes, and therefore is not considered to be a tax expenditure.
Subject	Employment
CCOFOG 2014 code	70412 - Economic affairs - General economic, commercial, and labor affairs - General labor affairs
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support employment. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Statistics Canada, Labour Force Survey
Estimation method	n/a
Projection method	Projections are based on estimates of total amounts to be claimed multiplied by the 15% credit rate. Total amounts to be claimed are estimated on the basis of the eligible population and anticipated out-of-pocket school supply expenses. The number of eligible educators is projected to grow in line with Employment and Social Development Canada's Canadian Occupational Projection System for secondary and elementary school teachers and counsellors.
Number of beneficiaries	About 67,000 individuals claimed this credit in 2019.

Cost Information:

Millions of dollars	2016	2017	2018	2019	2020 (P)	2021 (P)	2022 (P)	2023 (P)
Personal income tax	3	4	5	5	5	10	10	10

Textbook Tax Credit

Description	A student eligible for the Education Tax Credit could claim a non-refundable tax credit at the lowest personal income tax rate for post-secondary textbook costs. For full-time students the amount was $65 per month of study, and for part-time students the amount was $20 per month. Unused amounts could be transferred to a supporting individual or carried forward to a subsequent taxation year. Budget 2016 announced the elimination of this measure as of 2017. Amounts carried forward from prior years may still be claimed.
Tax	Personal income tax
Beneficiaries	Students and individuals supporting them
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, subsection 118.6(2.1)
Implementation and recent history	• Introduced in Budget 2006. Effective for the 2006 and subsequent taxation years. • Budget 2016 announced the elimination of this measure as of 2017.
Objective – category	To recognize education costs
Objective	This measure provided better tax recognition for the cost of textbooks for post-secondary students (Budget 2006).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system. This measure extended the unit of taxation. The tax benefit from this measure could be obtained in a taxation year other than the year during which it accrued.
Subject	Education
CCOFOG 2014 code	70939 - Education - College education 70949 - Education - University education 70959 - Education - Education not definable by level
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada, the Social Sciences and Humanities Research Council, the Natural Sciences and Engineering Research Council, the Canadian Institutes of Health Research and Indigenous Services Canada also support objectives related to education and training. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 2.3 million individuals earned this credit in 2016 .

Cost Information:

Millions of dollars	**2016**	**2017**	**2018**	**2019**	**2020 (P)**	**2021 (P)**	**2022 (P)**	**2023 (P)**
Personal income tax	115	65	55	40	30	20	5	S

Tourism and Hospitality Recovery Program

Description	The Tourism and Hospitality Recovery Program (THRP) provides a wage and rent subsidy for employers in prescribed tourism or hospitality businesses that have an average revenue reduction for the first year of the CEWS of 40% or more and have a current period revenue reduction of at least 40%. For qualifying entities, the THRP pays a wage and rent subsidy of between 40% and 75% until March 13, 2022. From March 13 to May 7, 2022 the maximum wage and rent subsidy rate will decrease by half.
Tax	Personal (including trusts) and corporate income tax
Beneficiaries	Businesses, individuals and other organizations
Type of measure	Credit, refundable
Legal reference	*Income Tax Act*, sections 125.7 and 164
Implementation and recent history	• On October 21, 2021, the government announced the Tourism and Hospitality Recovery Program to provide wage and rent subsidies for qualifying tourism or hospitality organizations (i.e., prescribed tourism or hospitality organizations that have an average revenue reduction for the first year of the CEWS of 40% or more and have a current period revenue reduction of at least 40%).
Objective – category	To encourage employment To support business activity
Objective	This measure was put in place to help prevent job losses and encourage employers to quickly rehire workers previously laid off as a result of COVID-19.
Category	Refundable tax credit
Reason why this measure is not part of benchmark tax system	This measure is classified as a transfer payment for government accounting purposes, and therefore is not considered to be a tax expenditure.
Subject	Employment Business – other
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified 71059 - Social Protection - Unemployment
Other relevant government programs	Programs relevant to supporting individuals and businesses during the COVID-19 crisis, as part of Canada's COVID-19 Economic Response Plan. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Administrative data provided by the Canada Revenue Agency
Estimation method	Micro-simulation model based on administrative data
Projection method	Micro-simulation model based on administrative data
Number of beneficiaries	No data is available.

Cost Information:

Millions of dollars	**2016**	**2017**	**2018**	**2019**	**2020 (P)**	**2021 (P)**	**2022 (P)**	**2023 (P)**
Personal and corporate income tax	–	–	–	–	–	605	535	–

Transfer of income tax points to provinces

Description	The federal government transfers 14.85851 points of personal income tax and one point of corporate income tax to provincial and territorial governments as part of existing federal-provincial fiscal arrangements.
Tax	Personal (including trusts) and corporate income tax
Beneficiaries	n/a
Type of measure	Other
Legal reference	*Federal-Provincial Fiscal Arrangements Act*, Part V.1
Implementation and recent history	• In 1967, the federal government transferred four points of personal income tax to all provinces in place of certain direct cash transfers under the then-existing cost-shared program for post-secondary education. • In 1977, the federal government agreed to transfer an additional 9.143 points of personal income tax and one point of corporate income tax to all provinces and territories as part of the Established Programs Financing for health and post-secondary education. • The 1977 reform involved a reduction of federal tax by 9.143% and a concurrent increase in provincial rates. This is the equivalent of 14.85851 tax points.
Objective – category	To implement intergovernmental tax arrangements
Objective	This measure reflects arrangements with provincial and territorial governments that allowed them to receive part of the federal program contribution for health and social programs in the form of tax abatements.
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure is considered part of the benchmark tax system, and therefore is not a tax expenditure.
Subject	Intergovernmental tax arrangements
CCOFOG 2014 code	n/a
Other relevant government programs	n/a
Source of data	Canada Revenue Agency, Tax Sharing Statements
Estimation method	The value of the tax point transfers for personal income tax is estimated by multiplying Basic Federal Tax by 0.1485851. For corporate income tax, it is estimated by multiplying corporate taxable income by 0.01.
Projection method	Projections for this measure are based on forecasted growth of Basic Federal Tax for personal income tax and corporate taxable income for corporate income tax.
Number of beneficiaries	n/a

Cost Information:

Millions of dollars	2016	2017	2018	2019	2020 (P)	2021 (P)	2022 (P)	2023 (P)
Personal income tax								
Individuals	21,265	22,895	24,425	25,260	26,530	28,030	29,445	30,665
Trusts	615	830	525	890	1,105	865	910	950
Total – personal income tax	21,875	23,725	24,945	26,150	27,635	28,895	30,355	31,610
Corporate income tax	3,000	3,320	3,650	3,435	3,540	3,775	4,040	5,025
Total	24,875	27,045	28,595	29,585	31,175	32,670	34,395	36,635

Travellers' exemption

Description	Canadian travellers are eligible for limited GST relief on goods they bring back to Canada. The relief that is provided depends on the length of absence: returning residents can bring back up to $200 in goods without paying the GST if they were outside the country for between 24 and 48 hours, and up to $800 in goods if they were away for more than 48 hours. There is no relief for same-day travel. This measure is referred to as an "exemption", based on customs administrative terminology. However, the imported goods are not exempt supplies as defined under the *Excise Tax Act*, and unlike exempt supplies, no GST is embedded in the cost of these goods.
Tax	Goods and Services Tax
Beneficiaries	Canadian travellers returning to Canada
Type of measure	Other
Legal reference	Section 1 of Schedule VII to the *Excise Tax Act*
Implementation and recent history	• This measure has been in effect since the inception of the GST in 1991. • Budget 2012 announced the following increases in the travellers' exemption limits for lengths of absence greater than 24 hours, effective June 1, 2012: o From $50 to $200 for lengths of absence between 24 and 48 hours; o From $400 to $800 for lengths of absence between 48 hours and 7 days; o From $750 to $800 for lengths of absence over 7 days.
Objective – category	To reduce administration or compliance costs
Objective	This measure expedites customs clearance for returning Canadian consumers, making cross-border business and personal travel more convenient for Canadians (Department of Finance Canada news release 2012-061, June 1, 2012).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	The non-taxation of goods that will be consumed in Canada is a deviation from a broadly defined value-added tax base.
Subject	International
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	n/a
Source of data	Statistics Canada, Supply and Use Tables Canada Border Services Agency data
Estimation method	The cost of this measure is calculated by applying the GST rate to Statistics Canada's estimates of expenditures by Canadians abroad on goods brought back to Canada less the GST collected on such goods.
Projection method	The cost of this measure is projected to grow in line with non-merchandise travel imports.
Number of beneficiaries	No data is available.

Cost Information:

Millions of dollars	**2016**	**2017**	**2018**	**2019**	**2020 (P)**	**2021 (P)**	**2022 (P)**	**2023 (P)**
Goods and Services Tax	300	305	310	335	80	100	250	300

Tuition Tax Credit

Description	A student can claim a non-refundable tax credit at the lowest personal income tax rate on tuition fees paid to designated educational institutions where the total for such fees exceeds $100. The student must claim the credit first on his or her own return. If the student does not need to use all of the credit, the unused amount may be transferred to a supporting individual or carried forward to a subsequent taxation year.
Tax	Personal income tax
Beneficiaries	Students and individuals supporting them
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, section 118.5
Implementation and recent history	• Introduced as a deduction in Budget 1960. Effective for the 1961 and subsequent taxation years. • Replaced by a non-refundable tax credit and made transferable to spouses, parents or grandparents as part of the 1987 Tax Reform. • Budget 1997 introduced a provision allowing unused tuition amounts to be carried forward for use in a subsequent year. • Budget 2011 made occupational, trade or professional examinations eligible for the Tuition Tax Credit. The 13-week minimum duration requirement applying to studies undertaken by Canadians at foreign universities was also reduced to 3 consecutive weeks. • Budget 2017 expanded the range of courses eligible for the credit to include occupational skills courses that are undertaken at a post-secondary institution in Canada, effective for the 2017 and subsequent taxation years.
Objective – category	To recognize education costs
Objective	This measure provides students with tax relief by recognizing the costs of enrolling in qualifying programs or courses (Budget 1960).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system. This measure extends the unit of taxation. The tax benefit from this measure can be obtained in a taxation year other than the year during which it accrues.
Subject	Education
CCOFOG 2014 code	70939 - Education - College education 70949 - Education - University education
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada, the Social Sciences and Humanities Research Council, the Natural Sciences and Engineering Research Council, the Canadian Institutes of Health Research and Indigenous Services Canada also support objectives related to education and training. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 2.5 million individuals earned this credit in 2019.

Cost Information:

Millions of dollars	**2016**	**2017**	**2018**	**2019**	**2020 (P)**	**2021 (P)**	**2022 (P)**	**2023 (P)**
Personal income tax	1,315	1,455	1,630	1,770	2,085	2,050	2,030	2,100

Volunteer Firefighters Tax Credit

Description	Individuals who performed at least 200 hours of eligible volunteer firefighting services during a year can claim the non-refundable Volunteer Firefighters Tax Credit. The value of the credit is calculated by applying the lowest personal income tax rate to a credit amount of $3,000. An individual who performs both eligible volunteer firefighting services and eligible volunteer search and rescue services for a total of at least 200 hours in the year can claim either the Volunteer Firefighters Tax Credit or the Search and Rescue Volunteers Tax Credit. An individual who claims the Volunteer Firefighters Tax Credit is ineligible for the exemption from income that would otherwise apply to up to $1,000 of income (honoraria) received in the year for being a volunteer firefighter (see the measure "Tax-free amount for emergency services volunteers").
Tax	Personal income tax
Beneficiaries	Volunteer firefighters
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, section 118.06
Implementation and recent history	• Introduced in Budget 2011. Effective for the 2011 and subsequent taxation years. • The Volunteer Firefighters Tax Credit was extended to recognize hours of eligible search and rescue volunteer service in Budget 2014.
Objective – category	To achieve a social objective
Objective	This measure recognizes the important role played by volunteer firefighters in contributing to the security and safety of Canadians (Budget 2011).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system.
Subject	Social
CCOFOG 2014 code	70329 - Public order and safety - Fire protection services
Other relevant government programs	Programs within the mandates of Canadian Heritage, Immigration, Refugees and Citizenship Canada, Transport Canada and Public Safety Canada (among other departments) also support various other social objectives. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 43,000 individuals claimed this credit in 2019.

Cost Information:

Millions of dollars	**2016**	**2017**	**2018**	**2019**	**2020 (P)**	**2021 (P)**	**2022 (P)**	**2023 (P)**
Personal income tax	20	20	20	15	20	20	20	20

Zero-rating of agricultural and fish products and purchases

Description	Certain agricultural and fish products are zero-rated throughout the production chain, including farm livestock, poultry, bees, grains and seeds for planting or feed, hops, barley, flax seed, straw, sugar cane, sugar beets and fertilizer. Prescribed agricultural and fishing equipment, such as tractors and fishing nets, are also zero-rated. This measure relates to the zero-rating of basic groceries.
Tax	Goods and Services Tax
Beneficiaries	Farming and fishing businesses
Type of measure	Zero-rating
Legal reference	Part IV of Schedule VI to the *Excise Tax Act* *Agriculture and Fishing Property (GST/HST) Regulations*
Implementation and recent history	• This measure has been in effect since the inception of the GST in 1991.
Objective – category	To achieve a social objective To provide income support or tax relief
Objective	This measure is intended to improve the cash-flow position of farming and fishing businesses (*Goods and Services Tax*, December 1989).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	Zero-rating inputs is a deviation from the multi-stage design of the GST, whereby businesses pay tax on their inputs and then claim input tax credits in respect of inputs used in making taxable (including zero-rated) supplies.
Subject	Business - farming and fishing
CCOFOG 2014 code	70421 - Economic affairs - Agriculture, forestry, fishing, and hunting - Agriculture 70423 - Economic affairs - Agriculture, forestry, fishing, and hunting - Fishing and hunting
Other relevant government programs	Programs within the mandates of Agriculture and Agri-Food Canada and Fisheries and Oceans Canada also support the farming and fishing sectors. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	No data is available.
Estimation method	No estimate is available.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

Zero-rating of basic groceries

Description	Basic groceries, which include the majority of foodstuffs for preparation and consumption at home, are zero-rated under the GST. A specified list of goods, such as soft drinks, candies, confections and alcoholic beverages, are not staple grocery items and are therefore taxable.
Tax	Goods and Services Tax
Beneficiaries	Households
Type of measure	Zero-rating
Legal reference	Part III of Schedule VI to the *Excise Tax Act*
Implementation and recent history	• This measure has been in effect since the inception of the GST in 1991.
Objective – category	To achieve a social objective
Objective	The zero-rating of basic groceries reflects the widely held view of Canadians that, as a general principle, basic foodstuffs should not be taxed (*Goods and Services Tax: Technical Paper*, August 1989).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	Zero-rating is a deviation from a broadly defined value-added tax base.
Subject	Social
CCOFOG 2014 code	n/a
Other relevant government programs	Programs within the mandates of Canadian Heritage, Immigration, Refugees and Citizenship Canada, Transport Canada and Public Safety Canada (among other departments) also support various other social objectives. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Statistics Canada, Supply and Use Tables and National Income and Expenditure Accounts
Estimation method	Goods and Services Tax model
Projection method	Goods and Services Tax model
Number of beneficiaries	No data is available.

Cost Information:

Millions of dollars	2016	2017	2018	2019	2020 (P)	2021 (P)	2022 (P)	2023 (P)
Goods and Services Tax	4,370	4,525	4,715	4,910	5,405	5,420	5,260	5,410

Zero-rating of face masks and face shields

Description	Face masks (medical and non-medical grade) and face shields designed for human use that meet certain specifications (e.g., cover the nose and mouth) and that are for use in preventing the transmission of infectious agents, such as respiratory viruses, are currently zero-rated under the GST.
Tax	Goods and Services Tax
Beneficiaries	Households
Type of measure	Zero-rating
Legal reference	Sections 2 to 5 of Part II.1 of Schedule VI to the *Excise Tax Act*
Implementation and recent history	• Proposed as part of the November 30, 2020 *Fall Economic Statement*. This measure would apply to supplies of these items made after December 6, 2020, and is proposed to only be in effect until their use is no longer broadly recommended for the COVID-19 pandemic.
Objective – category	To achieve a social objective
Objective	This measure provides tax relief to households and other purchasers to support public health during the COVID-19 pandemic.
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	Zero-rating is a deviation from a broadly defined value-added tax base.
Subject	Health
CCOFOG 2014 code	70719 - Health - Medical products, appliances, and equipment - Medical products, appliances, and equipment not elsewhere classified
Other relevant government programs	Programs within the mandates of Health Canada, the Canadian Food Inspection Agency, the Canadian Institutes of Health Research, the Public Health Agency of Canada and Veterans Affairs Canada also support health-related objectives. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Statistics Canada, Supply and Use Tables Canada Border Services Agency data
Estimation method	The cost of this measure corresponds to the tax on the estimated value of face masks (medical and non-medical grade) and face shields that would otherwise be taxable.
Projection method	Projections for this measure are based on the anticipated demand for face masks (medical and non-medical grade) and face shields.
Number of beneficiaries	No data is available.

Cost Information:

Millions of dollars	**2016**	**2017**	**2018**	**2019**	**2020 (P)**	**2021 (P)**	**2022 (P)**	**2023 (P)**
Goods and Services Tax	–	–	–	–	3	75	75	20

Note: The total cost of this tax expenditure is slightly different than that presented in the 2020 *Fall Economic Statement* because of rounding.

Zero-rating of feminine hygiene products

Description	Sanitary napkins, tampons, sanitary belts, menstrual cups and other similar products that are marketed exclusively for feminine hygiene purposes are zero-rated.
Tax	Goods and Services Tax
Beneficiaries	Households
Type of measure	Zero-rating
Legal reference	Section 1 of Part II.1 of Schedule VI to the *Excise Tax A*ct
Implementation and recent history	• Budget 2016 confirmed and implemented a previous Notice of Ways and Means Motion tabled in Parliament on May 28, 2015. The relief was effective in respect of supplies made on or after July 1, 2015.
Objective – category	To provide income support or tax relief
Objective	This measure provides tax relief to households.
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	Zero-rating is a deviation from a broadly defined value-added tax base.
Subject	Families and households
CCOFOG 2014 code	n/a
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada and Indigenous Services Canada also support Canadian families and households. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Statistics Canada, Supply and Use Tables and National Income and Expenditure Accounts
Estimation method	Goods and Services Tax model
Projection method	Goods and Services Tax model
Number of beneficiaries	No data is available.

Cost Information:

Millions of dollars	2016	2017	2018	2019	2020 (P)	2021 (P)	2022 (P)	2023 (P)
Goods and Services Tax	45	50	50	50	55	55	55	60

Zero-rating of medical and assistive devices

Description	A wide range of medical and assistive devices are zero-rated under the GST, including wheelchairs, medical and surgical prostheses, hearing and speaking aids, prescription eyeglasses and various diabetic supplies. Certain devices are zero-rated only if provided on the written order of a physician, physiotherapist, occupational therapist or registered nurse. Certain devices are zero-rated only when for use by a final consumer, but others are zero-rated whether the user is the final consumer or a health care provider.
Tax	Goods and Services Tax
Beneficiaries	Individuals with medical conditions or disabilities and health care providers
Type of measure	Zero-rating
Legal reference	Part II of Schedule VI to the *Excise Tax Act*
Implementation and recent history	• This measure has been in effect since the inception of the GST in 1991. • The list of zero-rated devices is periodically expanded and amended. Most recently, Budget 2016 announced that insulin pens, insulin pen needles, and intermittent urinary catheters would be zero-rated.
Objective – category	To achieve a social objective
Objective	This measure helps to preserve the affordability of these supplies.
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	Zero-rating is a deviation from a broadly defined value-added tax base.
Subject	Health
CCOFOG 2014 code	70719 - Health - Medical products, appliances, and equipment - Medical products, appliances, and equipment not elsewhere classified
Other relevant government programs	Programs within the mandates of Health Canada, the Canadian Food Inspection Agency, the Canadian Institutes of Health Research, the Public Health Agency of Canada and Veterans Affairs Canada also support health-related objectives. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Statistics Canada, Supply and Use Tables and National Income and Expenditure Accounts
Estimation method	Goods and Services Tax model
Projection method	Goods and Services Tax model
Number of beneficiaries	No data is available.

Cost Information:

Millions of dollars	**2016**	**2017**	**2018**	**2019**	**2020 (P)**	**2021 (P)**	**2022 (P)**	**2023 (P)**
Goods and Services Tax	430	440	460	480	480	530	530	540

Zero-rating of prescription drugs

Description	The following are zero-rated under the GST: • drugs that are controlled substances for which a prescription is required; • drugs that have been prescribed by a recognized health care practitioner; • certain drugs that do not require a prescription but that are used to treat life-threatening conditions; and • the service of dispensing a zero-rated drug. Drugs labelled or supplied for veterinary use are not zero-rated.
Tax	Goods and Services Tax
Beneficiaries	Individuals with medical conditions
Type of measure	Zero-rating
Legal reference	Part I of Schedule VI to the *Excise Tax Act*
Implementation and recent history	• This measure has been in effect since the inception of the GST in 1991.
Objective – category	To achieve a social objective
Objective	This measure helps to preserve the affordability of these supplies.
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	Zero-rating is a deviation from a broadly defined value-added tax base.
Subject	Health
CCOFOG 2014 code	70711 - Health - Medical products, appliances, and equipment - Pharmaceutical products
Other relevant government programs	Programs within the mandates of Health Canada, the Canadian Food Inspection Agency, the Canadian Institutes of Health Research, the Public Health Agency of Canada and Veterans Affairs Canada also support health-related objectives. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Statistics Canada, Supply and Use Tables and National Income and Expenditure Accounts
Estimation method	Goods and Services Tax model
Projection method	Goods and Services Tax model
Number of beneficiaries	No data is available.

Cost Information:

Millions of dollars	2016	2017	2018	2019	2020 (P)	2021 (P)	2022 (P)	2023 (P)
Goods and Services Tax	825	850	880	900	925	980	980	1,000

Table
Additional Information on Relevant Government Programs by Subject

Subject	
Arts and culture	Programs within the mandate of Canadian Heritage also support arts and culture. These include programs such as the Canada Arts Presentation Fund, the Canada Arts Training Fund and the Canada Music Fund. More information on these programs can be found in the Departmental Plans of Canadian Heritage.
Business – farming and fishing	Programs within the mandates of Agriculture and Agri-Food Canada and Fisheries and Oceans Canada also support the farming and fishing sectors. These include programs such as the AgriStability, AgriInvest and AgriInsurance programs as well as the Catch Certification Program. More information on these programs can be found in the Departmental Plans of these organizations.
Business – natural resources	Programs within the mandate of Natural Resources Canada also support the natural resource sector. These include programs such as the Indigenous Forestry Initiative, the Investments in Forest Industry Transformation program, the Targeted Geoscience Initiative program, and the Green Mining Innovation initiatives. More information on these programs can be found in the Departmental Plans of Natural Resources Canada.
Business – small businesses	Programs within the mandate of Innovation, Science and Economic Development Canada also support small businesses. These include programs such as the Canada Small Business Financing Program, Innovative Solutions Canada, BizPal and Canada Business Network. More information on these programs can be found in the Departmental Plans of Innovation, Science and Economic Development Canada. The Business Development Bank of Canada, a federal Crown corporation, also provides financing and consulting services to small and medium-sized enterprises.
Business – research and development	Programs within the mandates of Innovation, Science and Economic Development Canada, the National Research Council Canada and the federal granting councils also support research and development. These include programs such as the Strategic Innovation Fund, Industrial Research Assistance Program, and Industrial Research Chairs. More information on these programs can be found in the Departmental Plans of these organizations.
Business – other	Programs within the mandates of Global Affairs Canada and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. These include programs such as the Canadian Trade Commissioner Service and the CanExport program at Global Affairs Canada, and the Regional Economic Growth Through Innovation program at each regional development agency across the country. More information on these programs can be found in the Departmental Plans of these organizations. Export Development Canada and the Canadian Commercial Corporation, two federal Crown corporations, also have mandates of facilitating and promoting international trade, notably by providing financing, market expertise and other services to Canadian businesses.
Canada's COVID-19 Economic Response Plan	Many federal programs were introduced to support Canadians and businesses facing hardship as a result of the COVID-19 outbreak. Details on these programs can be found at: www.canada.ca/en/department-finance/economic-response-plan.html
Donations, gifts, charities and non-profit organizations	Many federal government entities provide direct funding to registered charities, non-profit organizations and international development associations through various programs.

Subject	
Education	Programs within the mandates of Employment and Social Development Canada, the Social Sciences and Humanities Research Council, the Natural Sciences and Engineering Research Council, the Canadian Institutes of Health Research, and Indigenous Services Canada also support objectives related to education and training. These include programs such as the Canada Student Loan Program and Canada Education Savings Grant, the Apprenticeship Incentive Grant and Apprenticeship Completion Grant, and the Canada Graduate Scholarships program. More information on these programs can be found in the Departmental Plans of these organizations. The federal government also provides funding to provinces and territories in support of post-secondary education through the Canada Social Transfer—see the Departmental Plans of the Department of Finance Canada.
Employment	Programs within the mandate of Employment and Social Development Canada also support employment. These include programs such as the Employment Insurance program, the Labour Market Development Agreements, the Workforce Development Agreements, the Federal Workers' Compensation Service, the Youth Employment Strategy, the Indigenous Skills and Employment Training Program, and the Foreign Credential Recognition Program. More information on these programs can be found in the Departmental Plans of Employment and Social Development Canada.
Environment	Programs within the mandates of Environment and Climate Change Canada, the Impact Assessment Agency of Canada, the Parks Canada Agency, Natural Resources Canada and Infrastructure Canada also support environment-related objectives. These include programs related to combatting climate change, such as the Low Carbon Economy Fund, the Energy Innovation Program and green infrastructure investments as well as supporting sustainable ecosystems and biodiversity, and the Clean Growth Program. More information on these programs can be found in the Departmental Plans of these organizations.
Families and households	Programs within the mandates of Employment and Social Development Canada and Indigenous Services Canada also support Canadian families and households. These include programs such as Employment Insurance maternity and parental benefits, investments to support early learning and child care, and the Income Assistance Program and Assisted Living Program that support First Nations on reserve. More information on these programs can be found in the Departmental Plans of these organizations.
Health	Programs within the mandates of Health Canada, the Canadian Food Inspection Agency, the Canadian Institutes of Health Research, Indigenous Services Canada, the Public Health Agency of Canada and Veterans Affairs Canada also support health-related objectives. These include programs such as the Health System Priorities program, the Medical Devices program, the Federal Tobacco Control Strategy, the Healthy Child Development program, and the First Nations and Inuit Primary Health Care program. More information on these programs can be found in the Departmental Plans of these organizations. The federal government also provides long-term predictable funding for health care to provinces and territories through the Canada Health Transfer—see the Departmental Plans of the Department of Finance Canada.
Housing	Programs within the mandate of Canada Mortgage and Housing Corporation are intended to promote the construction, repair and renewal of affordable housing – currently under the umbrella of the National Housing Strategy. The Housing program of Indigenous Services Canada, and related programs at Crown-Indigenous Relations and Northern Affairs Canada, also pursue the goal of increasing the supply of safe and affordable housing to First Nations, Inuit and Métis. More information on these programs can be found in the annual report of Canada Mortgage and Housing Corporation and Departmental Plans of Indigenous Services Canada and Crown-Indigenous Relations and Northern Affairs Canada.

Subject	
Income support	Programs within the mandates of Employment and Social Development Canada and Veterans Affairs Canada also support income security. These include programs such as the Canada Pension Plan Disability and Survivor benefits, the Federal Workers' Compensation Service and the Disability Award program for veterans. More information on these programs can be found in the Departmental Plans of these organizations.
Retirement	Programs within the mandate of Employment and Social Development Canada also support retirement income security. These include the Canada Pension Plan as well as the Old Age Security program. More information on these programs can be found in the Departmental Plans of Employment and Social Development Canada.
Social	Programs within the mandates of Canadian Heritage, Immigration, Refugees and Citizenship Canada, Transport Canada and Public Safety Canada (among other departments) also support various other social objectives. These include programs such as the Development of Official-Language Communities program, the Settlement program, the Transportation Infrastructure program and programs in support of emergency management. More information on these programs can be found in the Departmental Plans of these organizations. The federal government also provides funding to provinces and territories in support of programs for children, social assistance and other social programs through the Canada Social Transfer—see the Departmental Plans of the Department of Finance Canada.

Part 4
Tax Evaluations and Research Reports

Gender-Based Analysis Plus of Tax Expenditures and the Indirect Impact of Refundable Credits[1]

1. Introduction

The *Canadian Gender Budgeting Act* requires, among other things, that the Minister of Finance make available to the public, on an annual basis, analyses on the impacts of tax expenditures in terms of gender and other identity factors. Gender-based Analysis Plus (GBA+) studies published in this Report since 2019 have focused primarily on the impacts of the federal personal income tax (PIT) system by gender. The first study examined the overall impact of the system and the allocation of the benefits of various individual tax expenditures between men and women. The second study looked at actual claiming patterns of certain tax expenditures between male and female spouses. The third study, published in 2021, focused on the impact of tax expenditures by identity factors other than gender.

All of the previously published GBA+ studies used an approach that was based on the reduction of net federal tax payable in order to identify the beneficiaries and the amount of benefits associated with different tax expenditures. The concept of net federal tax payable is calculated before the allocation of refundable credit amounts, including the Canada Child Benefit (CCB), the GST/HST Credit, the Working Income Tax Benefit (WITB)[2] and the Refundable Medical Expense Supplement (RMES). While most of the tax expenditures examined in previous GBA+ studies have no impact on refundable credit amounts paid, this is not the case for certain exemptions and deductions. Indeed, some exemptions and deductions have an impact on the concept of net family income[3] used to determine entitlement to these refundable credits and the allocated credit amounts.[4] For simplicity, the original approach ignored these indirect impacts.

The current study fills this gap by developing a new approach that accounts for the indirect impact of refundable credits in the calculation of the benefits associated with the various individual tax expenditures that impact taxfilers' net income. It also examines the extent to which this methodological change affects previous GBA+ results. Section 2 provides an overview of the methodology as well as the list of the various tax expenditures for which it is relevant to use the new approach. Section 3 analyzes the new results obtained in terms of benefit amounts and the distribution of benefits between different identity groups by comparing them to the results published in the 2021 study.

[1] The analysis presented in this paper was prepared by Dominique Fleury, Economist, Tax Policy Branch, Department of Finance Canada. Enquiries regarding Department of Finance Canada publications can be sent to finpub@canada.ca
[2] The WITB was replaced in 2019 by the Canada Workers Benefit (CWB).
[3] Refundable credits use a concept of adjusted net family income which considers any universal child care benefit or registered disability savings plan amounts received or repaid.
[4] These tax expenditures similarly affect entitlement to provincial/territorial refundable credits. However, the focus of the paper is on federal refundable credits.

2. Methodology

2.1 Original Approach

The most recent GBA+ studies examined the distribution of benefits associated with 58 personal income tax expenditures by age group, family type, family income group, area of residence and, in supplement, by gender[5]. The distribution of benefits was examined by calculating statistics taking into account the number of beneficiaries and the share of benefits received for each of the tax expenditures[6] considered by identity group. In the previous study, the “number of beneficiaries” referred to the number of claiming taxfilers who, in the absence of a particular tax expenditure, would have had to pay a higher amount of net federal tax, while the “total amount of benefits” referred to the amount of net federal tax saved by claiming taxfilers due to the tax expenditure. As net federal tax is a concept that does not consider refundable tax credits, changes in refundable credit payments that can result from the absence of a specific tax expenditure were not accounted for in the analysis.

2.2 Modified Approach

The large majority of individual tax expenditures will reduce tax payable but have no impact on eligibility or amounts of refundable tax credits. However, this is not the case for certain exemptions and deductions. When a taxfiler claims a tax expenditure that reduces the amount of net family income taken into account to determine entitlement to refundable credits, the claim of this expenditure not only reduces the amount of tax payable but may also increase the value of refundable credits their family is entitled to. For example, a taxfiler who claims the Child Care Expense Deduction (CCED) will generally see their taxable income reduced by this deduction and may benefit from a reduction in their personal income tax payable. At the same time, their net personal income will decrease and this net personal income, combined with that of their spouse (if applicable), will have an impact on the calculation of refundable credit amounts the family is entitled to. Generally, the lower a taxfiler’s net family income, the higher the refundable credit amounts allocated to the family. Since the claim of the CCED reduces net income compared to what it would have been in the absence of the deduction, a portion of the benefits of refundable credits can be attributed to the claim of this particular tax expenditure. As a result, in estimating the benefits associated with certain tax expenditures, we can choose to take into account the indirect change in the refundable credit amounts resulting from the claim of these expenditures. In this case, the definitions of beneficiaries and benefits associated with the tax expenditures that have an impact on net income are modified as follows:

- The “number of beneficiaries” refers to the number of claiming taxfilers who, in the absence of a particular tax expenditure, would have to pay a higher amount of net federal tax and/or would be entitled to a lower amount of refundable credits, all else being equal.[7]
- The “total amount of benefits” refers to the sum of the amount of net federal tax saved by claiming taxfilers and the additional amount of refundable credits their family is entitled to due to the claim of the tax expenditure, regardless of who, in the family, receives the refundable credit payments.[8]

---

5 Gender identity recognizes that individuals may have perceptions of their own gender which are not necessarily binary (man or woman) and/or correlated with their sex or biological gender attributed at birth. In this study, the term “gender” refers to the sex or biological gender attributed at birth based on available data.

6 Similar to the estimates and projections presented in the other sections of this report, benefits received for each of the tax expenditures are estimated independently, assuming that all other tax provisions remain unchanged.

7 In order to determine the number of beneficiaries and the total amount of benefits attributable to a particular tax expenditure, we assume that most other tax expenditures remain unchanged, and that the behaviour of claimants is not affected by the absence/presence of the tax expenditure. We also assume that, within families, claimants are the sole beneficiaries of individual tax expenditures. For a detailed discussion of the implications of the benefit sharing assumption, see the 2020 GBA+ study.

8 To avoid double counts, half of the additional amount of refundable credits was attributed to each spouse in the case of couples where both spouses claimed the exemption or deduction. In the case of unattached claimants or couples where only one spouse claimed, the entire additional amount of refundable

2.3 Tax Expenditures Examined

Table 1 lists the 13 main tax expenditures that have an impact on the net income concept used to calculate the four refundable credits for lower-income families among the 58 tax expenditures examined in the 2021 GBA+. These are the tax expenditures for which it is most relevant to apply the modified approach.[9]

These 13 tax expenditures include one exemption (partial inclusion of capital gains) and 12 deductions. For those who reported capital income during the tax year, the net income amounts reported on line 236 of the T1 tax return would have been higher if the capital gains inclusion rate had been greater than 50%, which would have likely reduced the refundable credit amounts granted. A similar scenario would have occurred for those who claimed the various deductions listed in Table 1.

Table 1
Tax expenditures examined that have an impact on taxfilers' net income, 2018

Tax expenditures
Partial inclusion of capital gains
Child Care Expense Deduction (CCED)
Deduction for clergy residence
Deduction of allowable business investment losses
Deduction of interest and carrying charges incurred to earn investment income
Deduction of union and professional dues
Disability supports deduction
Moving expense deduction
Apprentice vehicle mechanics' tools deduction
Deductibility of certain costs incurred by musicians or of expenses by employed artists
Deduction for tradespeople's tool expenses
Partial deduction of and partial input tax credits for meals and entertainment
Deduction of other employment expenses

Source: *Report on Federal Tax Expenditures 2021.*

3. Results

3.1 Benefit Amounts

Table 2 presents the new benefit amounts associated with the various individual tax expenditures that have an impact on taxfilers' net income, taking into account the indirect impact of refundable credits in the calculation of total benefits. Direct benefits, i.e., those on which the previous GBA+ studies were based, refer to net tax savings resulting from these expenditures. Indirect benefits, on the other hand, refer to increases in refundable credit amounts that are a result of those same tax expenditures.

credits was attributed to the claimant.

9 While the deductions for RRSP and RPP contributions may also influence taxfilers' net income, registered plans are excluded from the analysis due to incomplete information for assessing the global distributional impact of these tax measures. Information is available on deductible contributions made to, and taxable withdrawals made from, registered plans. However, no information is available on investment income earned (which is non-taxable) in such plans. Ways to make better use of available data to study the impacts of registered saving plans by identity groups will be explored in future analysis.

Table 2
Direct, indirect and total amount of benefits associated with the 13 tax expenditures examined, 2018

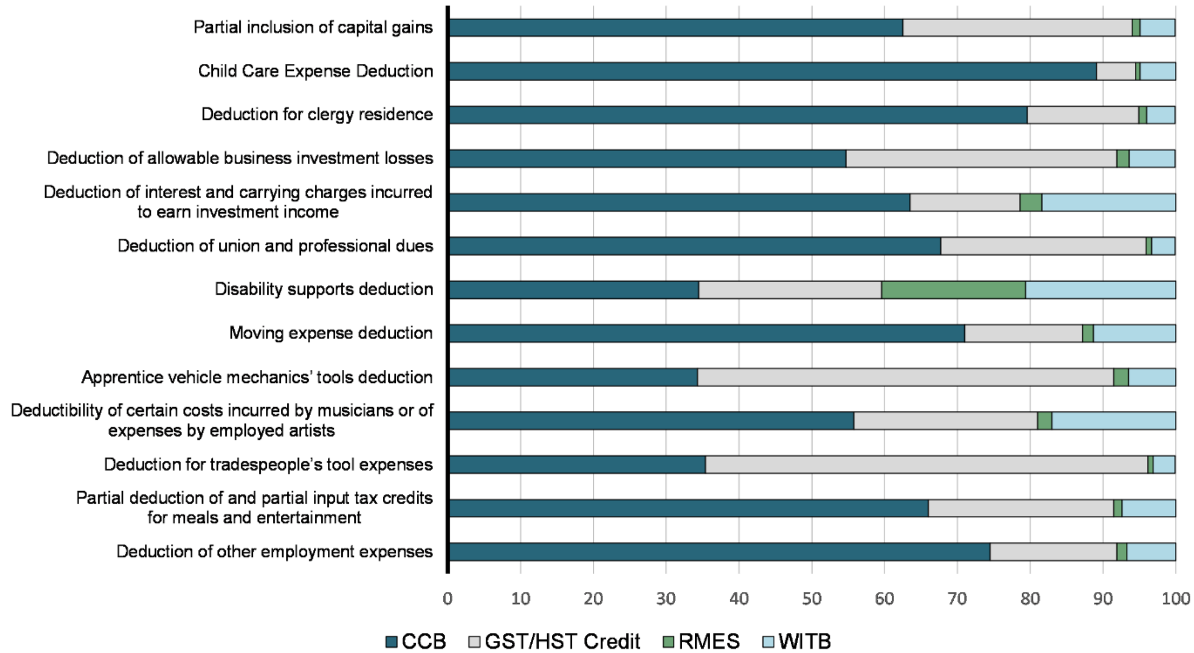
Tax expenditures	Direct benefits	Indirect benefits	Total benefits*	Indirect benefits as a share of total benefits
			($ millions)	(%)
Partial inclusion of capital gains	8,577.6	96.8	8,674.4	1.1
Child Care Expense Deduction (CCED)	1,014.7	330.7	1,345.5	24.6
Deduction for clergy residence	74.7	17.1	91.8	18.6
Deduction of allowable business investment losses	30.4	2.7	33.1	8.2
Deduction of interest and carrying charges incurred to earn investment income	1,794.8	43.9	1,838.8	2.4
Deduction of union and professional dues	956.6	137.8	1,094.4	12.6
Disability supports deduction	1.8	0.3	2.1	13.1
Moving expense deduction	97.9	15.5	113.4	13.7
Apprentice vehicle mechanics' tools deduction	3.2	0.5	3.8	14.1
Deductibility of certain costs incurred by musicians or of expenses by employed artists	1.0	0.1	1.1	12.2
Deduction for tradespeople's tool expenses	2.2	0.5	2.7	19.0
Partial deduction of and partial input tax credits for meals and entertainment**	37.0	1.9	38.9	5.0
Deduction of other employment expenses	821.2	64.5	885.7	7.3

*For methodological reasons, total benefits may differ slightly from the total costs presented in the most recent RFTE. Costs are generally estimated using a methodology based on a T1 microsimulation model. These methodological differences do not have a significant impact on the distribution of benefits by identity group, and thus on the GBA+ results obtained.
** The GBA+ of the partial deduction of and partial input tax credits for meals and entertainment was conducted only on the portion of the deduction related to the accumulation of employment income (Guide 4044, Form T777). It excludes expenses deducted from gross business or professional income (Guide 4002), which were taken into account in the calculation of the total costs reported in the RFTE.
Note: Totals may not always add up due to rounding.
Source: 2018 T1 return data.

Table 2 suggests that, overall, the largest share of benefits associated with the various tax expenditures examined is due to the tax savings they provide to claimants. It also shows that, for most of these expenditures, non-negligible amounts of indirect benefits result from increases in the amount of refundable credits granted to their family as a result of the expenditures. The indirect impact of refundable credits is greater for some expenditures than for others. For example, indirect benefits accounted for 24.6% of the total benefits associated with the CCED, compared to 1.1% for the partial inclusion of capital gains. These differences can be explained by the fact that claimants of some tax expenditures have characteristics that make them more or less likely to be eligible for the various refundable credits available, such as the presence of children in the family or being a member of a lower-income family. Variations in the generosity of each of these refundable credits may also explain these differences (e.g., CCB maximum annual amounts are greater than GSTC amounts).

Chart 1 shows that, for most tax expenditures, variations in CCB amounts account for the largest share of indirect benefits. This is particularly true with regard to the CCED. The only exceptions are the apprentice vehicle mechanics' tools deduction and the deduction for tradespeople's tool expenses, two tax expenditures for which the GST/HST Credit represents a greater share of indirect benefits. The Disability Supports Deduction is another exception, as its indirect benefits arise somewhat more evenly from the various refundable credits available.

Chart 1
The CCB, GST/HST Credit, RMES and WITB as a share (%) of the total indirect benefits associated with the 13 tax expenditures examined, 2018



Note: The introduction of the Canadian Worker Benefit in replacement of the WITB, and especially the 2021 enhancement (which pushes the benefit up the income distribution), will likely change the extent to which these tax expenditures influence CWB/WITB entitlements.

Source: 2018 T1 return data.

3.2 Distribution of Benefits

Section 3.1 quantified the indirect impact of refundable credits on the total amount of benefits associated with certain tax expenditures. This section examines more closely the distribution of these total benefits. New ratios identifying the share of total benefits received by each identity group relative to their share of total pre-tax income were calculated. As indicated in the 2021 GBA+ study (p. 365), drawing conclusions based on these ratios allows a distinction between the impact of the tax system and the impact of pre-existing differences in income earned by the different identity groups under review. These new ratios were used to identify the identity groups that especially benefit from the various expenditures under the modified approach. Table 3 provides an example of the ratios obtained by adjusted family income quintile[10] using the original approach and the modified approach. It is noteworthy that, as for the previous GBA+ studies, a threshold of 1.05 has been selected to identify groups that especially benefit from the tax expenditure. Conversely, ratios of 0.95 or less identify groups that benefit proportionally less.

[10] The adjusted family income of an individual is obtained by dividing his/her total pre-tax family income by the square root of his/her family size. In 2018, the lower and upper bounds of each adjusted family income quintiles were the following: Q1= [Min – $17,823], Q2 = [$17,823 – $32,927], Q3 = [$32,927 – $53,073], Q4 = [$53,073 – $82,246] and Q5 = [$82,246 – max].

Table 3

Ratios of the share of benefits received from the CCED by claiming taxfilers relative to their share of total pre-tax personal income, by adjusted family income quintile, considering direct benefits only (original approach) and both direct and indirect benefits (modified approach), 2018

	Direct benefits only					Both direct and indirect benefits				
By adjusted family income quintile (Q)	**Q1**	**Q2**	**Q3**	**Q4**	**Q5**	**Q1**	**Q2**	**Q3**	**Q4**	**Q5**
Share (%) of total pre-tax personal income	4.2	9.1	15.1	22.6	49.0	4.2	9.1	15.1	22.6	49.0
Share (%) of benefits received from the Child Care Expense Deduction (CCED)	0.6	5.7	16.0	31.4	46.4	1.4	9.9	18.0	31.2	39.6
Ratios of the share of benefits received from the CCED relative to the share of total pre-tax personal income	0.14	0.62	1.06	1.39	0.95	0.37	1.08	1.19	1.38	0.81

Note: A ratio higher than 1.05 indicates that a group of taxfilers benefits from the tax expenditure proportionally more than other groups, and vice versa.
Source: 2018 T1 return data.

As noted in the 2021 study (footnote 16), taking into account the indirect impact of refundable credits suggests that members of quintiles 2, 3 and 4 especially benefit from the CCED as opposed to only members of quintiles 3 and 4. This is consistent with one of the main findings of the 2021 study presenting a profile of the CCED beneficiaries, which suggested that "once federal income-tested benefits are also included in the estimates of the impact of the CCED, the total benefits accruing to low-to modest-income taxfilers increase significantly."[11]

Using the old and new ratios (not reported), Table 4 highlights all of the changes in results under the modified approach compared to the original approach.

Table 4

Identity groups that especially benefit from the various tax expenditures examined considering direct benefits only (original approach) and both direct and indirect benefits (modified approach), 2018

Tax expenditures	Identity groups that especially benefit considering direct benefits only	Changes in the identity groups that especially benefit considering both direct and indirect benefits
Partial inclusion of capital gains	– Men – Older filers – Filers in quintile 5 – Filers without children – Urban area residents	– No change
Child Care Expense Deduction (CCED)	– Women – Younger and middle-age filers – Filers in quintiles 3 and 4 – Filers with children – Urban area residents	– Filers in quintiles 2, 3 and 4
Deduction for clergy residence	– Men – Middle-age and older filers – Filers in quintiles 3 and 4 – Filers in a couple	– Middle-age filers – Filers in quintiles 2, 3 and 4 – Filers in a couple with children
Deduction of allowable business investment losses	– Men – Middle-age and older filers – Filers in quintile 5 – Filers in a couple – Urban area residents	– No change

[11] Report on Federal Tax Expenditures 2021. "*The Child Care Expense Deduction: A Profile of Beneficiaries,*" February 2021, p. 406.

Table 4

Identity groups that especially benefit from the various tax expenditures examined considering direct benefits only (original approach) and both direct and indirect benefits (modified approach), 2018

Tax expenditures	Identity groups that especially benefit considering direct benefits only	Changes in the identity groups that especially benefit considering both direct and indirect benefits
Deduction of interest and carrying charges incurred to earn investment income	– Older filers – Filers in quintile 5 – Filers in a couple without children – Urban area residents	– No change
Deduction of union and professional dues	– Women – Younger and middle-age filers – Filers in quintile 4 – Filers with children	– Filers in quintiles 3 and 4
Disability supports deduction	– Women – Older filers – Filers in quintiles 3 and 5 – Sole filers and sole parents – Urban area residents	– Filers in quintile 3
Moving expense deduction	– Men – Younger and middle-age filers – Filers in quintiles 4 and 5 – Filers in a couple with children – Remote area residents	– Filers in quintiles 3 and 4
Apprentice vehicle mechanics' tools deduction	– Men – Younger filers – Filers in quintiles 2, 3 and 4 – Sole filers – Remote area residents	– No change
Deductibility of certain costs incurred by musicians or of expenses by employed artists	– Men – Younger and middle-age filers – Filers in quintiles 4 and 5 – Sole filers and filers in a couple with children – Urban area residents	– Filers in quintiles 3 and 4
Deduction for tradespeople's tool expenses	– Men – Younger filers – Filers in quintiles 3 and 4 – Sole filers and filers in a couple with children – Remote area residents	– No change
Partial deduction of and partial input tax credits for meals and entertainment	– Men – Middle-age filers – Filers in quintile 5 – Filers in a couple with children – Urban area residents	– No change
Deduction of other employment expenses	– Men – Middle-age filers – Filers in quintile 5 – Filers in a couple with children	– Sole parents and filers in a couple with children

Source: 2018 T1 return data; Report on Federal Tax Expenditures 2021, "*Gender-Based Analysis Plus of Federal Personal Income Tax Measures: Impacts by Identity Factors other than Gender*," February 2021.

Among other things, Table 4 shows that, for 6 of the 13 tax expenditures examined, taking into account indirect benefits does not have a notable impact on the identity groups found as especially benefiting from each expenditure. For the 7 other expenditures, however, some changes are noted, particularly in the distribution of benefits by family income quintile. The modified approach does not have a significant impact on the distribution of benefits by gender and area of residence. For all 13 tax expenditures examined, the gender and area of residence that especially benefit from them remain unchanged, regardless of the approach used. In addition, there is virtually no difference in the age groups that especially benefit from the different tax expenditures. The only change observed is for the deduction for clergy residence, which is found to especially benefit middle-age and older filers using the original approach, but only middle-age filers using the modified approach. Changes in the type of family that especially benefits are observed for only two measures: the deduction for clergy residence[12] and the deduction of other employment expenses.

Slightly more changes are seen in the distribution of benefits by family income quintile. Using the modified approach, PIT expenditures in the form of exemptions and deductions remain more likely to especially benefit members of the higher quintiles. However, taking into account the indirect impact of refundable credits changes the distribution of benefits associated with some of these expenditures in favour of lower-income groups. Indeed, two of the deductions found to be regressive using the original approach —the CCED and the deduction for clergy residence—are neither regressive nor progressive using the new approach: they especially benefit quintiles 2, 3 and 4, as opposed to only quintiles 3 and 4 under the original approach.

Moreover, three additional deductions—the deduction of union and professional dues, the moving expense deduction and the deductibility of certain costs incurred by musicians or of expenses by employed artists—are less regressive using the modified approach, under which the benefits especially advantage quintiles 3 and 4 rather than quintiles 4 and/or 5. A similar pattern is observed with respect to the disability supports deduction, as the new approach suggests their benefits are more highly concentrated in the middle of the income distribution (quintile 3) than under the original approach.

So far, the benefits associated with refundable credits have been set at the credit amounts paid to taxpayers under these various income support measures. WITB and RMES amounts are determined and generally paid[13] when the T1 income tax return is processed, while CCB and GST/HST Credit amounts are based on income reported on the T1 return but are determined separately and are paid during a distinct benefit period.[14] The previous GBA+ study clearly showed that, as expected, given the design parameters for these credits, they especially benefit filers whose family income is in the lower quintiles of the income distribution. However, using the modified approach, a portion of the benefits of refundable credits are attributed to the claim of particular exemptions and deductions. One might therefore ask to what extent reallocating a portion of the benefits of refundable credits to other tax expenditures impacts the distribution of benefits that remain specific to refundable credits. To investigate this, we chose to compare the distributions by quintile of allocated refundable credit amounts in the presence and absence of the CCED, as this deduction has the greatest impact on allocated refundable credit amounts. This comparison did not show any notable change between the distribution by quintile obtained in the previous GBA+ and the distribution following the methodological changes applied in this analysis. In both cases, the four refundable credits under review (the CCB, GST/HST Credit, RMES and WITB) especially benefit filers in lower-income families (quintiles 1, 2 and/or 3, depending on the credit).

---

[12] This result would most likely differ based on religious denomination. For example, while Catholic clergy may not marry and have kids, clergy from other religious groups may have opportunity to do so and, therefore be eligible for the CCB, which accounts for the largest proportion of indirect benefits.

[13] Except for taxfilers having received WITB advance payments.

[14] From July 1 of the following year to June 30 of the subsequent year.

4. Conclusion

To date, the approach used to examine the distribution of benefits associated with the claim of various personal income tax expenditures was based on the calculation of tax savings before the payment of refundable credits. However, some exemptions and deductions have an impact on the concept of net family income used to determine entitlement to refundable credits, namely the CCB, the GST/HST Credit, the RMES and the WITB. Therefore, this study proposes a modified approach that takes into account the indirect impact of these refundable credits in the calculation of the benefits associated with 13 other tax expenditures. It examines the extent to which this new approach, which considers both direct and indirect benefits, changes the GBA+ results obtained in previous studies.

First, the analysis shows that taking into account changes in the refundable credit amounts related to the claim of certain exemptions and deductions indirectly increases the level of associated benefits. This impact varies depending on the tax expenditure, but is always significantly smaller than the direct impact observed in terms of tax savings for the claiming taxfiler.

The analysis also indicates that taking into account the indirect impact of refundable credits does not have a significant impact on the distribution of benefits by gender and area of residence of taxfilers. This also results in few changes in the distribution of benefits by age group and family type. However, more changes are observed in the distribution of benefits by family income quintile. Indeed, the approach mitigates the perceived regressivity of 6 out of the 13 tax expenditures examined in the current analysis by extending their benefits to filers living in more modest-income families.

Deductions of Other Employment Expenses and Union and Professional Dues: A Profile of Claimants and Beneficiaries[1]

1. Introduction

Deductions are afforded to employees in some circumstances where the expenses are necessary to fulfill the duties of employment but are not reimbursed by the employer. Among these are the deduction of union and professional dues (UPD), as well as the deduction of other employment expenses (OEE).[2] Made statutory in the mid-twentieth century, these tax expenditures recognize a number of common expenses incurred by employees.

This study presents a profile of both the UPD and OEE deductions, focussing on the usage of the measures by claimants of different demographic groups for the period spanning 2000-2019. It begins, in Section 2, with historical and background information on both measures. In Section 3, data sources are provided. Section 4 describes the data for the UPD deduction. It starts by describing the fiscal cost of the measure and the average amounts claimed, broken down by gender, age, industry, and income group. Then, it considers the share of taxfilers claiming the deduction across the same dimensions. The section also provides information on the labour market characteristics of the claimants, specifically the number of jobs worked, along with earnings and total income. These numbers are also compared to those for non-claimants. Finally, the section describes the benefits received by the claimants of the deduction, including both direct and indirect benefits through other tax credits. In Section 5, the study provides the same information for the OEE deductions. Finally, the last section concludes.

2. Background on Measures

Although employers generally provide employees with the means to perform their duties, there are circumstances where employees must incur expenses out-of-pocket. For example, employers usually do not pay nor provide reimbursement for professional dues. Expenses related to travelling and lodging, food and entertainment, and tools and equipment (among others) may also be borne by the employee instead of the employer.

Where employees are required to incur such out-of-pocket expenses in the context of their employment, their income is reduced. The tax system recognizes these non-discretionary expenses through deductions so that individuals pay tax only on their net employment income – this is known as the ability-to-pay principle. Both the UPD and OEE deductions follow the principle, although in the case of the OEE deductions, the set of recognized expenses is relatively limited[3] in order to balance recognizing employees' work-related expenses, not subsidizing personal consumption, and minimizing compliance and administrative costs.

For instance, employees may only deduct 50% of food and beverage expenses incurred while away from the employer's place of business (under certain conditions), as these include an element of personal consumption. As another example, parking costs may be deducted where an employee is normally required to work away from the employer's place of business (and subject to other conditions), but parking at the employer's office is considered a personal cost. Food, beverage and parking costs are treated similarly in both Australia and the United States, while some recognition exists in France for parking at the employer's place of business. Some jurisdictions allow for more expenses to be deducted. For example, taxpayers in Switzerland can deduct fees incurred for using public transportation between home and work.

---

[1] The analysis presented in this study was prepared by Maxime Dufournaud-Labelle and Simon Lapointe, Senior Economists, Tax Policy Branch, Department of Finance Canada. Enquiries regarding Department of Finance Canada publications can be sent to finpub@canada.ca.

[2] Unless otherwise specified, in this study, "OEE deductions" refers to all employment expenses that may be deducted through line 229 of the T1 return. This encompasses the following tax expenditures described in Part 3 of this report: apprentice vehicle mechanics' tools deduction, deductibility of certain costs incurred by musicians (including the associated deduction of capital cost allowance), deductibility of expenses by employed artists, deduction for tradespeople's tool expenses, partial deduction of and partial input tax credits for meals and entertainment (personal income tax component), and deduction of other employment expenses (i.e., the "residual" items of line 229).

[3] More details on the allowable expenses are provided in the next section.

Beyond the ability-to-pay principle, these deductions also provide for a more comparable treatment of employment, self-employment and business income, as the self-employed and employers may deduct a range of expenses. They also provide for more neutral treatment between occupations of similar value-added that differ in the level of expenses required to perform the work. The deductions may also be seen as generally supporting economic efficiency by reducing barriers to employment, thereby promoting a better allocation of labour.

2.1 Union and Professional Dues

The UPD deduction was introduced in its current form in 1951. Before then, some professionals such as doctors and lawyers were able to deduct fees for professional memberships under certain conditions, such as operating for fees. During parliamentary debates in 1951,[4] some Members of Parliament argued that trade unionists and salaried professionals should also be able to deduct similar fees. Two main justifications were brought forward: fairness between taxpayers, and supporting trade unions concretely.

The UPD deduction applies to:

- Annual dues for membership in a trade union or an association of public servants;
- Professional membership dues legally required to keep a professional status and reasonably related to the individual's employment; and
- Professional board and parity or advisory committee dues required under provincial or territorial law.

2.2 Other Employment Expenses

From the early 1920's, there was a provision in the *Income War Tax Act* permitting deductions for travelling and other expenses from salaries and wages received by railway employees. This stood in contrast to the general principle that salaries and wages are to be considered net income. On the grounds of fairness, the provision was made statutory with the 1948 Budget, and extended to board and lodging expenses for employees working more broadly in the transportation industry, whose duties require them to be absent from their home regularly, as well as the expenses of employees selling property or negotiating contracts, who perform their duties away from their employer's place of business.[5]

The range of eligible expenses increased over time. For instance, Budget 1951 allowed the deduction of travelling expenses more generally, as well as office rent or salary to assistants or substitutes, and supplies consumed directly in the course of employment, provided the expenses were necessary to incur under the contract of employment. Budget 1957 then rendered deductible the portion of teachers' salaries funding the exchange of teachers within the Commonwealth. Legal expenses incurred to collect salary or wages were made deductible with Budget 1961. Budget 1979 also permitted a deduction for depreciation and interest expense relating to an aircraft required for use in employment.

Total employment expenses are declared on line 229 of the T1 return, most of which should be supported by a completed Form T777, "Statement of Employment Expenses", which details work-related expenses incurred by the taxfiler. In addition, claimants must have a copy of Form T2200, "Declaration of Conditions of Employment", completed and signed by the employer, which sets out the nature and extent of out-of-pocket expenses incurred in the course of performing their duties. Some expenses, such as transportation employees' cost of meals and lodging, forestry operations employees' expenses for buying and using power saws, and repayments of salary or wages, are indicated directly on line 229.

[4] Hansard (House of Commons Debates, 21st Parliament, 4th Session: Vol 1): p. 668-684.

[5] Hansard (House of Commons Debates, 20th Parliament, 4th Session: Vol 5): p. 4682-85.

The categories of employment expenses available for deduction in the T777 are summarized in Table 1. There are a number of applicable restrictions to each of these categories, which are detailed in the T4044 Employment Expenses guide. For example, food and beverages may only be deducted when the employee is required to be away for at least 12 consecutive hours, and outside the municipality and metropolitan area (as applicable) of the employer's location where the employee normally reports for work. Along with entertainment expenses, food and beverages are also subject to a 50% limit, where the most that can be deducted is 50% of the lesser of the amount actually paid, or the amount that would be reasonable to pay in the circumstances. Moreover, as the names of these items suggest, some deductions are only available to certain types of employees.

Table 1
Deductible Other Employment Expenses, by T777 Category and Type of Employee

			In addition to what can be deducted by employees earning a salary	
	Employees earning commission income	**Employees earning a salary**	**Employed artists**	**Employed tradespersons**
Accounting and legal fees	X	X		
Advertising and promotion	X			
Allowable motor vehicle expenses	X	X		
Food, beverages, and entertainment expenses	X	X		
Lodging	X	X		
Parking	X	X		
Office supplies	X	X		
Other expenses	X	X		
Tradesperson's tools expenses				X
Apprentice mechanic tools expenses				X
Musical instrument expenses			X	
Capital cost allowance (CCA) for musical instruments			X	
Artists' employment expenses			X	
Work-space-in-the-home expenses	X	X		

3. Description of Data Sources and Availability

The data used in this study, spanning the 2000-2019 period, are primarily derived from T1 tax returns and T4 employment slips, which provide information on claimants and their employers. In addition, to determine the NAICS code to which a given employer belongs,[6] T4 data are supplemented with information from corporate tax returns (T2) and partnership returns (T5013). T4 data are also used to estimate the number of jobs held by taxfilers.[7]

[6] The North American Industry Classification System (NAICS) is a classification system for industries developed by the statistical agencies of Canada, Mexico and the United States. It has a hierarchical structure. The first level (2-digit codes) classifies firms in 20 industries.

[7] Indeed, while the T1 and T4 datasets do not directly indicate the number of jobs worked for each taxfiler, it can be estimated using the number of T4 slips received by each taxfiler. This methodology does have an important pitfall: it cannot distinguish between an individual who changes jobs during the year, thus receiving two T4 slips, and one who concurrently works two jobs (also receiving two T4 slips). Moreover, some individuals may own a small business in addition to their employment. For these taxfilers, we would only capture one job even though they have two jobs. That being said, this methodology is the best possible way to estimate the number of jobs worked with available data sources.

The total UPD deduction cannot be broken down into union dues and professional dues separately, since both types of dues are claimed in the same box in tax forms. However, it might be interesting to know whether individuals claiming this deduction for union dues (i.e., unionized workers) differ from those who are claiming it for professional dues only (i.e., non-unionized workers).

The data do allow an estimation of this breakdown by using T4 slips. Indeed, the latter forms include union dues specifically. Therefore, the study categorizes the population of UPD claimants in two groups: those with a T4 reporting positive union dues (which we refer to as unionized claimants), and those without such a T4 (which we refer to as claimants of professional dues only). This categorization is imperfect, since some unionized workers may have both unionized and non-unionized jobs, for example. However, it should provide an idea of the differences between the two populations.

In the case of OEE, the total amount claimed can often be broken down into multiple categories (as detailed in Section 2.2) using the T777 form. Data from this form are available as of 2016.

Finally, while most of this study considers claimants and the amounts they claim on their T1, it also estimates the benefits received by claimants in 2018 (the latest year for which all data are available to calculate benefits). These benefits are calculated as the amount by which an individual's income tax payable is decreased due to one of the deductions. When a claimant's tax payable is reduced due to one of the deductions, the study will refer to that individual as a beneficiary of that deduction.[8]

These benefits can be separated in two categories: direct and indirect. To calculate the direct benefits received from either the UPD or OEE deductions, the study calculates, for each claimant, the taxes owed with and without the deduction. The difference between these two calculations is the direct benefit. Indirect benefits are calculated by estimating the impact of the UPD or OEE deductions on the amount received by the claimant from four different refundable credits: the Goods and Services Tax Credit (GST Credit), the Refundable Medical Expense Supplement, the Canada Workers Benefit/Working Income Tax Benefit, and the Canada Child Benefit (CCB).[9]

4. Union and Professional Dues

4.1 Number of Claimants and Amounts Claimed

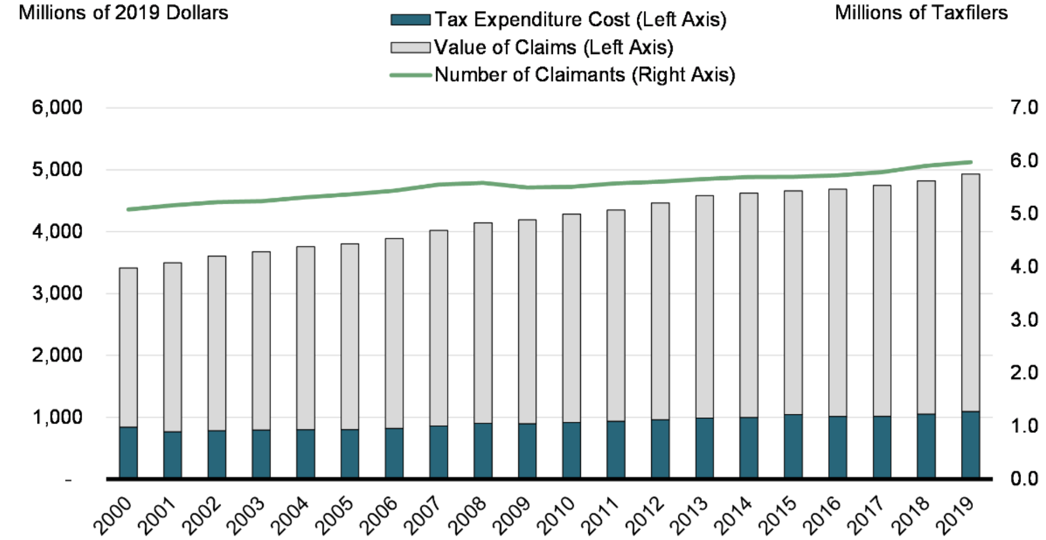
In 2019, 5,976,232 Canadians claimed the UPD deduction, or 20.7% of all taxfilers in that year (Chart 1). This percentage steadily decreased since 2000, when 23.1% of taxfilers claimed that deduction (5,083,193 Canadians). In 2019, these claims represented a total of about $4,932 million. The value increased steadily by 2.0% per year since 2000, when it represented a total of $3,412 million (in constant 2019 dollars). Notably, the increase in the value of claims was not accompanied by a similar increase in the fiscal cost of the measure. Indeed, the fiscal cost only increased by 1.4% annually, according to past Reports on Federal Tax Expenditures. The difference in growth rates could be due to the increase in the share of claimants in the lowest tax bracket and the reduction in tax rates over the period. In 2019, the deduction was projected to cost $1,095 million, up from $841 million in 2000. As shown inChart 1, the fiscal cost also decreased in some years, and was rather constant over certain periods, such as from 2012 to 2017.

[8] A more detailed explanation of the methodology is provided in the study entitled "Gender-Based Analysis Plus of Tax Expenditures and the Indirect Impact of Refundable Credits," also found in Part 4 of the current report.

[9] These refundable credits are often based on family incomes, rather than solely the income of the individual. For that reason, the methodology used in this study must take into account the income of the claimant's spouse to calculate indirect benefits. Moreover, some couples may have two claimants of the measures studied in this study, while other couples may have only one claimant. For that reason, some assumptions had to be made on the distribution of indirect benefits between the two members of a couple. If the two of them claim a deduction, then each member receives their own direct benefits, while indirect benefits are split equally between the two of them. If only one member claims a deduction, however, that claimant receives his or her direct benefits, in addition to the totality of indirect benefits. Indeed, the non-claimant spouse of a claimant is not included in the analysis (since the focus is the universe of claimants), but the study includes the whole value of indirect benefits. As a robustness check, total benefits are also calculated with the alternate assumption that every individual receives the totality of indirect benefits. For the two deductions discussed in this study, the conclusions would not change.

Chart 1

Value of UPD Claims, Associated Tax Expenditure Cost, and Number of Claimants (2000-2019)

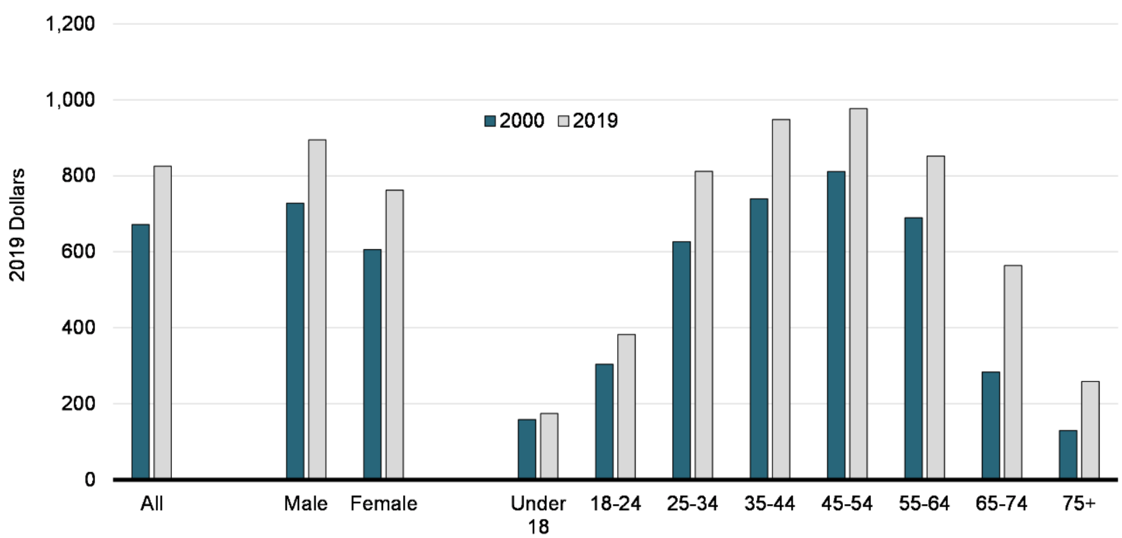


Source: T1 data and Reports on Federal Tax Expenditures.

In 2019, taxfilers who claimed the UPD deduction claimed on average about $825. Male taxfilers claimed a little more on average ($894) than female claimants ($762). The average amount claimed increased with age, reaching a maximum of $977 on average for claimants aged between 45 and 54 years old (Chart 2). The analysis also suggests that there was no significant difference between the amounts claimed by unionized claimants and claimants of professional dues only.

Chart 2

Average UPD Amount Claimed in 2000 and 2019, by Gender and Age Group (Constant 2019 Dollars)

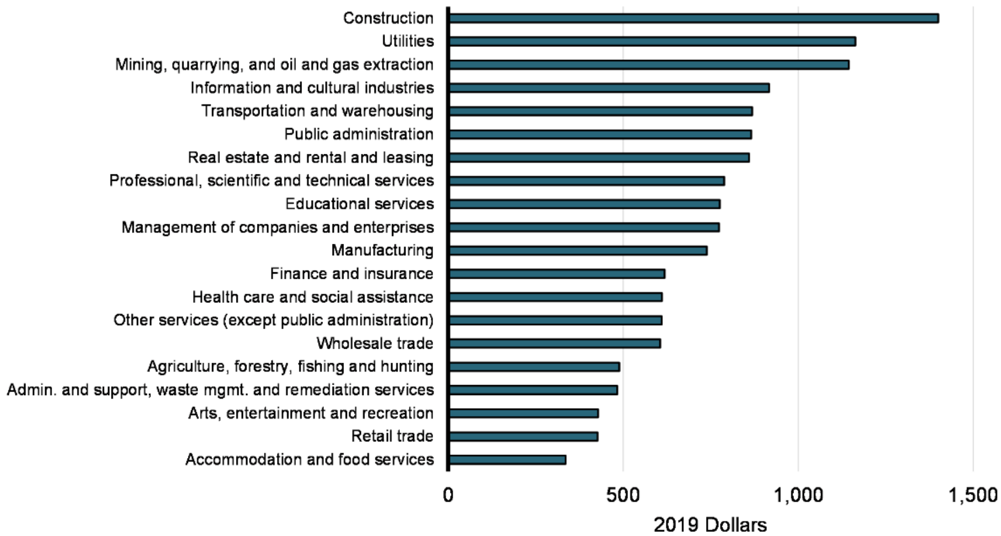


Source: T1 data.

There is a large variation in amounts claimed between industries (Chart 3). In the construction sector, for example, claimants have an average deduction of $1,400, while the average is only $336 in the accommodation and food services sector. Other sectors with high average claims include utilities ($1,163), mining, quarrying, and oil and gas extraction ($1,145), and information and cultural industries ($917).

Chart 3

Average UPD Amount Claimed, by Industry (2019)

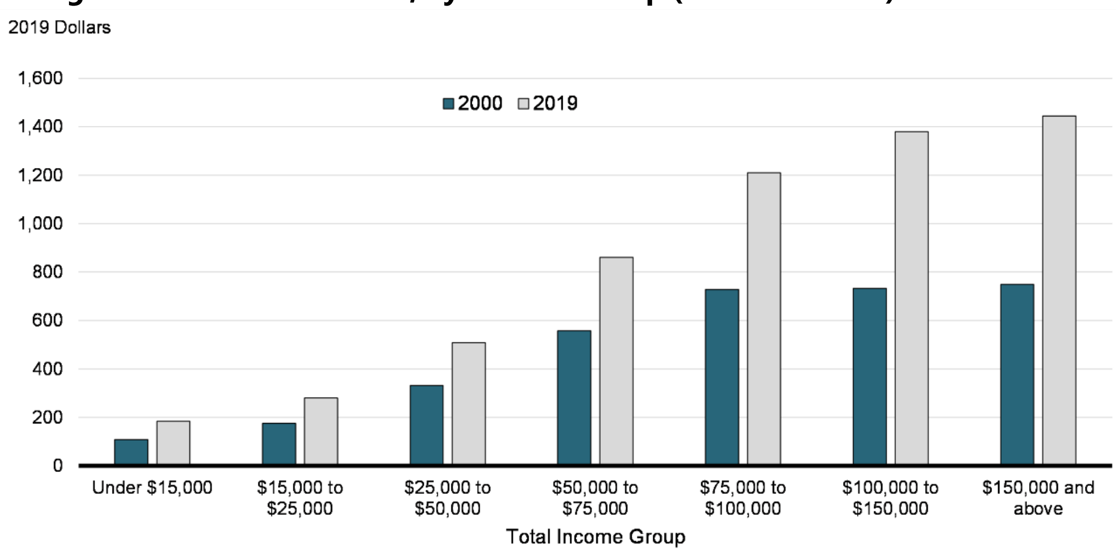


Source: T1, T2 and T4 data.

Taxfilers in higher income groups claim larger UPD deductions (Chart 4). In 2019, UPD claimants with total income $150,000 and over claimed an average of $1,445, while those with incomes under $15,000 claimed an average of $184. Average amounts claimed also grew faster between 2000 and 2019 in the higher income groups.

Chart 4

Average UPD Amount Claimed, by Income Group (2000 and 2019)



Source: T1 data.

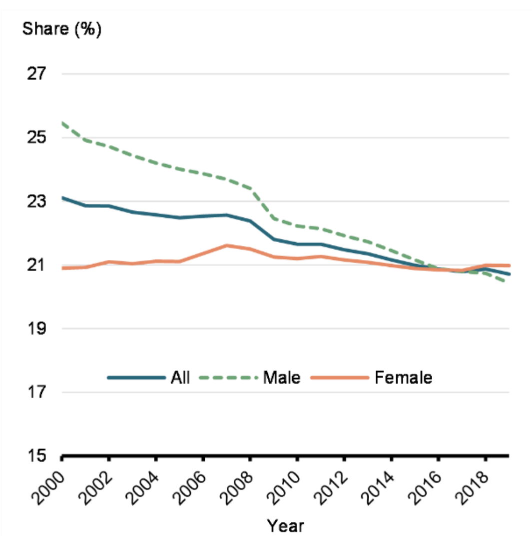
4.2. Share of UPD Claimants by Demographic Group

Shares by Gender

The previous section detailed how the share of taxfilers claiming the UPD deduction decreased from 23.1% in 2000 to 20.7% in 2019. This decrease is mostly explained by a decrease in the share of men claiming the UPD deduction, from 25.5% in 2000 to 20.4% in 2019. For women, the share was constant at about 21.0% throughout the period (Chart 5). A consequence of these differing trends is that while in 2000, a larger share of men were claimants of this deduction than women, the shares are similar for both genders in 2019. These trends mirror the ones in the unionization rate in Canada.[10]

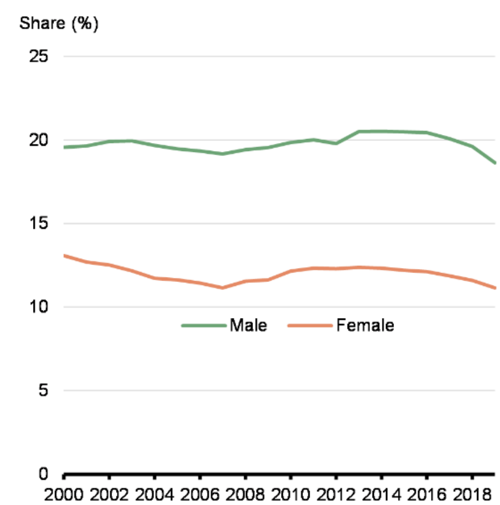
From the population of UPD claimants in 2019, 14.7% are claimants of professional dues only (more precisely, have no T4 slips that report union dues). Chart 6 shows that this share is much higher among men (18.6%) than women (11.1%) over the whole period. Among men, the share of claimants of professional dues only is relatively constant over the 2000-2019 period, but decreases in the most recent years. For women, the share of claimants of professional dues only decreases between 2000 and 2007, before increasing again until 2013. In the most recent few years, it has decreased again.

Chart 5
Share of UPD Claimants among Taxfilers



Source: T1 data.

Chart 6
Estimated Share of Claimants of Professional Dues Only among All UPD Claimants



Source: T1 and T4 data.

Shares by Age Group

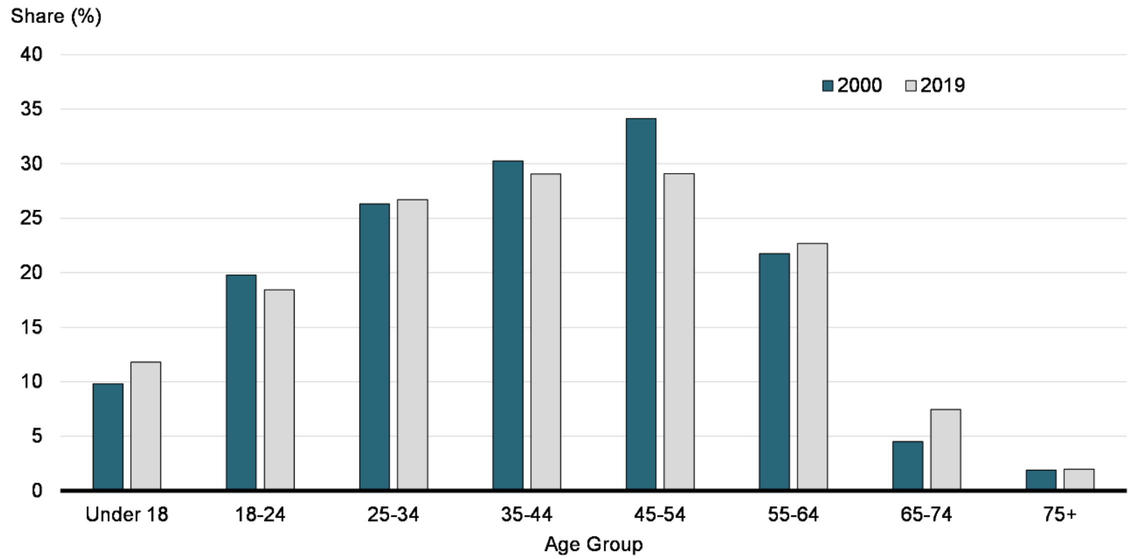
Looking at age groups inChart 7, the share of taxfilers claiming the UPD deduction increases with age, until reaching a plateau for Canadians aged 25 to 54, and then decreasing for older individuals. More precisely, the share of taxfilers aged 25 to 54 claiming this deduction lies between 26% and 29% of taxfilers in those age ranges. In contrast, only 11.8% of Canadians aged under 18 years old and 18.4% of those between 18 and 24 years old were claimants. This share then declines for older Canadians, down to 2.0% for those aged 75 and over.

[10] Statistics Canada reports that the unionization rate for men decreased from 30.7% in 2000 to 27.1% in 2020, but increased from 29.4% to 31.8% for women over the same period (Table 14-10-0132-01).

The share of claimants of professional dues only also increases with age, reaching 79.6% of UPD claimants aged 75 years old and over. This age trend may reflect the fact that older workers are more likely, after retirement, to be in non-unionized roles, such as management or freelance work, for example. Some of these roles may require professional dues.

Chart 7

Share of UPD Claimants among Taxfilers, by Age Group (2000 and 2019)



Source: T1 data.

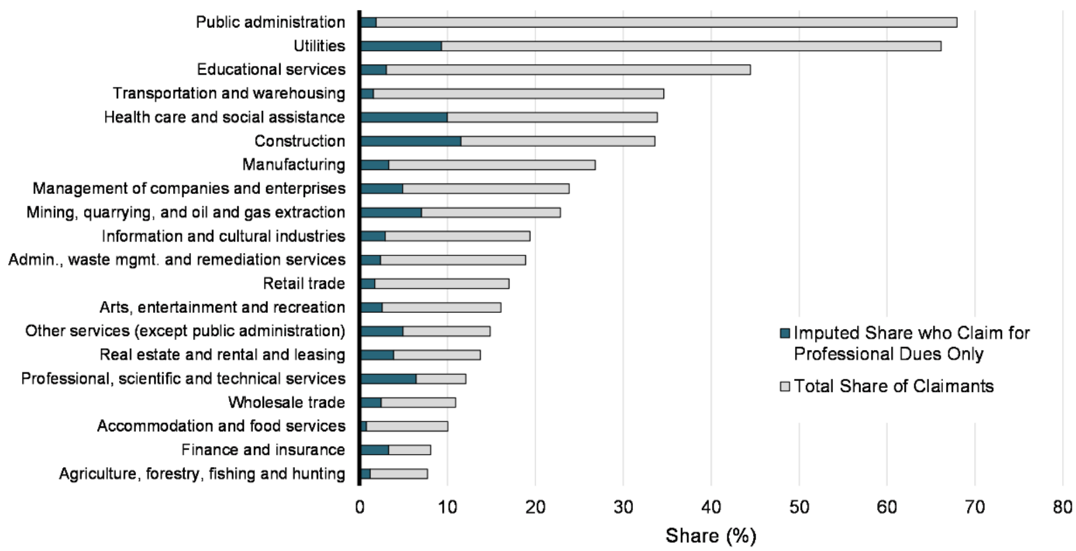
Shares by Industry

As one would expect, there is a large inter-industry variance in the share of taxfilers making use of the UPD deduction. Chart 8shows the shares by industry in 2019. The 2-digit NAICS industry with the largest share of claimants was public administration, with about 68.0% of all workers claiming the UPD deduction. In this industry, the high share of claimants may reflect a high degree of unionization. Other industries with a high share of claimants included utilities (66.2%), educational services (44.5%), transportation and warehousing (34.6%), and construction (33.6%). In contrast, only 7.7% of workers in the agriculture, forestry, fishing and hunting sector claimed the deduction, and 8.1% in the finance and insurance sector.

Chart 8 also illustrates the estimated share of claimants of professional dues only. Perhaps unsurprisingly, over half of UPD claimants in the professional, scientific and technical services industry are claiming the UPD solely for fees other than union dues. Other industries that feature a large share of claimants of professional dues only are finance and insurance (40.7% of claimants), and construction (33.2% of claimants). On the other hand, in the public administration industry (where the share of claimants among taxfilers is the highest), only a small portion of claimants do so solely for professional dues. This observation reflects the high degree of unionization in that sector.

Chart 8

Share of UPD Claimants among Taxfilers, by 2-Digit NAICS Industry (2019)

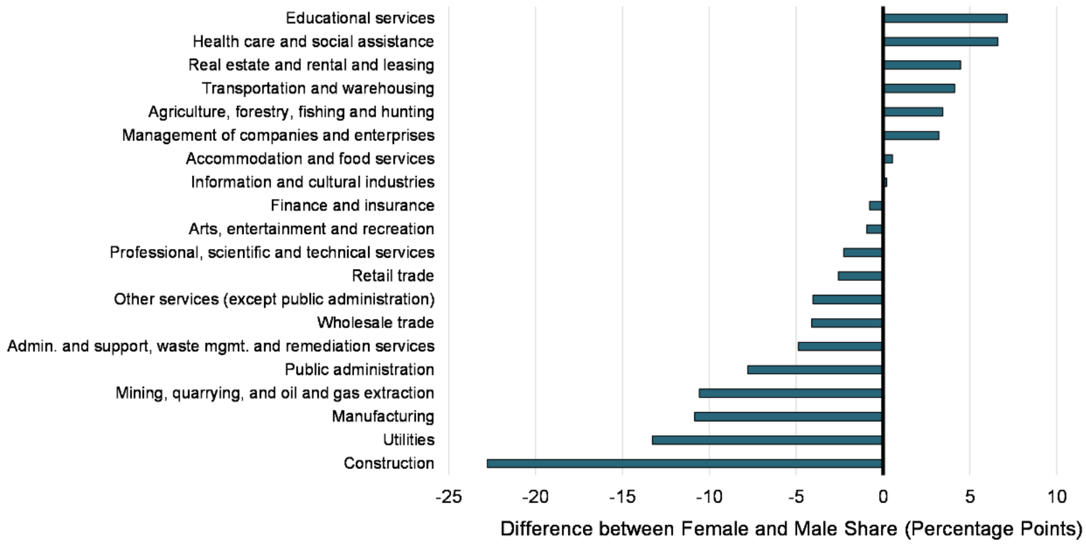


Source: T1, T2 and T4 data.

Interestingly, within industries, we observe some variance in the share of taxfilers claiming the UPD deduction between genders. Chart 9 shows the difference in the claimant rate between men and women in each industry. The largest difference is in the construction sector, where 33.4% of male workers claim this deduction but only 10.6% of female workers do. This discrepancy might capture a difference in the types of jobs worked by men and women within that industry (e.g., trades vs. office work). We observe similar differences in many industries, although in a few sectors a slightly higher share of women are claiming the deduction. In the health care and social assistance sector, 32.4% of female workers claim this deduction, compared to 25.8% of male workers. Similarly, in the educational services sector, 44.8% of women claim these fees, compared to 37.7% of men.

Chart 9

Difference between the Female and Male Shares of UPD Claimants, by Industry (2019)

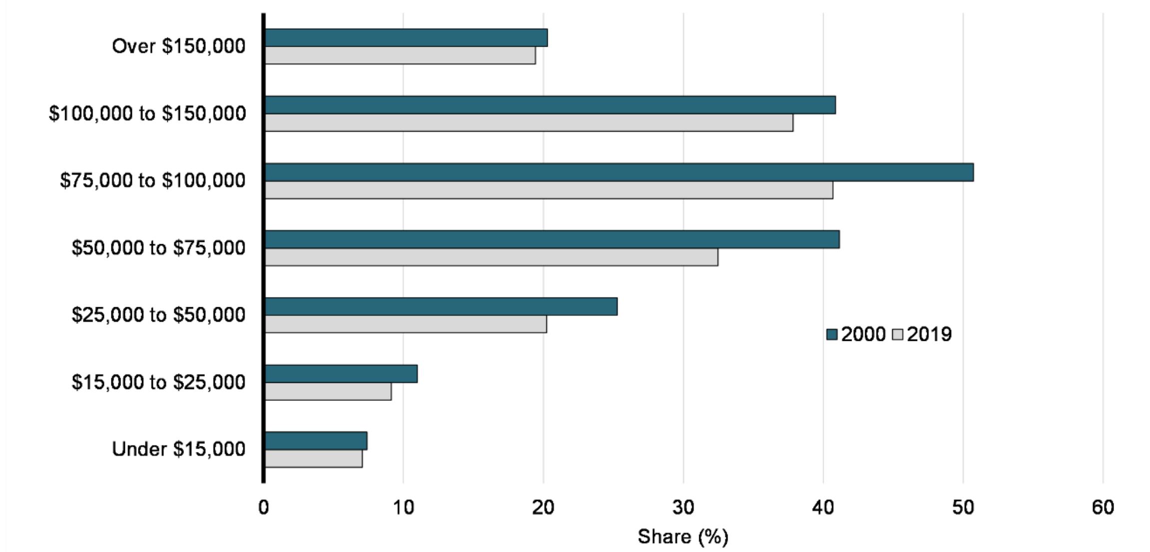


Source: T1 data.
Note: A positive number translates in a higher share for women, while a negative number translates in a higher share for men.

Shares by Income Group

We also observe a large variation in the share of taxfilers claiming the UPD deduction between income groups. Looking at total income (including earnings and all other sources of income) in Chart 10, we see that the highest share of individuals claiming the UPD deduction in 2019 is in the $75,000 to $100,000 range, at above 40%. The share of claimants is also above 30% in the $50,000 to $75,000 category and in the $100,000 to $150,000 category, but much lower in every other category. In every category, we observe a decrease in the share of taxfilers claiming the UPD deduction since 2000, reflecting the decrease in unionization in the country.

Chart 10
Share of UPD Claimants among Taxfilers, by Income Group (2000 and 2019), in 2019 Dollars

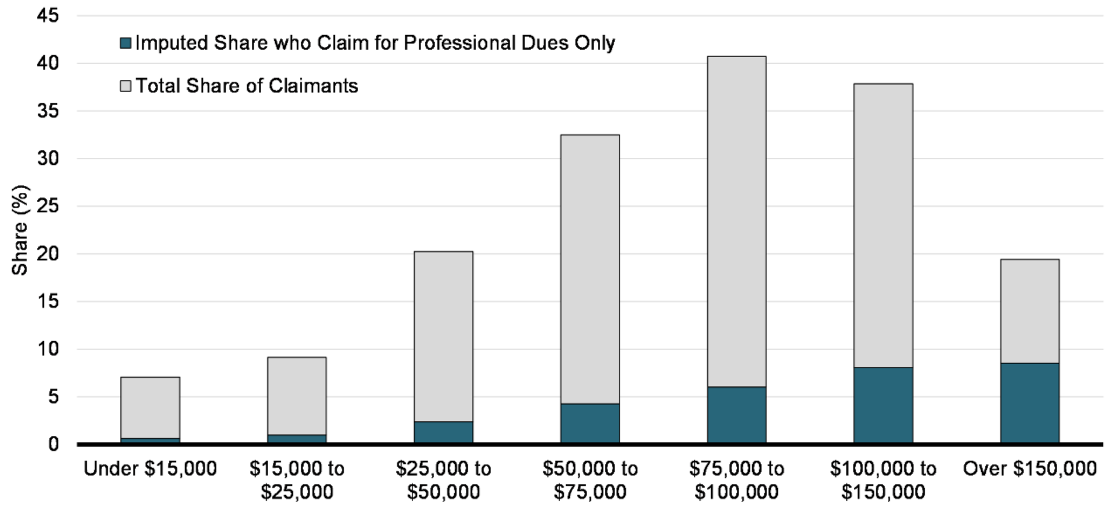


Source: T1 Data

High-income claimants of the UPD deduction are much more likely to be claimants of professional dues only. In fact, in 2019, 45.3% of claimants with earnings of $150,000 and above were claiming solely for professional dues, as well as 43.9% of claimants with total income above $150,000. Taxfilers with incomes at this level may be more likely to be professionals such as doctors, lawyers, or accountants who have high incomes and for whom professional dues are required to exercise their occupation. Looking at the lower end of the income distribution (Chart 11), there is a lower share of claimants of professional dues only when using total income, but earnings show a different picture (Chart 12). Among claimants with earnings below $15,000, about 28.7% were claimants of professional dues only. This observation may reflect the fact that some taxfilers in the category of claimants of professional dues only have low earnings but large incomes from, for example, dividends and capital gains. In fact, many high-income professionals such as doctors and lawyers (who would deduct professional fees) may establish small-business corporations and declare their earnings as business income instead of personal income.

Chart 11

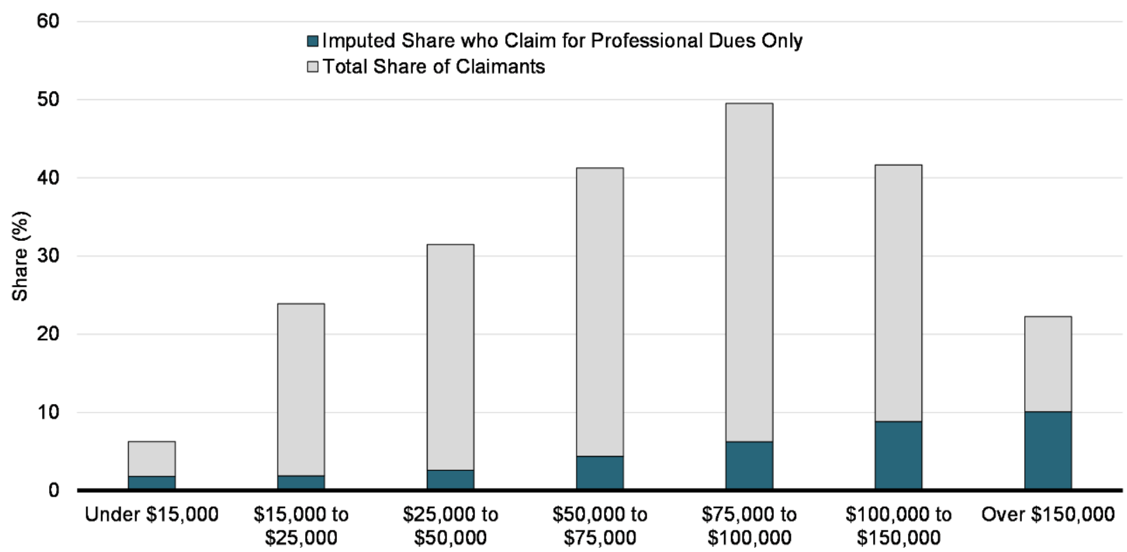
Share of UPD Claimants among Taxfilers and Imputed Share of Claimants of Professional Dues Only among Claimants, by Income Group (2019)



Source: T1 data.

Chart 12

Share of UPD Claimants among Taxfilers and Imputed Share of Claimants of Professional Dues Only among Claimants, by Earnings Group (2019)



Source: T1 data.

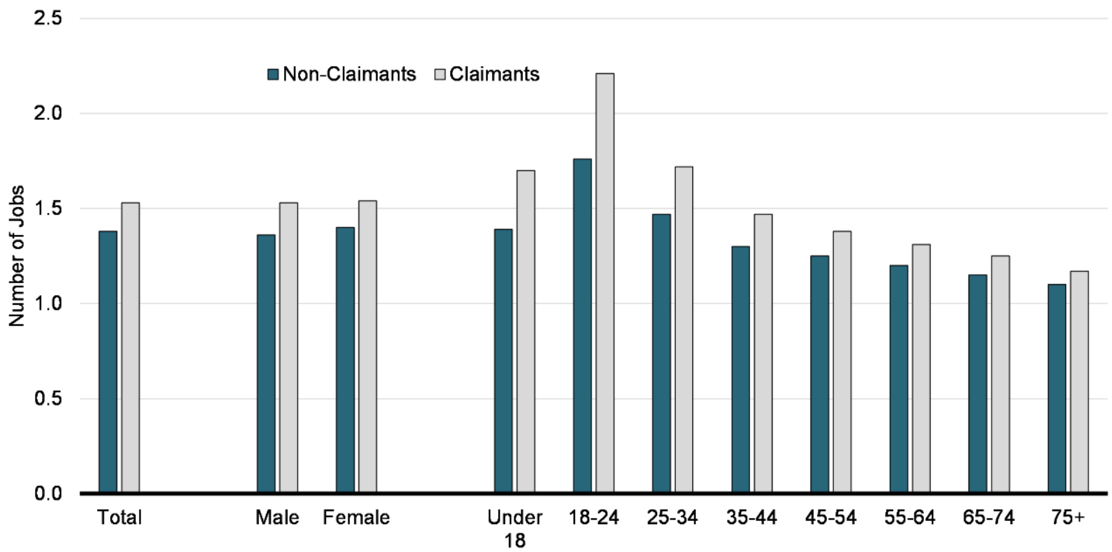
4.3 Comparison of Claimants and Non-Claimants

Number of Jobs Worked

We start by analyzing whether those who claim the UPD deduction are working at more or fewer jobs than non-claimants.[11] Workers who claim the UPD deduction tend to work a larger number of jobs than those who do not claim that deduction (Chart 13). In 2019, claimants worked on average 1.5 jobs (counting a single T4 received as one job), while non-claimant employees (i.e., all other taxfilers that receive at least one T4) worked 1.4 jobs on average.

Chart 13

Average Number of Jobs Worked by UPD Claimants and Non-Claimants, by Gender and Age (2019)



Source: T1 and T4 data.

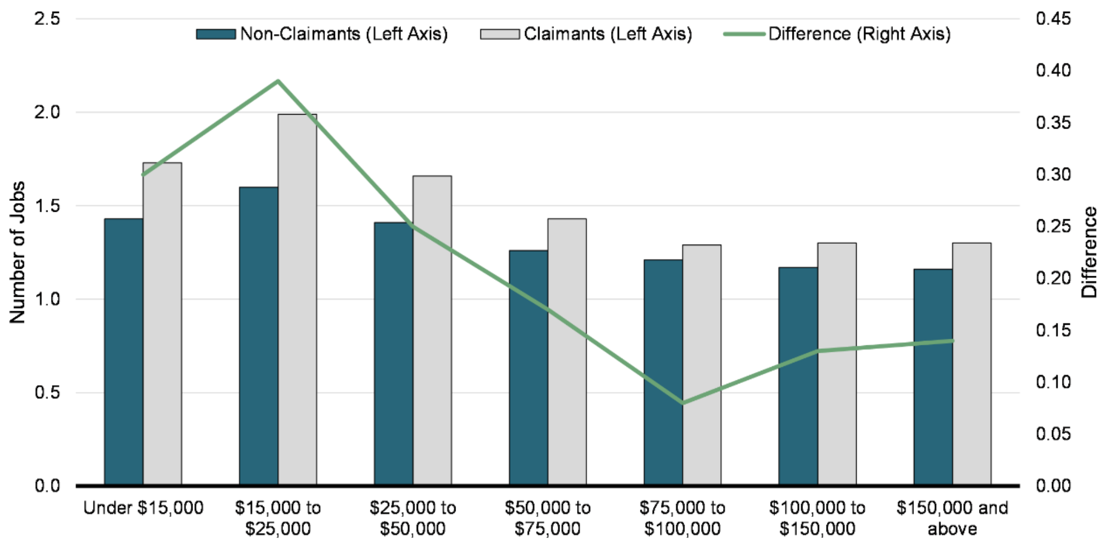
We find no difference in the average number of jobs worked between men and women. Looking at age groups, we find that younger workers tend to work more jobs on average. In addition, there is a larger difference between claimants and non-claimants in the younger group. For example, UPD claimants between the ages of 18 and 24 have over two jobs on average, while non-claimants have about 1.8 jobs on average.

[11] As a reminder, this study estimates the number of jobs with the number of T4 slips received. Therefore, taxfilers without a T4 (e.g., self-employed individuals) are not included in the discussion of the number of jobs worked.

While the number of jobs worked differs between industries, we do not find interesting patterns when comparing UPD claimants and non-claimants. However, we do find a pattern looking at the number of jobs worked by earnings category. In particular, we first find that higher-earning taxfilers work fewer jobs on average. In addition, among higher-earning individuals, there are smaller differences between claimants and non-claimants (Chart 14).

Chart 14

Average Number of Jobs by Earnings Group, for UPD Claimants and Non-Claimants (2019)



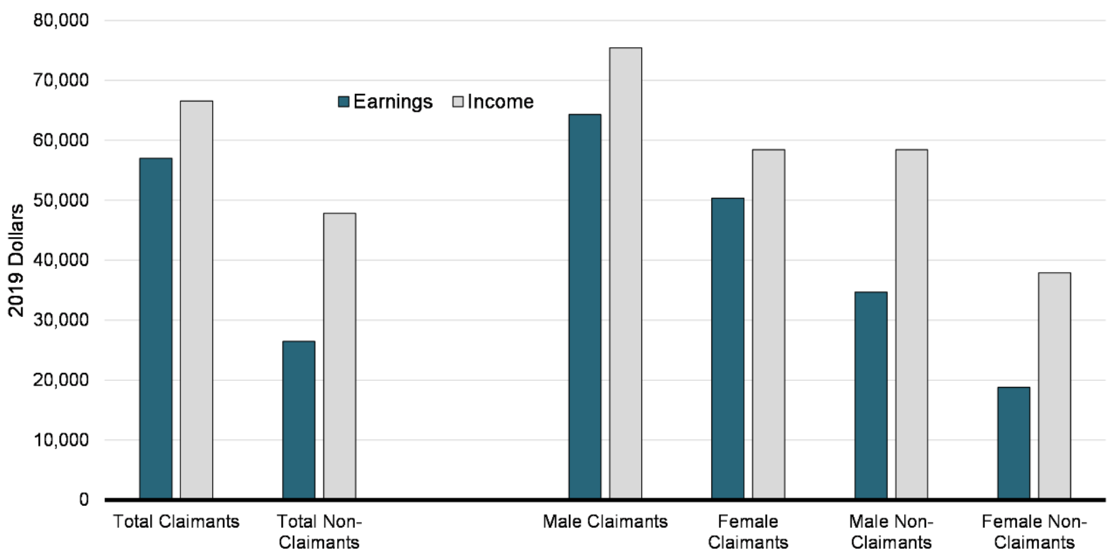
Source: T1 and T4 data.

Average Earnings and Income

On average, in 2019, taxfilers who claim the UPD have higher earnings and total income than those who do not. In terms of total income, claimants have an average of $66,564 compared to $47,808 for non-claimants. In terms of earnings, claimants have an average of $57,012 compared to $26,464 for non-claimants. Interestingly, the gap between the two groups is larger when considering earnings only, indicating that among non-claimants, a larger share of their total income comes from sources other than earnings (e.g., government transfers). This pattern is true both for men and women, although income is lower for female taxfilers than for male taxfilers (Chart 15).

Chart 15

Average Earnings and Income, by UPD Claimant Status and Gender (2019)

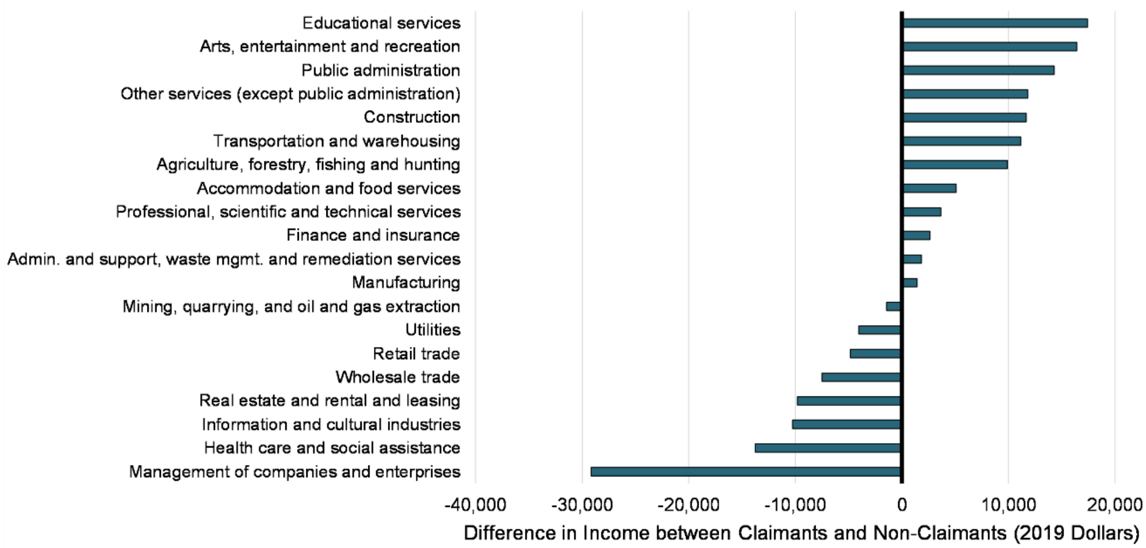


Source: T1 data.

Similarly, we also find that both earnings and income are higher among claimants than non-claimants across age groups. It is also true in most industries, but the opposite is true in a large number of them. As shown in Chart 16, the largest difference is in the management of companies and enterprises sector. Non-claimants also have higher incomes than claimants in health care and social assistance, information and cultural industries, real estate and rental and leasing, both wholesale and retail trade, utilities, and in the mining, quarrying, and oil and gas extraction sector. The reason for the difference between industries is unclear and might differ for individual industries.

Chart 16

Difference in Average Incomes between UPD Claimants and Non-Claimants, by 2-Digit NAICS Industry (2019)



Source: T1, T2 and T4 data.

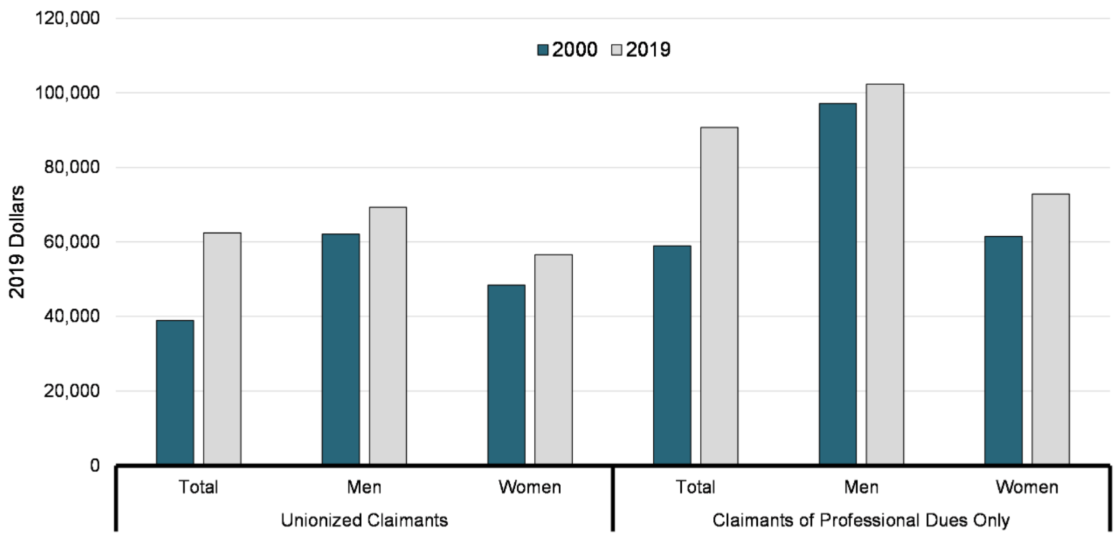
Note: A positive number translates in a higher average income for claimants, while a negative number translates in higher average income for non-claimants.

Finally, average total income varies according to the type of claimant. Looking at Chart 17, we see that among UPD claimants, the average income among those who claim solely for professional dues (i.e., that have no union dues reported in T4 slips) is equal to $90,689 in 2019, compared to $62,398 among unionized claimants. The difference is particularly high for male taxfilers, at $102,316 vs. $69,283.

Chart 18 also shows that the difference in average income between the two types of claimants varies by industry. In the management of companies and enterprises as well as finance and insurance sectors, for example, claimants of professional dues only have an average income of more than $125,000 higher than their unionized counterparts. The difference is also relatively large in the arts, entertainment and recreation sector, at above $100,000. By contrast, unionized claimants and claimants of professional dues only in the educational services sector have similar total incomes.

Chart 17

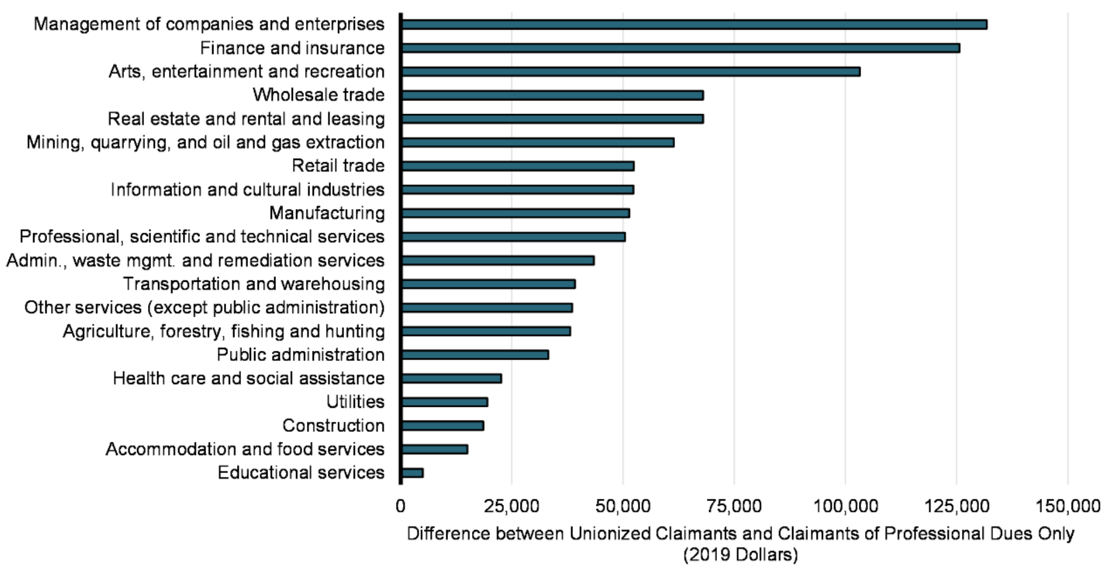
Average Total Income by Gender and Claimant Type (2000 and 2019), in 2019 Dollars



Source: T1 and T4 data.

Chart 18

Difference in Average Incomes between Unionized Claimants and Claimants of Professional Dues Only, by 2-Digit NAICS Industry (2019), in 2019 Dollars



Source: T1, T2 and T4 data.

Note: A positive number translates in a higher income for claimants of professional dues only. A negative number translates in a higher income for unionized claimants.

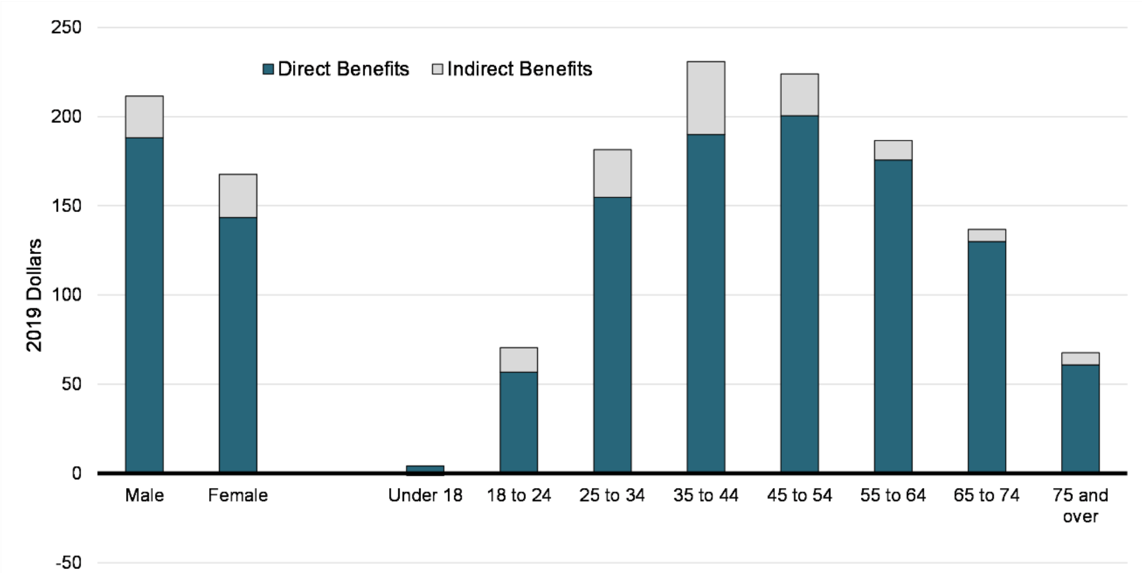
4.4. Benefits

Among beneficiaries of the UPD deduction, average benefits stand at about $185 in 2018 (in 2019 dollars). About 87% of these benefits were direct benefits.[12] In general, the CCB and the GST credit make up most of the indirect benefits. Looking at beneficiaries by gender, men tend to receive larger benefits than women, which is expected since men claimed larger amounts on average. However, Chart 19 shows that for both genders, direct benefits made up most of the benefits (89% for men and 86% for women).

The age profile of benefits also follows a similar pattern to that found for average claims. In particular, benefits are larger among the population of prime working age (between 25 and 64 years old). The share of indirect benefits varies with age: they represent a larger share of total benefits for beneficiaries aged between 35 and 44 years old, and tend to be smaller for those aged above 55 years old. Part of the explanation is that indirect benefits include the CCB, aimed at parents with children under 18 years old. For example, for individuals aged 35 to 44, the CCB makes up about 85% of indirect benefits.

Chart 19

Direct and Indirect Benefits of UPD Deduction, by Gender and Age Group (2018), in 2019 Dollars

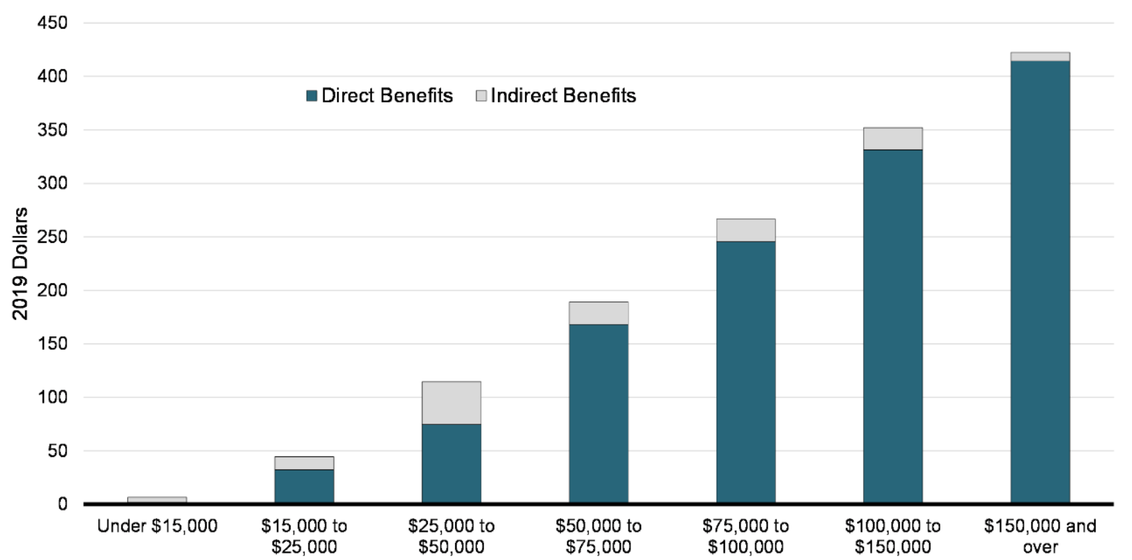


Source: T1 data and Department of Finance Canada calculations.

[12] As described in Section 3, direct benefits refer to the dollar change in tax owing that results from claiming the deduction, while indirect benefits refer to the amounts received by claimants from refundable tax credits (GST Credit, Canada Child Benefit, Refundable Medical Expense Supplement, and Canada Workers Benefit / Working Income tax Benefit).

Looking at the distribution of benefits by income group, total benefits are much higher among high-income individuals (Chart 20). However, indirect benefits represent a larger share of total benefits for individuals in the lower income groups. For example, indirect benefits represent about 28% of benefits in the $15,000 to $25,000 group and about 35% in the $25,000 to $50,000 group, compared to only 2% in the $150,000 and above group.

Chart 20
Direct and Indirect Benefits of UPD Deduction, by Income Group (2018), in 2019 Dollars

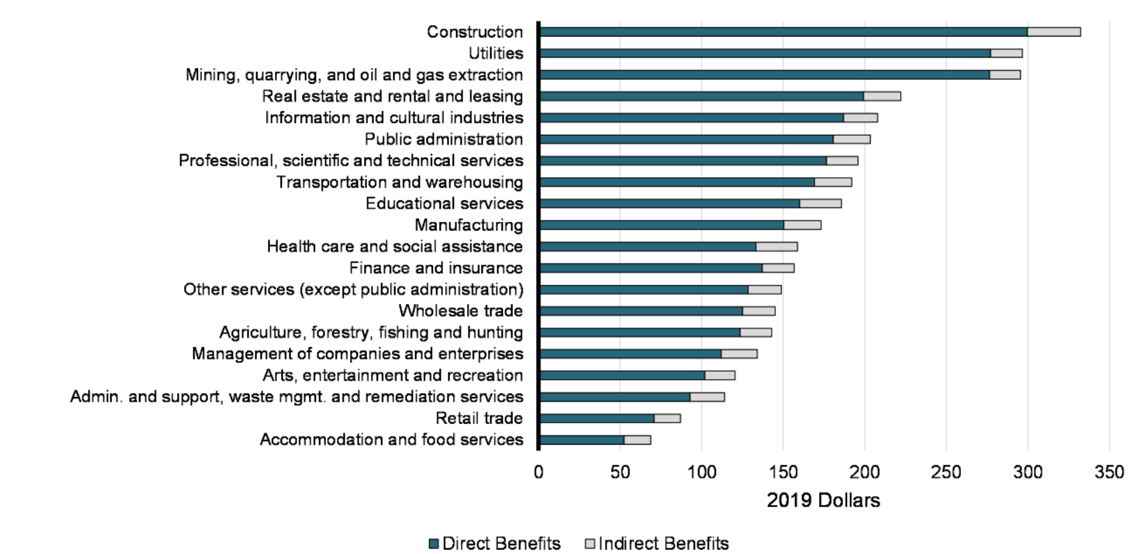


Source: T1 data and Department of Finance Canada calculations.

Finally, Chart 21 shows that benefits also vary by industry of occupation. Unsurprisingly, benefits are largest in the construction industry, which also had the largest average claims. Direct benefits represent the majority of benefits in all industries. However, the share of indirect benefits varies between about 6% in the mining, quarrying, and oil and gas extraction sector and 24% in the accommodation and food services sector.

Chart 21

Direct and Indirect Benefits of UPD Deduction, by 2-Digit NAICS Industry (2018), in 2019 Dollars



Source: T1 data and Department of Finance Canada calculations.

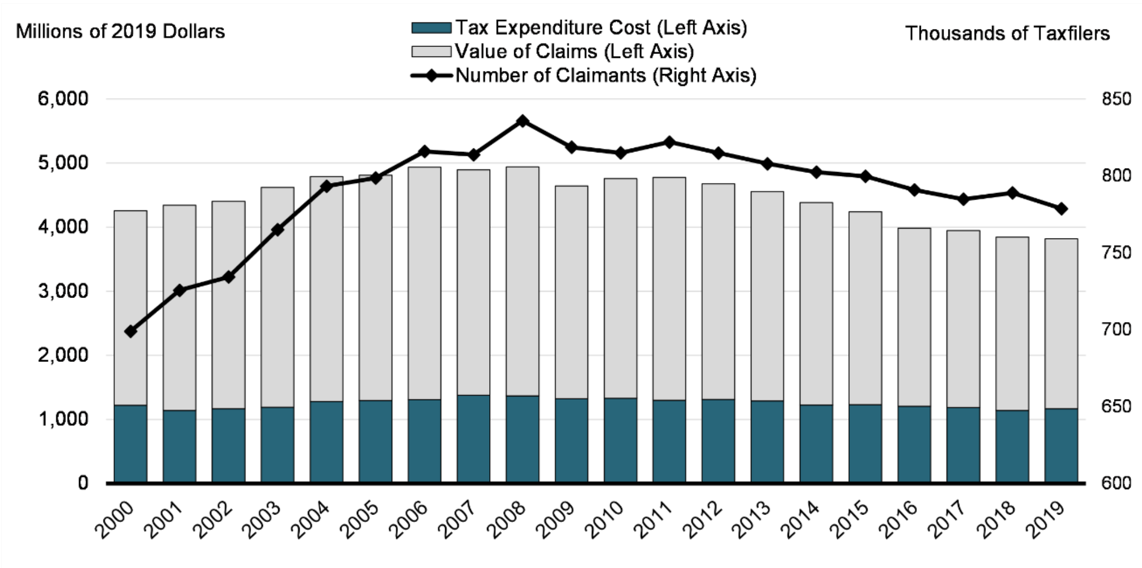
5. Other Employment Expenses

5.1 Number of Claimants and Amounts Claimed

As shown in Chart 22, in 2019, 779,000 individual taxfilers claimed a total $3.82 billion in OEE. This marks a decline from the peak of 836,000 filers claiming $4.94 billion in 2008 (in constant 2019 dollars). The estimated tax expenditure cost of the measure, meanwhile, reached a low of $1.14 billion in 2018, down from $1.37 billion in 2007.

Chart 22

Value of OEE Claims, Associated Tax Expenditure Cost, and Number of Claimants (2000-2019)

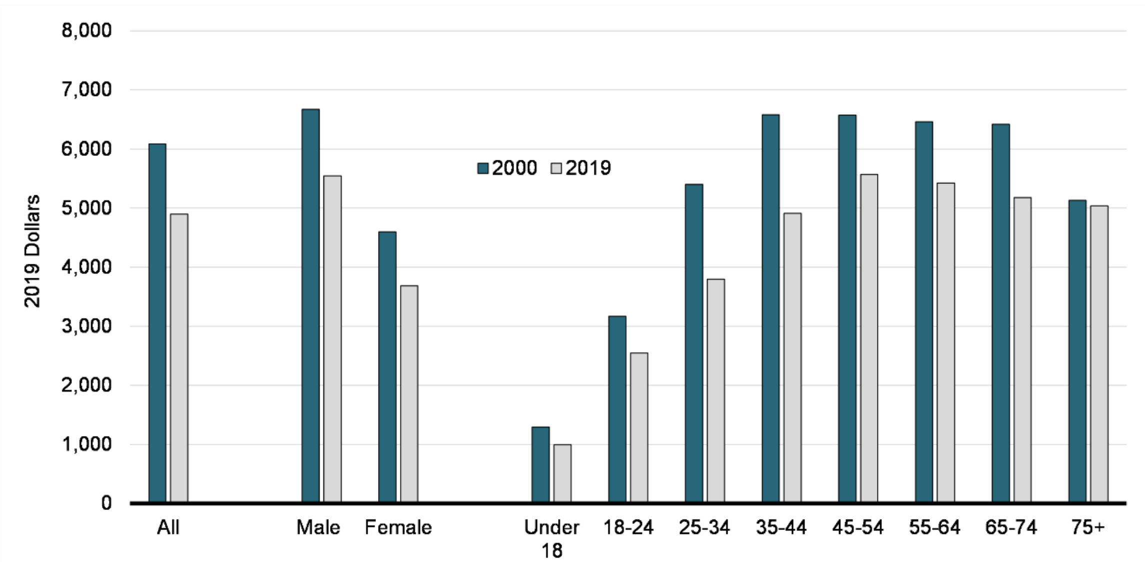


Source: T1 data and Reports on Federal Tax Expenditures.

As shown in Chart 23, in 2019, the average amount of OEE claimed was $4,900, an amount that has been in decline since 2000 (then $6,088) and across the dimensions considered in this section – gender, age, industry (except agriculture, forestry, fishing and hunting; transportation and warehousing; and public administration) and total income (except those earning less than $15,000). Men claimed 50.5% more than women ($5,546 vs. $3,686). Average claim amounts increase sharply with age, with those under 18 claiming $997 compared to a maximum of $5,569 among the 45-54 cohort. Of note, the decline is modest among older claimants, with those 75 and above still claiming $5,040.

Chart 23

Average OEE Amount Claimed in 2000 and 2019, by Gender and Age Group (Constant 2019 Dollars)

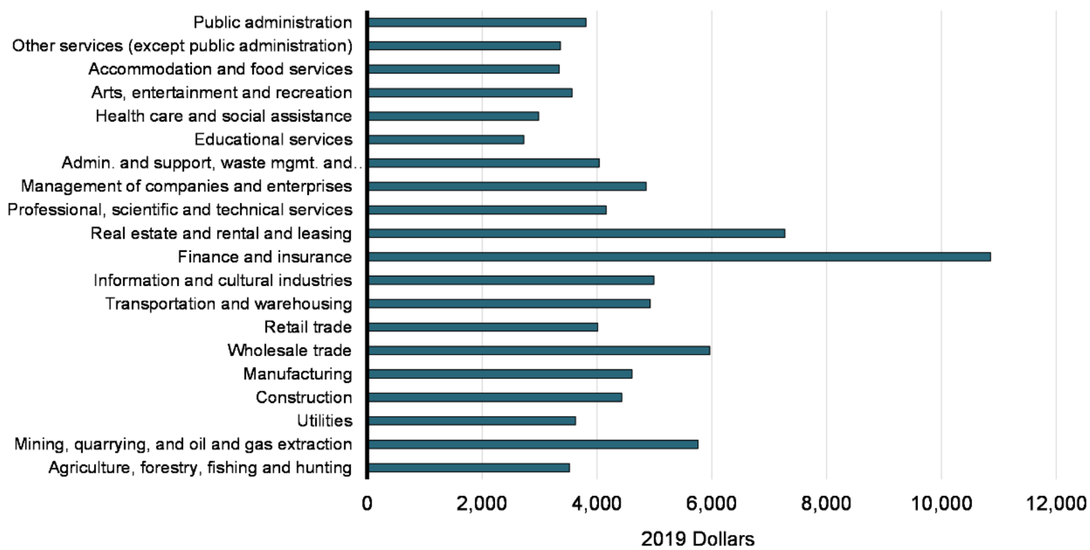


Source: T1 data.

By industry, the variation is more substantial, ranging from a low of $2,728 in educational services to a high of $10,860 in finance and insurance (Chart 24). Average claim amounts in transportation and warehousing – where the greatest share of taxfilers report OEE – tracked the overall average at $4,931. It should also be noted that average amounts claimed decreased over the 2000-2019 period across most industries, with the exceptions of agriculture, forestry, fishing and hunting, transportation and warehousing, and in particular public administration, where it increased from $2,922 to $3,812, or by 30%. In percentage terms, the steepest decline was observed in information and cultural industries, where the average claim amount decreased from $8,407 to $4,995, or by 41%.

Chart 24

Average OEE Amount Claimed, by Industry (2019)

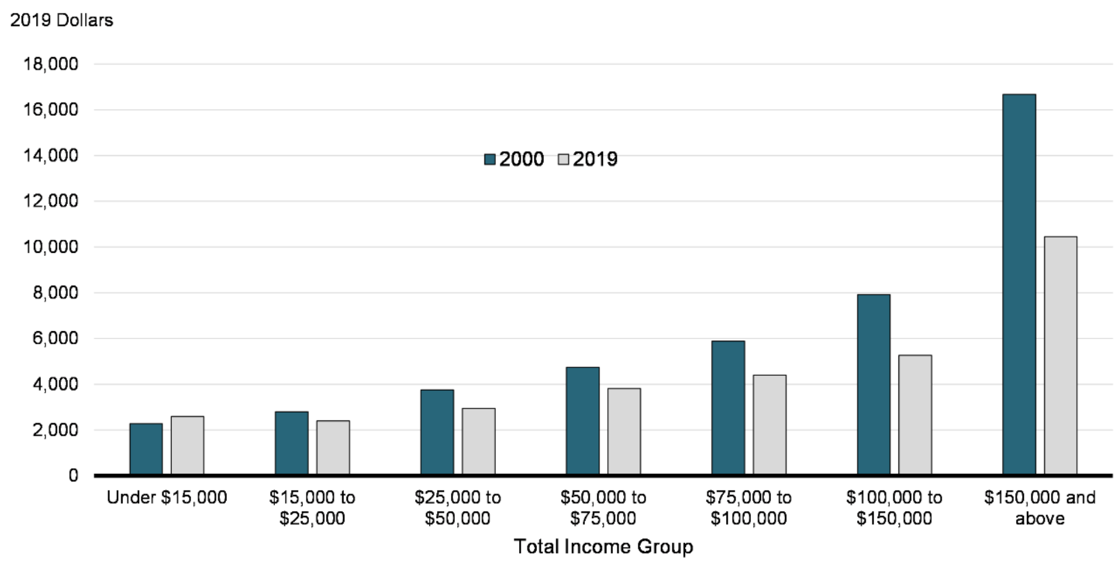


Source: T1 data.

As shown in Chart 25, the average amount claimed for the OEE deductions increases substantially by total income group. In 2019, those with less than $15,000 of total income claimed an average of $2,585, compared to $10,457 for those with total income in excess of $150,000. Moreover, between 2000 and 2019, the average amount claimed declined among all those earning $15,000 or more. The greatest reduction was seen among those with total income greater than $150,000, whose average claim fell by $6,215.

Chart 25

Average OEE Amount Claimed, by Income Group (2000 and 2019)

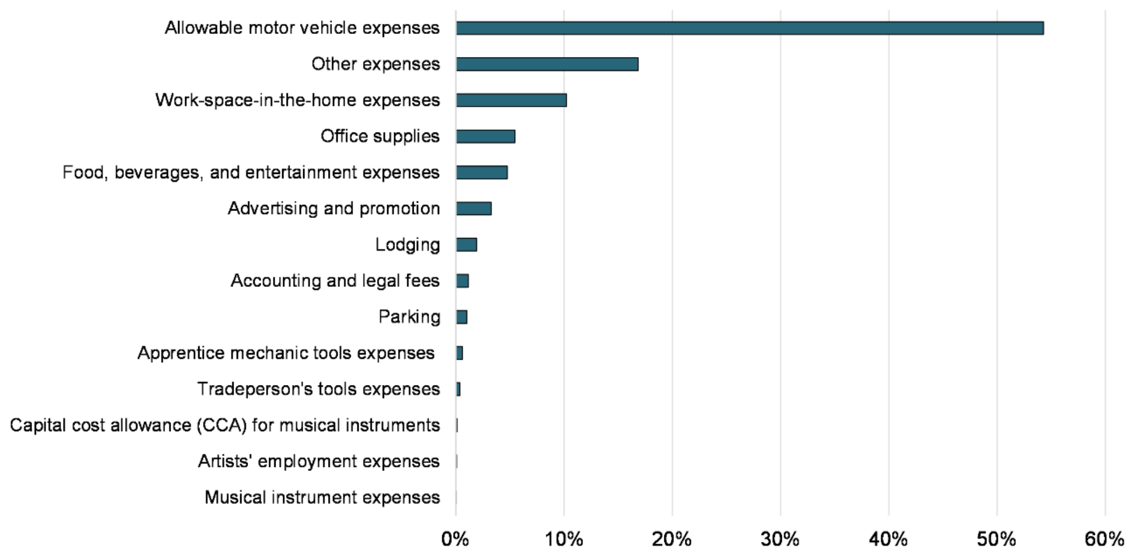


Source: T1 data.

In 2019, a completed T777 form was available for 76.8% of OEE claimants, providing details on the type(s) of expenses incurred throughout the year. Chart 26 provides a breakdown of the total amounts claimed via this form. Overall, 54.3% of the value of all detailed claims related to allowable motor vehicle expenses, 16.9% related to the other expenses heading, and a further 10.2% were for work-space-in-the-home costs. Meanwhile, musical instrument expenses (including capital cost allowance), artists' employment expenses and tradesperson's tools expenses together accounted for less than 1% of the total value claimed on the T777.

Chart 26

Percentage Breakdown of the Value of OEE Claims, among Those Filing T777 (2019)



Source: T1 data.

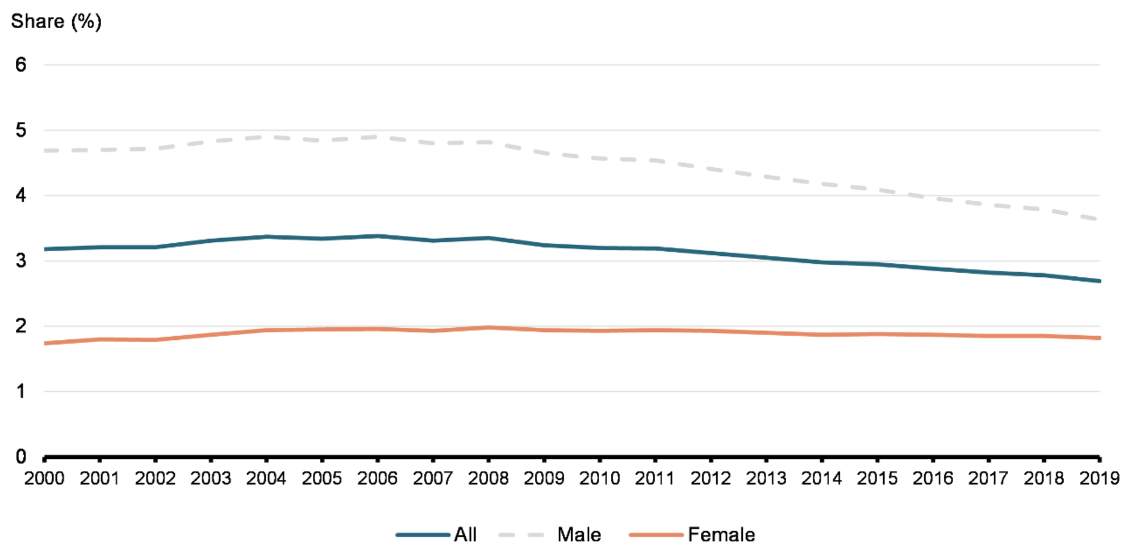
5.2. Share of Taxfilers by Demographic Group

Shares by Gender

As shown in Chart 27, the proportion of taxfilers claiming OEE was 2.7% in 2019, down from a peak of 3.38% in 2006. This proportion varies significantly across a number of dimensions. In 2019, men were approximately twice as likely as women to claim (3.63% vs. 1.82%). However, the share of men claiming OEE has declined over time, and the difference between the share of men and women claiming has narrowed. For men, the maximum share was observed in 2006 (4.9%) while for women this occurred in 2008 (1.98%).

Chart 27

Share of OEE Claimants among Taxfilers (2019)



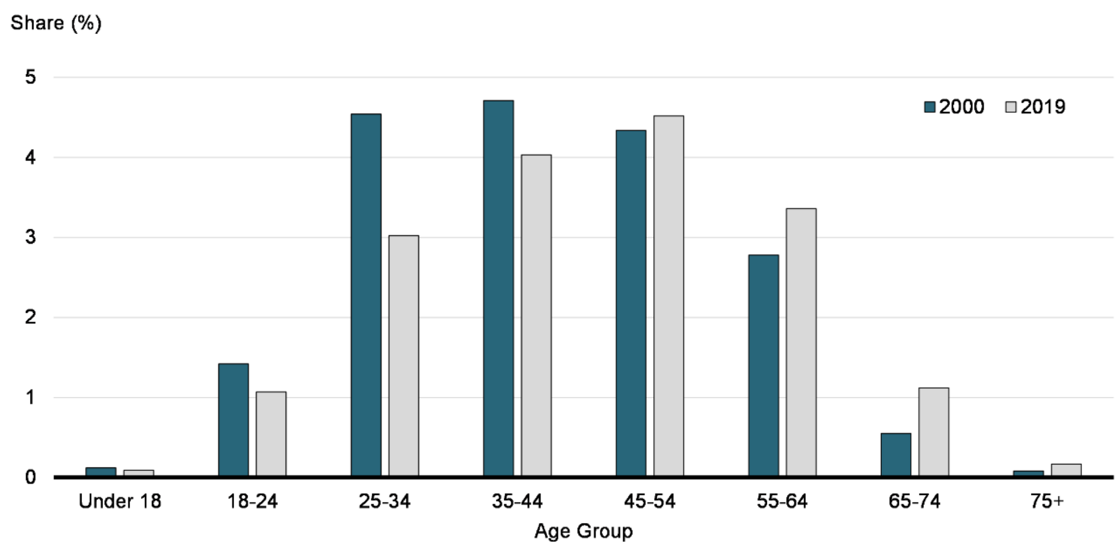
Source: T1 data.

Shares by Age Group

Filers between the ages 45 and 54 were more than four times as likely as those between 18 and 24 to claim (4.52% vs. 1.07% in 2019). As shown in Chart 28, filers 45 and above were more likely to claim OEE in 2019 as compared to 2000. On the other hand, filers up to age 44 were less likely to claim in 2019 as compared to 2000. There was also a marked decrease in the share of claimants aged 25-34 between 2000 and 2019.

Chart 28

Share of OEE Claimants among Taxfilers, by Age Group (2000 and 2019)



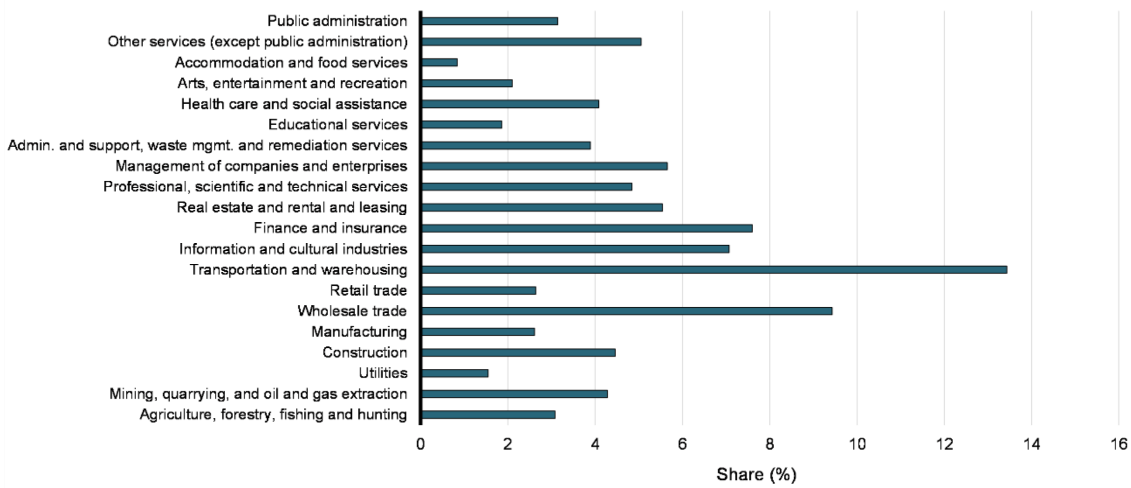
Source: T1 data.

Shares by Industry

The share of taxfilers claiming OEE also varies significantly according to industry of employment, as seen in Chart 29. The highest claim rates were seen in transportation and warehousing (13.4%) and wholesale trade (9.4%), while the lowest were in accommodation and food services (0.8%) and utilities (1.6%). The aforementioned gender disparity in claim rates is also seen in many industries (not shown). For instance, the share of male taxfilers working in transportation and warehousing is more than three times that of female taxfilers (16.7% vs. 5.4%); similar discrepancies are seen in mining, quarrying, and oil and gas extraction (4.8% vs. 1.7%) and agriculture, forestry, fishing and hunting (3.9% vs. 1.1%). On the other hand, claim rates are more balanced in health care and social assistance (4% vs. 4.1%) and public administration (3.4% vs. 3%).

Chart 29

Share of OEE Claimants among Taxfilers, by 2-Digit NAICS Industry (2019)

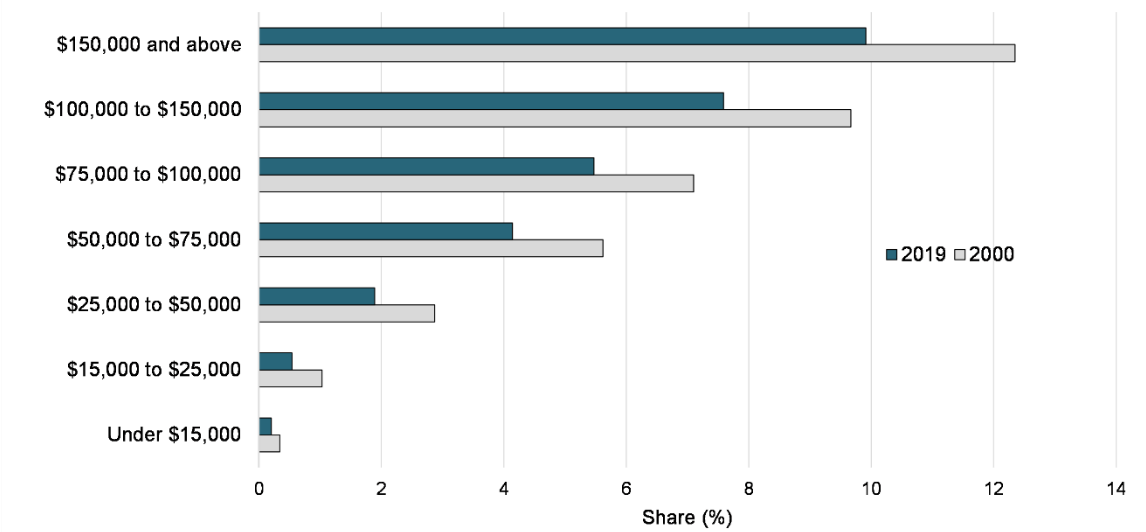


Source: T1, T2 and T4 data.

Shares by Income Group

Claim rates also increase with total income (Chart 30), ranging from a low of 0.2% for those with income less than $15,000 to 9.91% among those earning more than $150,000. Across all income groups, the share claiming fell between 2000 and 2019. Similarly, when examining employment income, 14.56% of those with greater than $150,000 in T4 earnings claimed OEE, compared to just 0.31% of those with under $15,000 in T4 earnings (not shown).

Chart 30
Share of OEE Claimants among Taxfilers, by Income Group (2000 and 2019)



Source: T1 data.

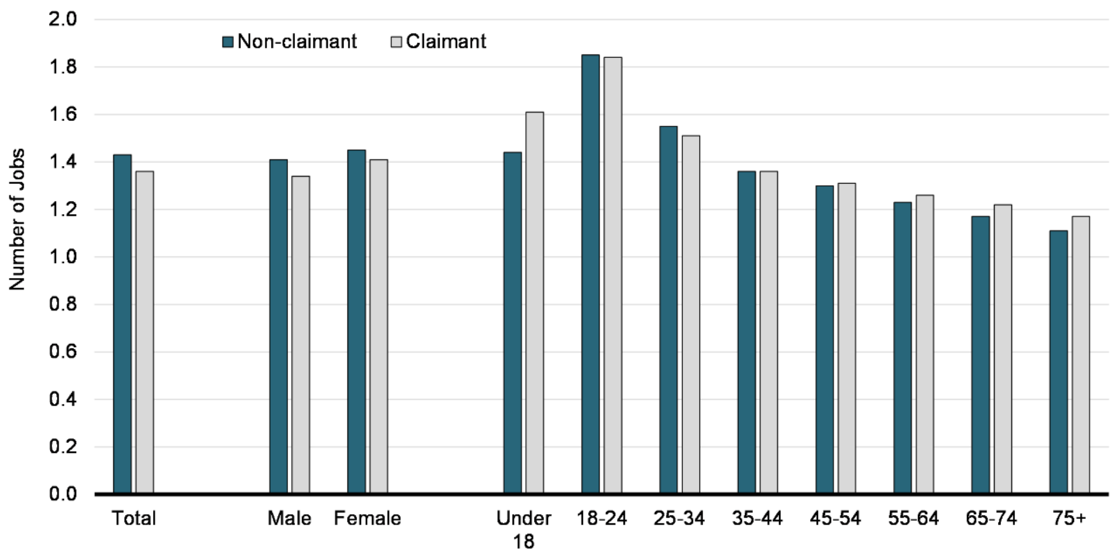
5.3. Comparison of Claimants and Non-Claimants

Number of Jobs Worked

Taxfilers claiming the OEE deductions worked an average of 1.36 jobs in 2019, compared to 1.43 for their non-claimant counterparts (i.e., all other taxfilers).[13] This represents an overall decline and widening since 2000, when claimants and non-claimants worked 1.65 and 1.67 jobs, respectively. Claimant men worked relatively fewer jobs than claimant women in 2019 (1.34 vs 1.41), as did non-claimant men compared to non-claimant women (1.41 vs. 1.45). As shown in Chart 31, the number of jobs worked was greater among claimants under 18 compared to their non-claimant counterparts, with this difference narrowing among core-age workers (25-54), and growing again among workers 55 and above.

Chart 31

Average Number of Jobs Worked by OEE Claimants and Non-Claimants, by Gender and Age (2019)



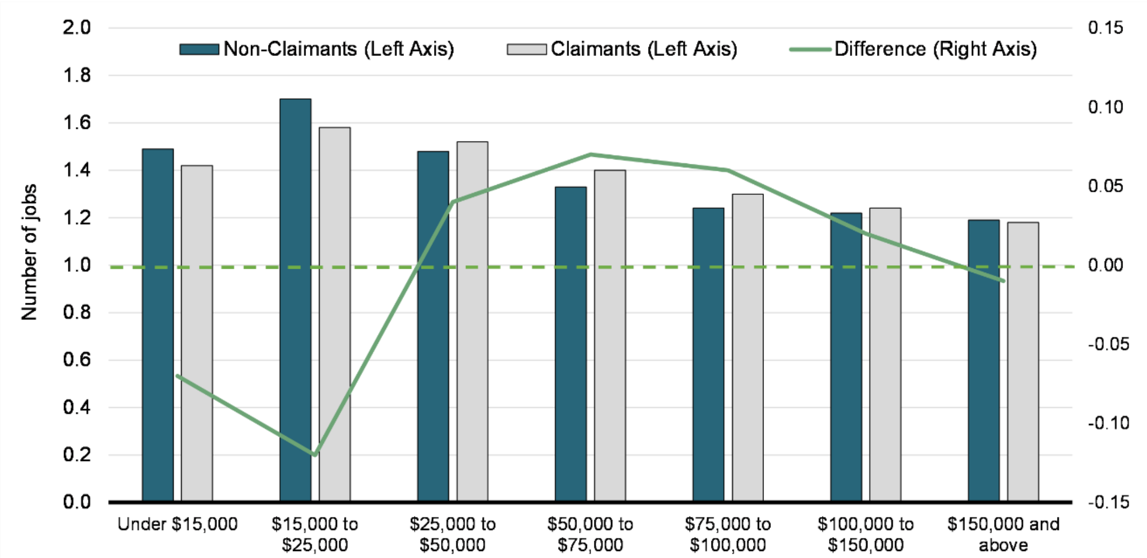
Source: T1 and T4 data.

[13] As in Section 4.3, this analysis compares the number of jobs between taxfilers (claimant and non-claimant) for whom one or more T4s were available.

The number of jobs worked varies with T4 earnings (Chart 32). Among those earning $15,000 to $25,000 in employment income, claimants worked 1.58 jobs compared to 1.7 among non-claimants. However, among those earning more than $150,000 in employment income, claimants and non-claimants worked similar averages of 1.18 and 1.19 jobs, respectively.

Chart 32

Average Number of Jobs by Earnings Group, for OEE Claimants and Non-Claimants (2019)

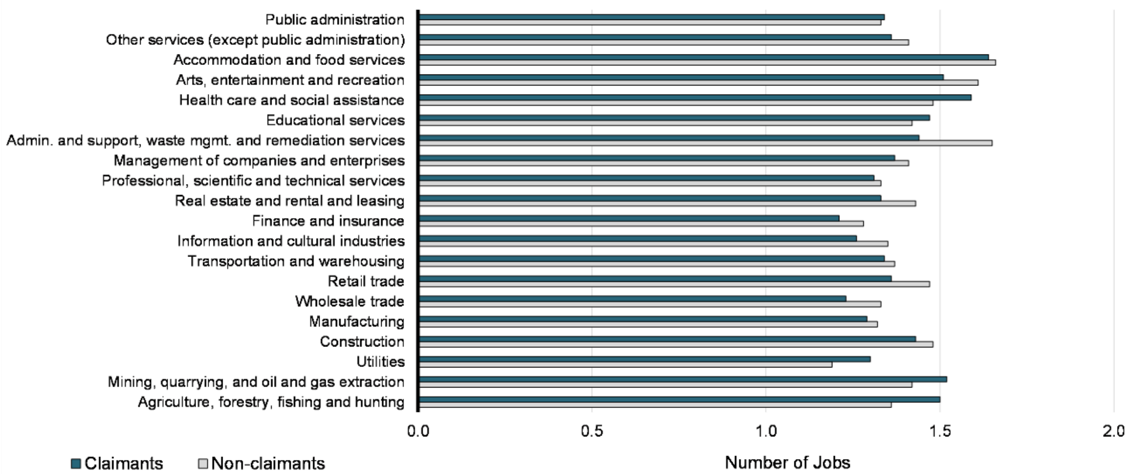


Source: T1 and T4 data.

By industry, the number of jobs worked by claimants ranged from a low of 1.21 in finance and insurance, to a high of 1.64 in accommodation and food services (Chart 33). Among non-claimants, the range was from 1.19 in utilities to 1.66 in accommodation and food services. The largest differences between claimants and non-claimants were observed in administrative and support, waste management and remediation services (1.44 vs.1.65) and agriculture, forestry, fishing and hunting (1.50 vs 1.36).

Chart 33

Average Number of Jobs by 2-Digit NAICS Industry, for OEE Claimants and Non-Claimants (2019)

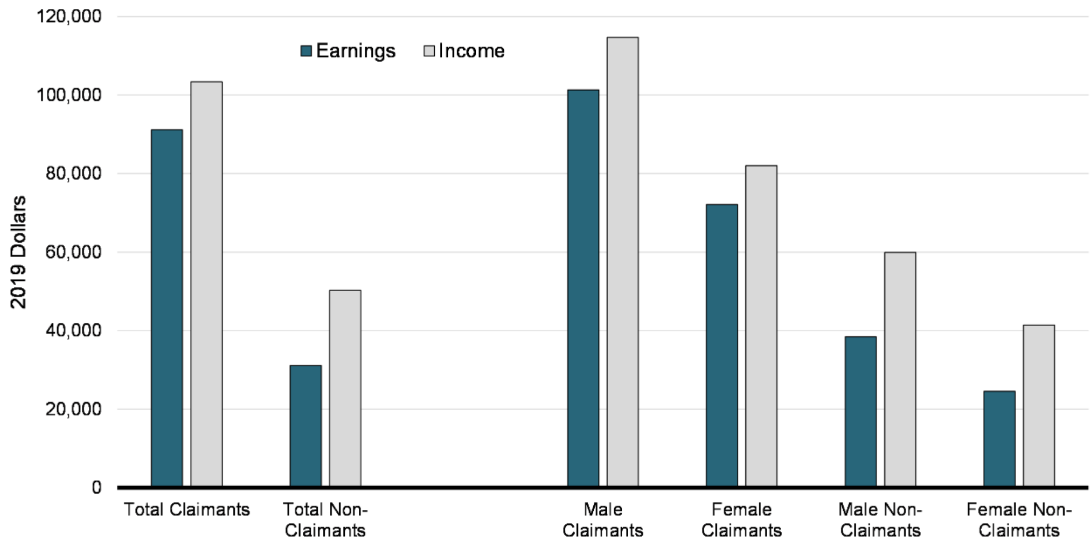


Source: T1, T2 and T4 data.

Average Earnings and Income

As shown in Chart 34, claimants were found to have twice as much total income in 2019 as their non-claimant counterparts ($103,365 vs. $50,255). In addition, the share of employment income within total income was greater for those claiming OEE (88.5% vs. 55.9%). This was true among both men and women, though women typically reported less total income than men ($82,009 vs. $114,732 among claimants, and $41,447 vs. $59,910 among non-claimants).

Chart 34
Average Earnings and Income, by OEE Claimant Status and Gender (2019)

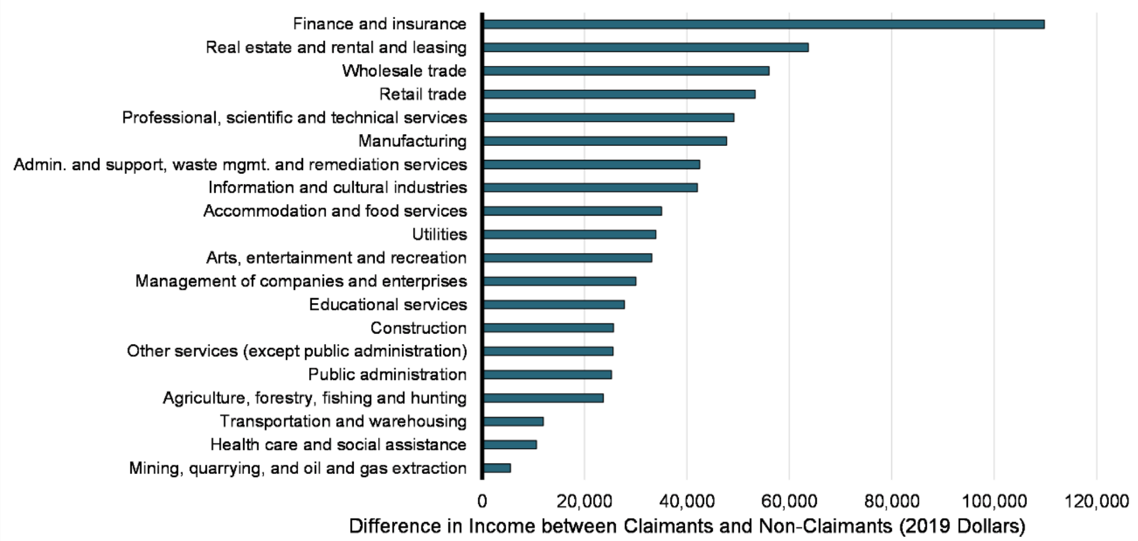


Source: T1 data.

At the industry level, OEE claimants had greater total income than their non-claimant counterparts. The gap in total income between claimants and non-claimants was largest in finance and insurance ($206,971 vs $97,190), and narrowest in mining, quarrying, and oil and gas extraction ($129,663 vs. $124,169). The difference in total income between OEE claimants and non-claimants by industry is shown in Chart 35.

Chart 35

Difference in Average Incomes between OEE Claimants and Non-Claimants, by 2-Digit NAICS Industry (2019)



Source: T1, T2 and T4 data.

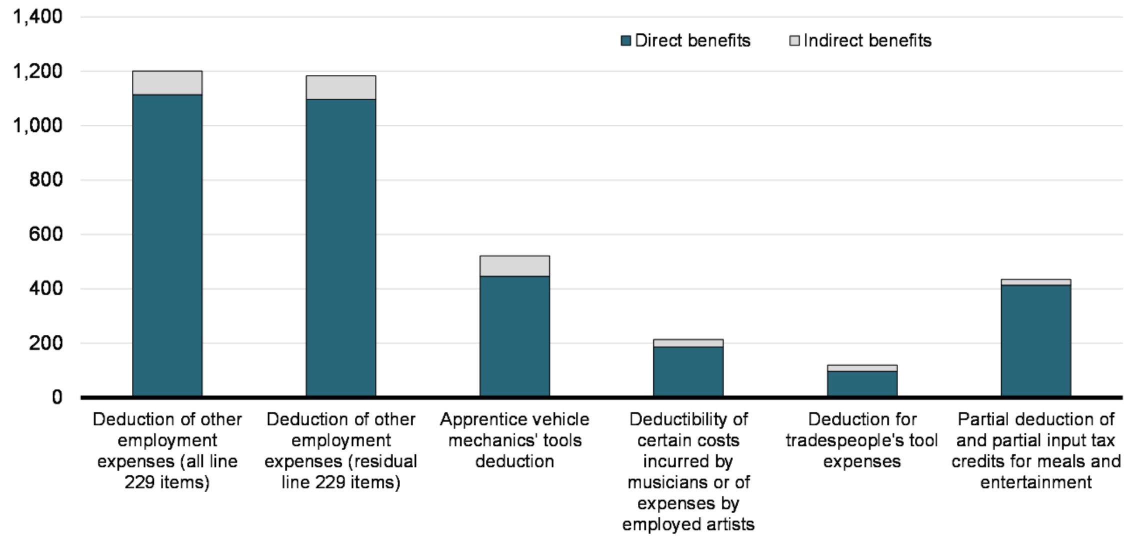
Taken together, these results suggest that the presence of employment expenses may promote attachment to an individual job: across many of the dimensions considered, claimants worked somewhat fewer jobs on average. Moreover, the jobs in question tend to be better remunerated and form a greater part of a claimant's overall income.

5.4 Benefits

Benefits are calculated as the difference in tax payable that results from claiming OEE – see Section 3 for more detail. Chart 36 presents the mean direct and indirect benefits[14] for the OEE deductions as a whole and for the component measures (see footnote 2). The overall mean benefit stood at $1,201 in 2018, 93% of which was direct. With respect to its components, the average total benefit was $521 for the apprentice vehicle mechanics' tools deduction, $214 for the deductibility of certain costs incurred by musicians or of expenses by employed artists, $120 for the deduction for tradespeople's tool expenses, $435 for the partial deduction of and partial input tax credits for meals and entertainment, and $1,183 for the remaining items of line 229 (i.e., the deduction of other employment expenses measure described elsewhere in this report).

Chart 36

Direct and Indirect Benefits of OEE Deductions, Overall and by Component (2018), in 2019 Dollars

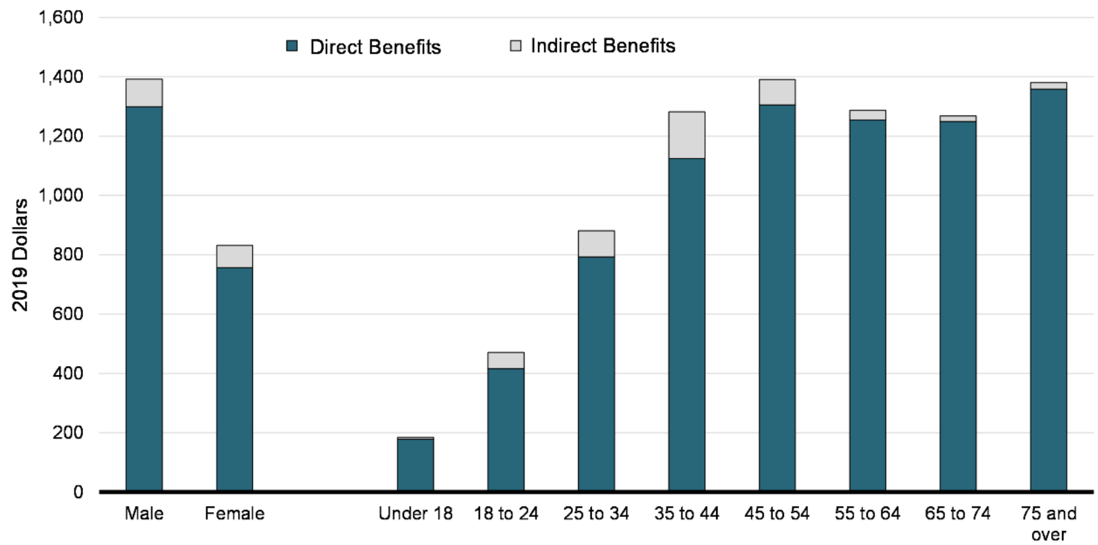


[14] As described in Section 3, direct benefits refer to the dollar change in tax owing that results from claiming the deduction, while indirect benefits refer to the amounts received by claimants from refundable tax credits (GST Credit, Canada Child Benefit, Refundable Medical Expense Supplement, and Canada Workers Benefit / Working Income tax Benefit).

As shown in Chart 37, men received larger benefits than women on average ($1,392 vs. $832). Although the vast majority of benefits were direct for both genders, the indirect share was slightly higher for women compared to men (9% vs. 6.7%). Benefits were also found to be larger among the population aged 35 and over, but there are no significant differences in benefits between the different age groups beyond this cut-off. However, the share of indirect benefits varied with age: they represented a larger share of total benefits for beneficiaries aged between 25 and 54 years old, but an insignificant share among other age groups.

Chart 37

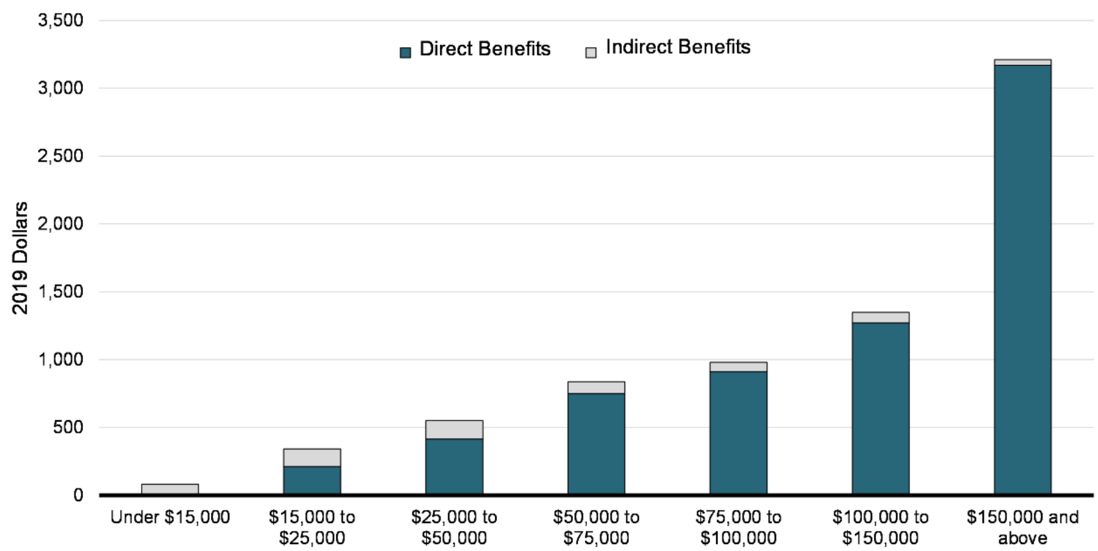
Direct and Indirect Benefits of OEE Deductions, by Gender and Age Group (2018), in 2019 Dollars



By income group, there was wide variation in total benefits received. As shown in Chart 38, beneficiaries with $150,000 or more of total income received $3,211 in total benefits on average, while those with less than $15,000 in total income received an average of $81. However, indirect benefits were a negligible share of the overall benefits received by high-income beneficiaries, but the vast majority of total benefits for individuals is in the lower income groups.

Chart 38

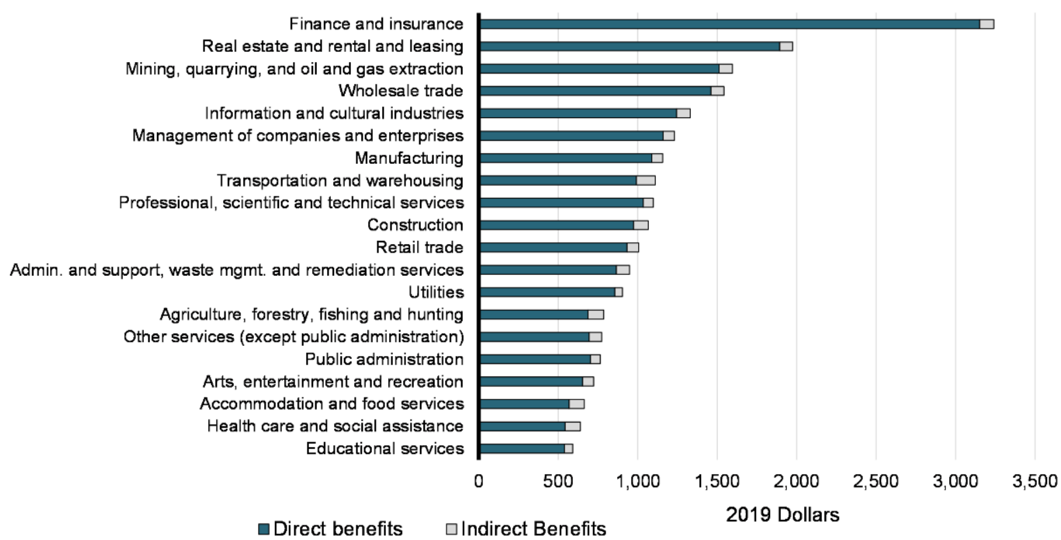
Direct and Indirect Benefits of OEE Deductions, by Income Group (2018), in 2019 Dollars



Finally, Chart 39 shows that benefits also varied considerably by industry of occupation. Benefits were found to be largest in the finance and insurance industry, which also had the largest average claims. There was, however, little variation in the shares of direct and indirect benefits, with direct benefits always representing the majority of benefits.

Chart 39

Direct and Indirect Benefits of OEE Deductions, by 2-Digit NAICS Industry (2018), in 2019 Dollars



6. Conclusion

To summarize the findings, the average UPD deduction claimed increased slightly between 2000 and 2019, while the share of claimants in the overall population of taxfilers decreased. Claims are generally associated with higher incomes, and made by workers between 35 and 54 years old. In 2019, men and women were as likely to claim this deduction, but men were more likely to claim it in the past. Workers in the public administration sector are the most likely to claim it. Among claimants, the large majority have at least one job where they pay union dues. However, that share varies widely between industries. For example, more than half of workers in the professional, scientific and technical services industry who claim the UPD deduction are claimants of professional dues only. Finally, UPD claimants tend to have higher earnings and total income than non-claimants. Among the group of claimants, those who claim professional dues only tend to have higher incomes. Among beneficiaries of the UPD, average benefits stood at about $185 in 2018 (in 2019 dollars). About 87% of these benefits were direct benefits on average.

For its part, the average claim for OEE has declined somewhat over the period of observation. Claims are generally associated with higher income, and are more likely to be made by men, workers aged 25 and above, and those working in transportation and warehousing. When a T777 is filed, the most common expenses are for allowable motor vehicles. The evidence also suggests that claimants worked somewhat fewer jobs on average than their non-claimant counterparts. On average, OEE beneficiaries received $1,201 in benefits, 93% of which were direct, though this share varies with income and age.

Distributional Analysis of Personal Effective Marginal Tax Rates[1]

1. Introduction

This paper analyzes the distribution of effective marginal tax rates (EMTRs) on labour income among Canadians aged 18 to 64 years using survey data[2] and considering the federal and provincial tax and transfer systems as they were in 2017. EMTRs refer to the amounts of taxes owed and the reduction of benefits resulting from earning additional income through an increase in work hours or wages. EMTRs are generally derived on the basis of hypothetical scenarios. Such an approach uses the tax and transfers rules to compute EMTRs for various typical cases (e.g., unattached individual without kids residing in Ontario, with a given amount of annual earnings), assuming they are receiving all benefits for which they are eligible. While useful for identifying potentially problematic cases (i.e., circumstances where individuals are especially likely to face high EMTRs), the approach simplifies the reality with regards to benefits take-up and the mix of possible individual income situations and characteristics, while not allowing for the production of descriptive statistics. By using an approach based on survey data, the analyses presented in this study account for the actual rates of benefits, income situations, and individual characteristics. This methodology is especially useful for identifying and examining individuals who are actually facing high EMTRs. The main goals of the paper are to provide a comprehensive overview of EMTRs in Canada (federal, provincial and combined), as well as to identify the actual number of workers facing high EMTRs, their characteristics and the type of taxes and benefits that are involved.

The remainder of this paper is as follows. Section 2 describes the population of interest for calculating EMTRs, and Section 3 presents the distribution of EMTRs among this population. Sections 4 and 5 examine the contribution of the federal and provincial tax and transfer systems and the characteristics associated with high EMTRs. Section 6 discusses the profile of high-EMTR individuals in Canada. Methodological information, including definitions of EMTRs, details about the data, the tool and methodology used to derive actual EMTRs can be found in Annex A.

[1] The analysis presented in this paper was prepared by Dominique Fleury, Economist, Tax Policy Branch, Department of Finance Canada. Enquiries regarding Department of Finance Canada publications can be sent to finpub@canada.ca

[2] Statistics Canada's Social Policy Simulation Database/Model (SPSD/M) version 27.0 for the 2017 tax year was used to conduct the current project. The SPSD/M is designed to support the analysis of personal income tax, sales tax and income transfer policies. The SPSD/M database has been constructed from four major sources of microdata: 1) the Canadian Income Survey (CIS); 2) the personal income tax return data; 3) Employment Insurance (EI) claim histories; and the Survey of Household Spending (SHS). A weight has been assigned to all members of the SPSD/M database (all members of the same household have identical weights). Each weight provides a factor which blows estimates up to the national level. Note that the SPSD/M population (weighted or not) excludes the Yukon, Nunavut, Northwest Territories, inmates in institutions, Indians on reserves, and certain members of the armed forces. 2017 was the most recent year of available tax data when the research was conducted.

2. Population of Interest for Calculating EMTRs

As the main goal is to examine EMTRs on labour income, the group of interest is limited to individuals who are the most likely to participate in the labour market, i.e., those aged 18 to 64 years. Individuals who are below and above this age range are not expected to respond as much to lower or higher marginal tax rates on labour income. Among working-age individuals, those who worked during the year represent the population of interest for calculating EMTRs, since only the employed may decide to intensify their actual work effort.

Among the 36.3 million Canadian individuals, 22.9 million (63.2%) were aged 18 to 64 years, and among working-age individuals, close to 19 million (82.8%) reported some employment income in 2017 and formed the population of interest for calculating EMTRs.

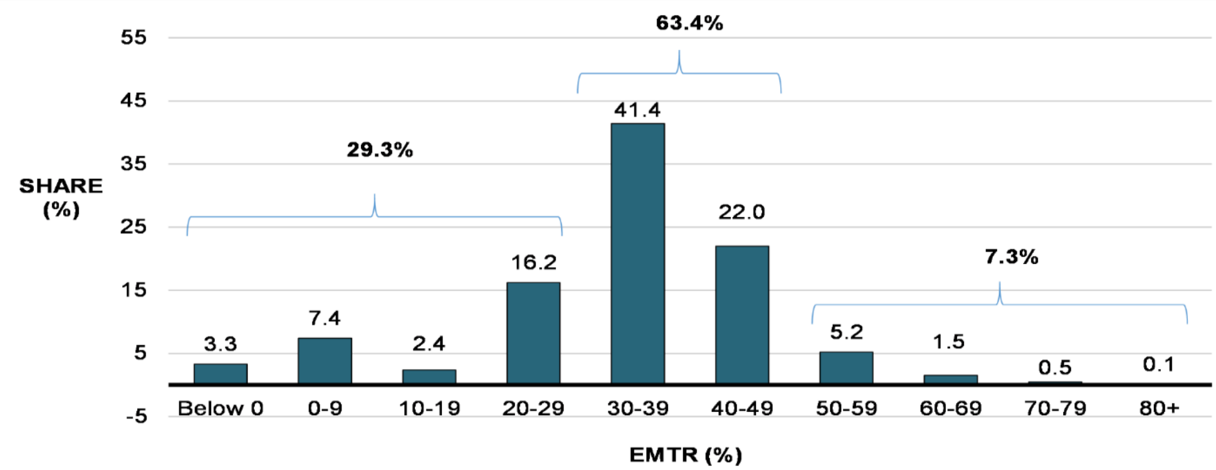
The vast majority of individuals with employment income reported at least some wages and salaries (92.5%) and 7.5% only reported self-employment income. While most workers did not rely at all on social assistance (SA) income, 5.3% of them either reported some SA benefits or had SA recipients in their families. Social assistance is a provincial last-resort income-tested benefit based on family income. Accordingly, in couples, an increase in working income of any of the spouses can affect the SA amount granted to the family, regardless of which spouse is the SA recipient.

3. Distribution of EMTRs among Workers aged 18-64

Among non-SA recipient workers, the average EMTR was 33%. The largest proportion (63.4%) faced EMTRs that were in the 30-49.9% range. About 29.3% faced EMTRs that were below 30% and 7.3% faced EMTRs of 50% or more.

Chart 1

Distribution of EMTRs among workers aged 18-64 who were not in receipt of SA, 2017



Source: Author's calculations using Statistics Canada's SPSD/M, v. 27.0.

The distribution of EMTRs is different among workers who also rely on SA income. Workers with SA income in their family are more likely to face a 50% EMTR or more. Among them, the proportion facing such a high EMTR varies between 22.7% and 44.9% – depending on the assumption used for estimating SA claw back rates[3] – compared with 7.3% among non-SA recipients.

[3] While SA income is included in SPSD/M data, this source of income does not affect the calculation of EMTRs in SPSD/M, meaning that increasing labour income does not decrease social assistance. For more accurate estimates for SA recipients, adjustments to social assistance amounts are required. Two assumptions were tested for adjusting SA amounts among workers in receipt of SA. Scenario 1 supposed that periods of SA and labour income coincided for all workers and as such, that provincial SA claw back rules applied for everyone. Scenario 2 considered that periods of SA and labour income coincided for full-year workers, but not for part-year workers and as such, that SA claw back rules applied for the first group, but not for the second. It is important to note that both of these scenarios do not account for potential indirect impacts of SA claw backs on other benefit amounts (e.g., CCB or CWB amounts). Not considering such impacts may have resulted in an overestimation of EMTRs for some SA recipients.

The distribution of EMTRs among workers relying on SA is very sensitive to the assumption used for estimating the impact of labour income increments on SA income, and the available information does not allow a firm choice as to which assumption applies best. Nevertheless, because SA recipients represent only a small proportion of workers, the assumption retained does not have a significant impact on the overall distribution of EMTRs. To ensure that EMTRs are not underestimated among SA recipients, the more cautious assumption (scenario 1, footnote 3) was retained for the remainder of the analysis.

Under this assumption, it is estimated that the 19 million workers experienced an average EMTR of 34.1% (i.e., an average EMTR that is 1.1 percentage point higher than that experienced by the 18 million non-SA workers). This means that, on the whole, working Canadians would have benefited from $659, on average, out of an extra $1,000 of labour income.

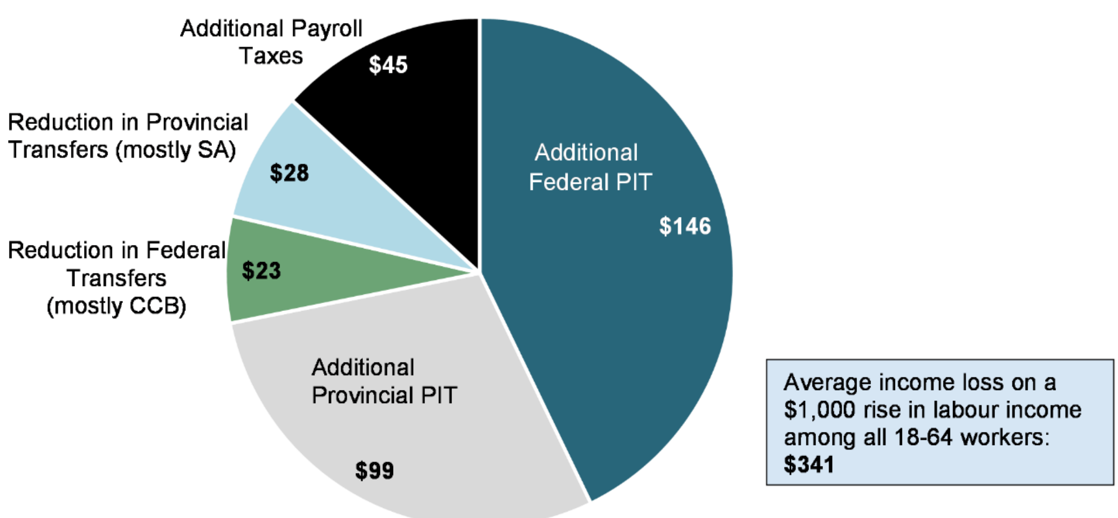
4. Contributions of the Federal and Provincial Tax and Transfer Systems

The income loss as a result of the application of the federal and provincial tax and transfer systems would be $341 on average. A decomposition of this 34.1% EMTR (Chart 2) suggests that, on average, the application of the federal personal income tax (PIT) and transfer system is responsible for almost half of the $341 average income loss, compared with 37% for the provincial tax and transfer system and with 13% for the combined federal-provincial payroll taxes.

The impact of the federal tax and transfer system is mainly driven by the additional PIT that workers would have owed on an extra $1,000 of labour income, and to a lesser extent by the reduction in federal transfer payments that they would have been entitled to, especially through reductions in Canada Child Benefit (CCB) amounts. The provincial impact is also particularly driven by the additional provincial PIT that workers would have had to pay, but to a lesser extent. At the provincial level, it is mostly SA claw back that explains the average loss in government transfers.

Chart 2

Contribution of changes in federal and provincial PIT and transfers, and in combined payroll taxes to the average EMTR of Workers aged 18-64, 2017



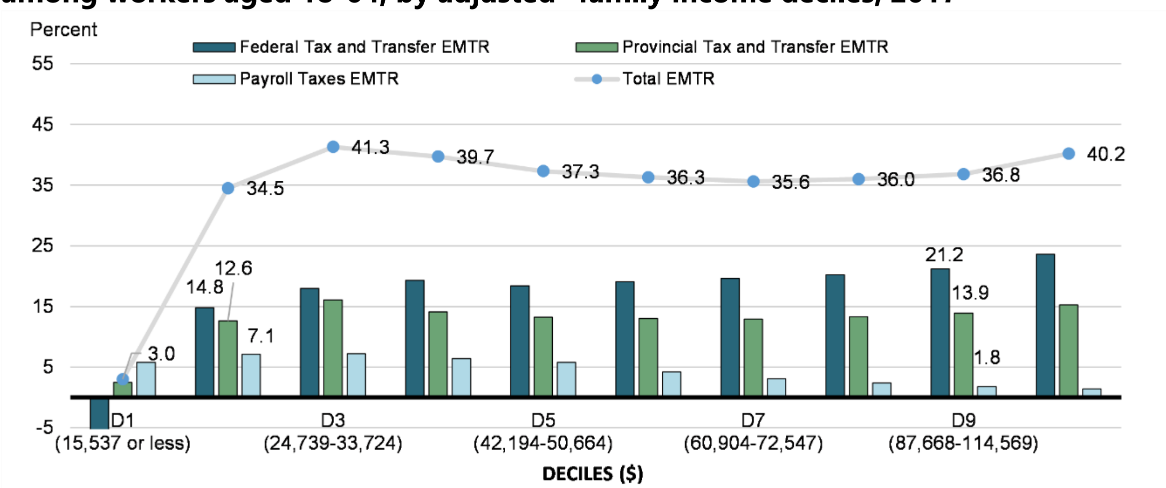
Source: Author's calculations using Statistics Canada's SPSD/M, v. 27.0.

Because of the progressivity of federal and provincial PIT systems and because transfer programs are mostly targeted to lower income families, the contribution of taxes and transfers to workers' EMTRs varies across the family income spectrum. As Chart 3 shows, the average EMTR is significantly lower among workers who are part of the first family income decile (3.0%). Workers in the bottom decile would have retained almost the totality ($970) of an additional $1,000 in labour income, mainly due to the positive impact of the federal tax and transfer system. Compared to the first decile, average EMTR increases rapidly for workers in the second (34.5%) and third (41.3%) family income deciles. It then decreases slightly until decile 7 (35.6%), and starts to increase again afterwards, to reach 40.2% among workers in the top decile. Overall, workers in the third family income decile (i.e., those with an adjusted family income between $24,739 and $33,724) were those who faced the highest average EMTR (41.3%), followed by those in the top decile. It is interesting to note though that, while the average EMTR is just slightly higher in decile 3 than in the top decile, the proportion of workers with a 50% EMTR or more is considerably higher in the third decile (23.6% versus 11.8%).

Chart 3 also shows that the contribution to total EMTRs of the federal tax and transfer system increases with family income decile. The contribution of the provincial tax and transfer system also tends to increase with family income decile, but less markedly. In contrast, the contribution of payroll taxes generally decreases with family income decile. For instance, the federal tax and transfer system, the provincial tax and transfer system and payroll taxes were responsible for about 43%, 37% and 21% respectively of the total 34.5% average EMTR observed among workers in decile 2 compared with 58%, 38% and 5% respectively of the total 36.8% average EMTR among workers in decile 9.

Chart 3

Total EMTR, federal and provincial tax and transfer EMTR, and payroll taxes EMTR among workers aged 18-64, by adjusted* family income deciles, 2017



Notes: Adjusted family income is a more appropriate indicator of the socio-economic status of individuals since it accounts for the fact that family needs increase with family size. Similar to the approach often used in the literature, the adjusted family income of an individual is obtained by dividing the family income before the earning increment by the square root of the family size. Source: Author's calculations using Statistics Canada's SPSD/M, v. 27.0.

As can be seen in Table 1, changes in federal and provincial transfer program entitlements mostly explain the average EMTR observed among workers in the bottom family income decile. In all other deciles, changes in the amounts of federal and provincial PIT owed contribute mostly to EMTRs. In particular, the average increase in Working Income Tax Benefit (WITB) amounts and Goods and Services Tax/Harmonized Sales Tax Credit (GSTC)[4] (+$51, +$7) entirely compensate the average increase in payroll taxes that workers in the first decile encounter (+$58). However, the rise in WITB, GSTC and provincial transfers other than SA is not sufficient to entirely compensate average PIT increases and SA claw backs.

Table 1 also suggests that, among all federal transfers, changes in entitlement to the WITB predominantly impact additional gains from work in deciles 1 and 2, whereas the CCB and GSTC have stronger impacts in deciles 3, 4 and 5. While the CCB continues to have small impacts in deciles 6 to 9, impacts of all other federal transfers are negligible among workers in these higher family income groups. It is worth noting that, for deciles 2 and 3, provincial transfers play a larger role in explaining workers' EMTRs than federal transfers, while the opposite is true for all other deciles.

Given the progressivity of the Canadian tax system, federal and provincial PIT reduce the gain from additional earnings, as family income increases. While this is also true for payroll taxes from deciles 1 to 3, the upward trend reverses starting at decile 4, likely due to the maximum contribution thresholds.

Table 1
Average change in transfers and additional taxes owed on a $1,000 rise in labour income among workers aged 18-64, by adjusted family income decile, 2017

Average changes in $	D1	D2	D3	D4	D5	D6	D7	D8	D9	D10
Federal PIT	-6	-85	-118	-137	-149	-167	-177	-183	-200	-234
Provincial PIT	-1	-49	-80	-103	-110	-117	-122	-127	-135	-149
Federal transfers*	59	-63	-62	-56	-35	-24	-20	-19	-12	-2
WITB	51	-59	-5	-1	0	0	0	0	-1	0
CCB	0	-3	-35	-35	-23	-22	-19	-18	-11	-2
GSTC	7	3	-15	-15	-11	-1	0	0	0	0
Others	1	-4	-7	-5	-1	0	0	0	0	0
Provincial transfers	-24	-77	-81	-38	-22	-14	-7	-6	-4	-4
SA	-30	-59	-31	-9	-8	-5	-5	-3	-3	-4
Others	6	-18	-50	-29	-14	-9	-2	-4	-1	0
Combined payroll taxes	-58	-71	-72	-64	-58	-42	-31	-24	-18	-14
Total	-30	-345	-413	-397	-373	-364	-356	-360	-368	-403

* A positive number reflects an increase in transfers received.
Source: Author's calculations using Statistics Canada's SPSD/M, v. 27.0.

4 On top of the basic GSTC, unattached individuals are eligible for an additional amount of credit when they reach a certain level of income. In 2017, a $285 credit was provided for those who reported an income (for tax purposes) of $9,263 or less. Then, the credit gradually increased to a maximum of $435, remained at this value up to an income of $37,193 and then gradually decreased to $0.

5. Distribution of EMTRs by Characteristics of Workers

As previously mentioned, the average EMTR and the proportion of individuals who face an EMTR of 50% or more are considerably higher among workers who rely on SA. While especially important, being in receipt of SA is not the sole factor increasing the likelihood of facing a high EMTR among workers. The presence of children is another factor that significantly increases the chances that workers experience a high EMTR. As Table 2 indicates, 19.1% of workers with children in their family faced an EMTR of 50% or more, compared with 4.8% of workers in families without children. Among workers in families with children, lone parents were the most likely to face a high EMTR (35.1%), followed by those who were the main worker in two-parent families (21.7%), and then by those who were the secondary workers in such families (11.7%).

While less markedly, the distribution of EMTRs also vary depending on other demographic and socio-economic characteristics of workers. Notably, workers who lived in the province of Quebec, who were aged 35-44 years old and/or were recent immigrants were slightly more likely to face an EMTR of 50% or more. Indeed, the proportions with an EMTR of 50% or more were respectively 16.2%, 15.4% and 13.6% for these three groups, compared to 9.4% for the overall population of workers. To some extent, educational attainment and intensity of work are also correlated with the level of EMTRs among workers. EMTRs calculated among those with a higher level of education and/or those who work full-time full-year (FTFY) were higher on average than among less educated workers and/or those who did not work FTFY. On the other hand, the distribution of EMTRs among these groups suggests that more educated workers and/or FTFY workers are less likely to face very low or very high EMTRs. In comparison with these two groups, the proportion of workers with EMTRs of at least 70% was higher among workers with less than a high school diploma and/or part-time or part-year workers.

Table 2
Average and distribution of EMTRs among workers aged 18-64 (in % unless otherwise noted), by characteristics, 2017

Characteristics	Number (x1000)	EMTRs		Distribution of EMTRs					
		MEAN	50% EMTR or more	Under 30%	30-39%	40-49%	50-59%	60-69%	70% or more
All 18-64 workers	18,968	34.1	9.4	28.8	40.4	21.4	5.3	1.7	2.4
SA beneficiary									
Yes	998	53.5	44.9	21.1	23.4	10.6	7.2	4.6	33.3
No	17,970	33.0	7.4	29.3	41.4	22.0	5.2	1.5	0.7
Province									
Newfoundland and Labrador	255	36.2	9.5	27.2	30.0	33.3	6.2	1.5	1.9
Prince Edward Island	79	34.9	7.0	21.9	46.2	24.9	4.5	0.7	1.8
Nova Scotia	453	36.0	8.3	21.4	41.0	29.4	6.3	0.7	1.3
New Brunswick	385	34.3	5.4	19.7	48.7	26.2	3.7	0.8	1.0
Quebec	4,379	38.1	16.2	15.0	35.1	33.7	9.9	4.0	2.2
Ontario	7,206	33.2	9.6	35.7	37.0	17.6	5.2	1.4	3.0
Manitoba	644	35.3	6.7	14.9	55.0	23.3	4.7	0.7	1.3
Saskatchewan	567	34.3	3.9	15.3	64.4	16.4	1.8	0.2	1.9
Alberta	2,437	31.6	4.3	25.8	56.5	13.4	2.3	0.6	1.4
British Columbia	2,564	30.9	4.7	45.6	34.3	15.5	1.8	0.4	2.4
Age group									
18-24	2,642	19.1	3.0	61.6	26.8	8.6	1.0	0.6	1.4
25-34	4,365	35.1	9.2	26.9	44.7	19.1	4.6	1.8	2.8
35-44	4,202	39.0	15.4	17.4	39.2	28.0	8.9	3.1	3.4
45-54	4,172	37.0	9.4	21.0	44.3	25.4	5.9	1.6	1.9
55-64	3,586	34.6	7.3	29.5	42.1	21.0	4.6	0.7	2.0

Table 2

Average and distribution of EMTRs among workers aged 18-64 (in % unless otherwise noted), by characteristics, 2017

Characteristics	Number (x1000)	EMTRs		Distribution of EMTRs					
		MEAN	50% EMTR or more	Under 30%	30-39%	40-49%	50-59%	60-69%	70% or more
Gender									
Man	9,819	35.1	10.0	25.9	39.1	25.1	6.3	1.5	2.2
Woman	9,149	33.0	8.8	32.0	41.8	17.4	4.3	1.8	2.6
Immigrant status									
Not Immigrant	14,316	33.9	8.8	28.4	41.2	21.7	5.2	1.4	2.1
Recent Immigrant (< 10 yrs)	1,548	33.8	13.6	31.7	35.3	19.4	6.1	3.7	3.8
Not-Recent Immigrant	3,104	34.9	10.2	29.4	39.6	20.8	5.6	1.8	2.8
Highest education									
Less than High School (HS)	1,459	32.5	11.5	34.7	36.6	17.3	5.4	2.1	4.0
HS	5,158	29.7	7.6	40.1	36.5	15.8	3.8	1.6	2.2
More than HS	6,195	36.2	10.3	23.2	43.8	22.7	5.9	2.0	2.3
University Degree	6,156	36.0	9.5	23.7	41.2	25.7	6.1	1.3	2.2
Student status									
Not Student	16,117	36.5	10.1	23.5	42.9	23.5	5.8	1.8	2.5
Full-Time Student	2,151	16.4	4.0	67.6	21.6	6.8	1.8	0.9	1.3
Part-Time Student	700	32.4	9.0	32.4	41.3	17.3	4.7	2.2	2.1
Type of worker									
Salaried	17,550	34.2	9.2	28.3	41.1	21.4	5.2	1.7	2.4
Self-Employed Only	1,418	32.1	11.7	36.0	31.7	20.6	7.0	2.1	2.6
Intensity of work									
Part-Year Worker	5,663	28.6	10.0	43.8	32.3	13.9	4.7	1.9	3.5
Part-Time, Full-Year, Worker	1,657	29.9	10.0	43.5	33.1	13.5	3.7	1.7	4.6
Full-Time, Full-Year Worker	11,647	37.3	9.0	19.5	45.4	26.1	5.9	1.6	1.5
Position in the family									
Unattached	7,579	29.0	7.3	39.5	37.2	16.0	3.3	1.7	2.4
Main Income Recipient (MIR)	6,196	39.6	13.4	14.6	39.7	32.3	9.0	2.1	2.3
Secondary Income (SIR)	5,193	34.8	7.6	30.3	46.1	16.1	4.0	1.2	2.4
Presence of kids									
Yes	6,047	41.2	19.1	12.6	35.1	33.2	11.5	3.9	3.7
No	12,921	30.7	4.8	36.5	42.9	15.8	2.5	0.6	1.7
Family circumstances									
Unattached Without Kids	6,908	27.7	4.6	41.4	39.2	14.8	1.9	0.9	1.8
Unattached With Kids	671	42.3	35.1	19.4	16.5	29.0	17.7	9.5	7.9
Couple With Kids, MIR	2,903	43.7	21.7	4.8	32.1	41.4	14.5	4.0	3.2
Couple With Kids, SIR	2,473	38.0	11.7	19.8	43.8	24.6	6.3	2.3	3.2
Couple Without Kids, MIR	3,293	36.0	6.2	23.3	46.4	24.2	4.1	0.5	1.6
Couple Without Kids, SIR	2,720	31.9	3.8	39.8	48.1	8.3	1.8	0.3	1.7

Source: Author's calculations using Statistics Canada's SPSD/M, v. 27.0.

It is also interesting to note that the average EMTR of working men (35.1%) was above that of working women (33.0%), and that a similar pattern was observed with respect to the proportions of men and women with EMTRs of 50% or more (10% versus 8.8%). Examining more carefully the distribution of EMTRs by gender suggests that women were slightly more likely than men to face EMTRs of 60% or more – likely due to their slightly more important reliance on transfers[5], but also more likely to face EMTRs below 40% – likely due to their generally lower personal income. Men, in turn, were more likely to face EMTRs in the 40-60% range.

On the other hand, average EMTR and the proportion of workers with an EMTR of 50% or more were especially low among young workers (i.e., those aged 18-24 years) and/or full-time students.[6]

6. Profile of High-EMTR Individuals

While most workers would have retained the bulk of an additional $1,000 in labour income, about 9.4% of them (or 1.7 million) would have faced an EMTR of 50% or more. The previous section identified some characteristics that are associated with higher average EMTRs and larger shares of high EMTRs (i.e., EMTRs equal to or higher than 50%) among all workers. However, it did not denote the extent to which the specific high-EMTR population possesses those characteristics since it depends on how common these characteristics are in the overall working population. To better understand the causes of high EMTRs, this section examines the prevalence of such characteristics among the group of individuals actually facing high EMTRs.

In comparison to all workers, Charts 4 and 5 show that high-EMTR individuals are more likely to be single parents or part of couples with children. They are also more likely to have an adjusted family income between $15,500 and $42,200 (deciles 2, 3 and 4) or to be in the top 10% of the income distribution (decile 10), and more likely to live in Quebec, to be aged 35 to 44 years, or to be recent immigrants. Further, the prevalence of men, individuals with less than a high school diploma, self-employed, and part-time or part-year workers is somewhat more important among this group.

Compared to all workers, workers facing high EMTRs are also less likely to have reached the maximum CPP/QPP and EI/QPIP contribution thresholds (21.9% versus 30.2%) and a much larger proportion are in receipt of transfers, both from the federal (93.4% versus 72.2% for other workers) and provincial governments (82.7% versus 52.9%). In particular, a majority received CCB (60% versus 25.7%) and GSTC amounts (55.3% versus 36.3%).

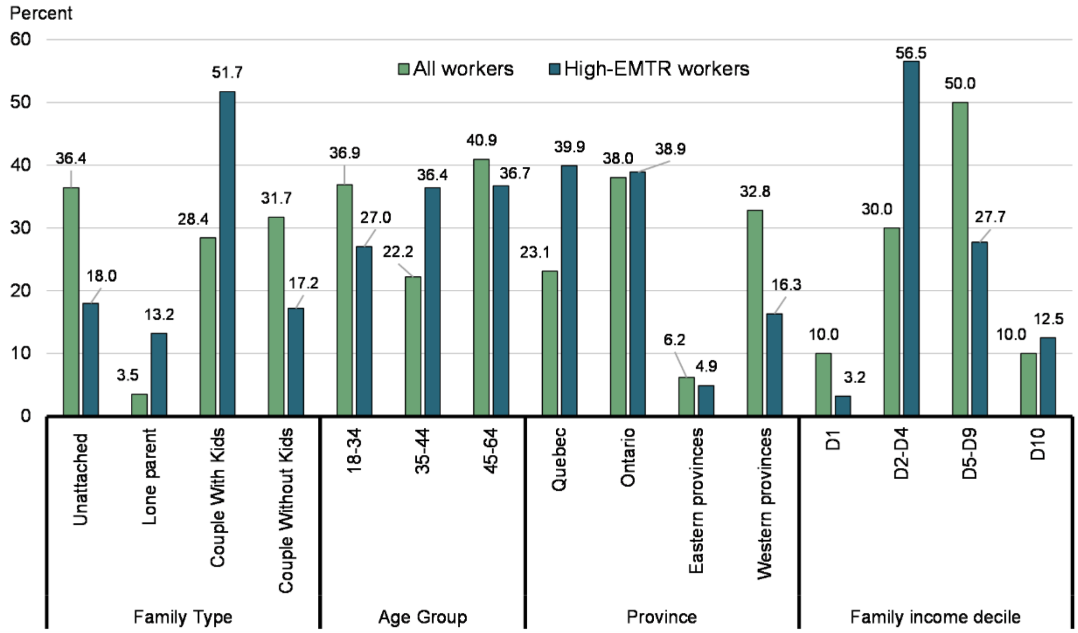
---

5 In 2017, 75.7% of working women were part of a family which received at least $1 in federal transfers in comparison to 72.8% of working men. A similar gender difference was observed with regards to provincial transfers (57.0% of women versus 54.5% of men).

6 Unreported regression analyses confirmed the various relationships underlined in this section between characteristics of workers and the higher/lower probability they have of facing an EMTR of 50% or more.

Chart 4

Share of individuals with specific characteristics among high-EMTR workers* in comparison to among all workers (including high-EMTR workers), 2017

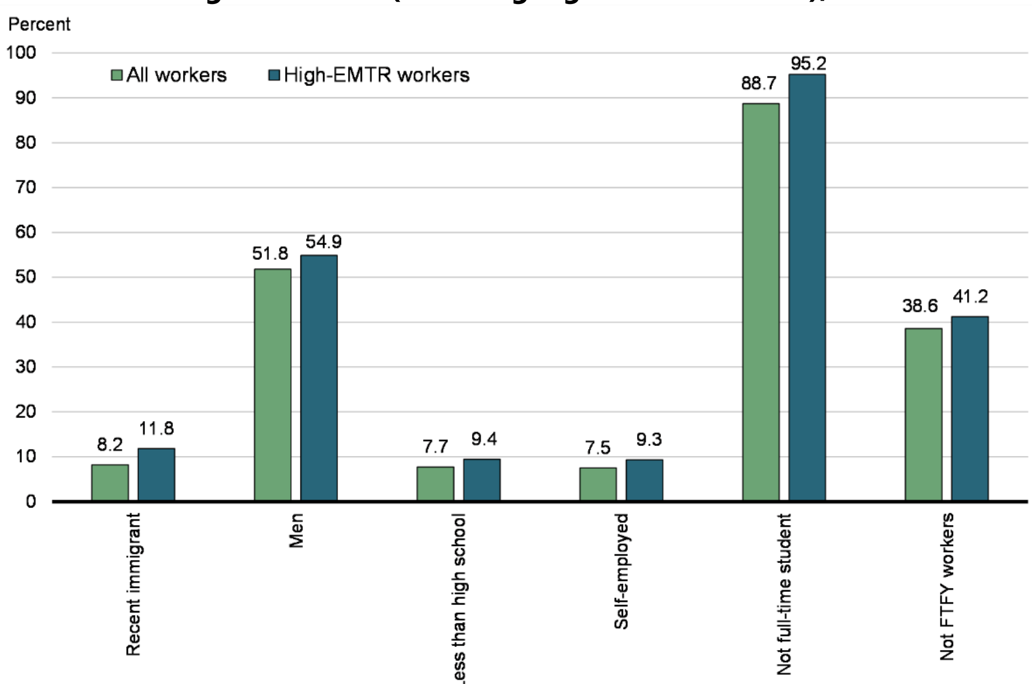


Note: High-EMTR workers refers to those who face an EMTR of 50% or more.

Source: Author's calculations using Statistics Canada's SPSD/M, v. 27.0.

Chart 5

Share of individuals with specific characteristics among high-EMTR workers* in comparison to among all workers (including high-EMTR workers), 2017



Note: High-EMTR workers refers to those who face an EMTR of 50% or more.

Source: Author's calculations using Statistics Canada's SPSD/M, v. 27.0.

In theory, a better understanding of the characteristics associated with high EMTRs and which government programs are involved can guide the development of approaches to ease the burden of EMTRs and encourage additional work. However, the identification of these characteristics revealed that the majority (58.8%) of high-EMTR workers already worked full-time full-year.

According to Table 3, only 41.2% (or 733,300) of all high-EMTR individuals did not work FTFY (or 3.9% of all workers). Unattached individuals, recent immigrants, full-time students, those aged 25-34 years and/or those with less than a high-school diploma were more strongly represented among this group. Conversely, this subpopulation of high-EMTR individuals was less largely composed of men, residents of Quebec, individuals aged 35 to 44 years and/or individuals living in families with children (although families with children still represented the most common family situation among this subpopulation).

Table 3
Distribution of all workers (in % unless otherwise noted), all high-EMTR and subgroups of high-EMTR workers, by characteristics, 2017

Characteristics	All workers	High EMTRs (i.e., EMTRs of 50% or more)			
		All	Not working FTFY	50-60% EMTRs	EMTRs of 60% or more
All 18-64 individuals (number x1,000)	18,968	1,781	733	1,013	768
Average employment income ($)	$48,700	$67,700	$32,900	$99,600	$25,600
Province					
Newfoundland and Labrador	1.3	1.4	1.7	1.6	1.1
Prince Edward Island	0.4	0.3	0.4	0.4	0.3
Nova Scotia	2.4	2.1	2.6	2.8	1.2
New Brunswick	2.0	1.2	1.3	1.4	0.9
Quebec	23.1	39.9	32.8	42.9	35.8
Ontario	38.0	38.9	37.4	36.8	41.7
Manitoba	3.4	2.4	2.9	3.0	1.7
Saskatchewan	3.0	1.2	1.7	1.0	1.5
Alberta	12.9	6.0	9.0	5.6	6.4
British Columbia	13.5	6.7	10.3	4.6	9.5
Age group					
18-24	13.9	4.4	6.7	2.6	6.8
25-34	23.0	22.5	27.2	19.7	26.3
35-44	22.2	36.4	29.4	36.9	35.6
45-54	22.0	21.9	19.5	24.4	18.7
55-64	18.9	14.8	17.2	16.4	12.6
Gender					
Man	51.8	54.9	48.0	60.8	47.1
Woman	48.2	45.1	52.1	39.2	52.9
Immigrant status					
Not Immigrant	75.5	70.4	67.6	73.5	66.3
Recent Immigrant (< 10 yrs)	8.2	11.8	15.5	9.3	15.1
Not-Recent Immigrant	16.4	17.9	16.9	17.2	18.7
Highest education					
Less than High School (HS)	7.7	9.4	13.1	7.8	11.5
HS	27.2	22.0	25.2	19.3	25.5
More than HS	32.7	35.7	34.5	36.1	35.2
University Degree	32.5	33.0	27.1	36.9	27.8
Student status					
Not Student	85.0	91.7	85.2	93.0	90.0
Full-Time Student	11.3	4.8	10.3	3.8	6.1
Part-Time Student	3.7	3.5	4.5	3.3	3.9

Table 3

Distribution of all workers (in % unless otherwise noted), all high-EMTR and subgroups of high-EMTR workers, by characteristics, 2017

Characteristics	All workers	High EMTRs (i.e., EMTRs of 50% or more)			
		All	Not working FTFY	50-60% EMTRs	EMTRs of 60% or more
Intensity of work					
Part-Year Worker	29.9	31.9	77.5	26.0	39.7
Part-Time, Full-Year, Worker	8.7	9.3	22.5	6.0	13.6
Full-Time, Full-Year Worker	61.4	58.8	0.0	68.0	46.7
Family circumstances					
Unattached	36.4	18.0	25.6	13.0	24.5
Lone parent	3.5	13.2	11.3	11.7	15.2
Couple With Kids	28.4	51.7	42.0	56.9	44.7
Couple Without Kids	31.7	17.2	21.1	18.3	15.6
Group of actual personal total income					
Below the 2017 BPA ($11,635)	9.7	4.5	8.4	3.2	6.2
Between $11,635 and $45,916 (15% PIT rate)	42.8	45.2	63.7	31.7	63.0
Between $45,916 and $91,831 (20.5% PIT rate)	33.6	30.8	20.4	32.8	28.3
Between $91,831 and $142,353 (26.0% PIT rate)	9.8	6.4	2.5	9.8	1.9
Between $142,353 and $202,800 (29.0% PIT rate)	2.4	3.5	1.4	5.8	0.3
Above $202,800 (33.0% PIT rate)	1.7	9.7	3.7	16.8	0.3
Topped up max. CPP/QPP and EI/QPIP contributions (Yes)	30.2	21.9	8.8	33.7	6.4
Received any benefit from federal transfers (Yes)	74.2	93.4	97.6	89.9	98.1
Received any benefit from provincial transfers (Yes)	55.7	82.7	90.9	70.9	98.1
CCB receipt (Yes)	28.9	60.0	51.9	60.5	59.5
GSTC receipt (Yes)	38.1	55.3	69.4	37.8	78.4
WITB receipt (Yes)	11.0	11.6	19.5	6.7	18.1
EI receipt (Yes)	17.6	24.0	37.2	22.1	26.6
SA receipt (Yes)	5.3	25.2	44.5	7.1	49.1
Adjusted family income decile					
D1 ($15,537 or less)	10.0	3.2	7.0	1.5	5.6
D2-D4 ($15,538 to $42,193)	30.0	56.5	68.3	42.1	75.5
D5-D9 ($42,194 to $114,569)	50.0	27.7	19.1	35.8	17.1
D10 ($114,569 or more)	10.0	12.5	5.6	20.6	1.9

Note: In table 3, "total income" refers to the sum of all market income and transfer income, not to total income for tax purposes. This approach, combined with the focus on workers aged 18 to 64 years, explains why a smaller than usual proportion of individuals is found in the first tax bracket.
Source: Author's calculations using Statistics Canada's SPSD/M, v. 27.0.

In comparison to all high-EMTR workers, those who did not work FTFY were more highly concentrated in the bottom 4 deciles (75% versus 60% among all high-EMTR and 40% among all workers) and were more likely to make use of government transfers, either federal or provincial transfers. They were especially likely to have received employment insurance (EI), WITB, GSTC and SA payments. As Table 4 shows, if all individuals in this specific high-EMTR subpopulation had increased their earnings by $1,000, they would have retained only $297 on average of this additional $1,000, mainly due to reductions in transfer amounts. While the loss in provincial transfers is considerably more important than that in federal transfers, among all federal transfers, it is the reduction in CCB that would have played the most important role in offsetting additional earnings.

Table 4

Average change in transfers (by sources) and additional taxes owed ($) following a $1,000 rise in labour income among all workers aged 18-64, by level of EMTRs and work intensity, 2017

			High EMTRs (i.e., EMTRs of 50% or more)			
Average changes in $	**All workers**	**EMTRs below 50%**	**All**	**Not working FTFY**	**50-60% EMTRs**	**EMTRs of 60% or more**
Average EMTR (%)	34.1%	30.9%	64.5%	70.2%	53.8%	78.7%
Federal PIT	-146	-144	-158	-121	-193	-113
Provincial PIT	-99	-96	-130	-87	-156	-96
Federal transfers	-23	-16	-90	-82	-80	-104
WITB	-2	-1	-8	-9	-6	-11
CCB	-17	-13	-58	-49	-55	-63
GSTC	-3	-2	-13	-11	-10	-17
Others	-2	-1	-11	-13	-9	-14
Provincial transfers	-28	-9	-210	-343	-61	-406
SA	-16	-1	-153	-290	-23	-324
Others	-12	-7	-57	-52	-38	-82
Combined payroll taxes	-45	-44	-58	-70	-48	-70
Total	-341	-309	-646	-703	-538	-789

Note: Results may not always add up due to rounding.
Source: Author's calculations using Statistics Canada's SPSD/M, v. 27.0.

A closer look at the characteristics of high-EMTR individuals revealed two distinct types of profiles. The first type is the profile of workers for whom EMTRs fall between 50% and 60% (Tables 3 and 4, second last column). These represented 56.9% of the high-EMTR population. This 50-60% EMTR group had an average personal employment income about four times higher than that of other high-EMTR workers ($99,600 versus $25,600). Their total income was also significantly more likely to fall in the highest federal PIT bracket (33%). They were also less likely to be social assistance recipients, recent immigrants and students, but more likely to be men and full-time workers. For this high-EMTR group, 65% of the income loss generated by the application of tax and transfer systems is the result of additional taxes payable on earnings (Table 4). The second type is made of the remaining 43.1% workers facing EMTRs of 60% or more (Tables 3 and 4, last column). In comparison, this type comprises a very large share of social assistance recipients (about 50%) and has a family income that is much lower on average. More than 80% of this group had an adjusted family income in the first four deciles (i.e., below $42,193), while among the 50-60% EMTR group, this proportion was just above 40%. It should also be noted that, while this last high-EMTR group included a non-negligible proportion of FTFY workers (47%), its profile was more similar to that of the previously-described subpopulation of high-EMTR workers who did not work FTFY than that of the 50-60% EMTR group.

7. Conclusion

EMTRs are useful concepts since they provide indications on the extent to which incentives to increase the intensity of work are reduced by the tax and transfer systems. For individuals and families, the anticipation of not being much better-off or even being worse-off after an increase in earnings may represent a disincentive for taking on extra work. Hence, a large share of the population facing high EMTRs may represent an impediment to the success of policies aimed at increasing labour supply at the intensive margin.

Using actual survey data, this study estimates that the 19 million Canadian workers aged 18 to 64 in 2017 faced an average EMTR of 34.1%, implying that $341 of an extra $1,000 in earnings would have been offset by additional taxes or lost benefits. The distribution of EMTRs indicates that a large majority of Canadian workers would have retained a large share of their additional earnings. Around 9.4% of them (or 1.7 million) would have faced an EMTR of 50% or more, implying that they would have retained less than half of any additional labour income. Of these 1.7 million high-EMTR workers, close to 1 million (58.8%) already worked FTFY.

An examination of the characteristics associated with high EMTRs suggests that there is no single profile of high-EMTR workers. However, two groups stand out among them. The first is made of individuals facing EMTRs in the 50-60% range and for whom PIT systems largely explain their high EMTRs. The second group is made of individuals facing EMTRs above 60% and for whom the impact of government transfers phase out is more significant, especially the impact of social assistance claw backs, which considerably reduce the gains from additional earnings.

Among federal transfers, the CCB contributes the most to offsetting the benefits of earning more for high-EMTR workers. The CCB impact is, however, not as important as the offsetting impacts of the federal PIT system and payroll deductions.

It is important to stress that the changing economic environment and recent tax policy measures introduced since 2017, in particular in response to the pandemic, may have impacted the distribution of EMTRs among working-age Canadians.

Annex A: Methodology

A.1 Definition of Effective Marginal Tax Rates (EMTRs)

EMTRs on labour income refer to the financial penalty in terms of lost benefits and increased taxes and social contributions that are encountered by working individuals who are receiving additional earnings (through extra work hours or increase in wages). Arithmetically, EMTRs on labour income can be derived for each individual using the following formula:

$Rate_i$ = 1 - [Increase in disposable $income_f$ / increase in labour $income_i$],

where subscripts i and f denote respectively to the individual receiving labour income increment and to the family[7] of this individual.

In general, EMTRs fall between 0 and 100%. However, they can be above 100% when the total disposable income loss exceeds the total labour income gain. They can also be below 0% when the total disposable income improvement exceeds the total labour income gain. A high EMTR means that a high percentage of the individual's labour income gain is offset by lost tax and transfer benefits for his or her family. A low EMTR means that the individual's family retains a high percentage of his or her labour income gain after the application of the tax and transfer system.

In Canada, the distribution of EMTRs depends on multiple factors, including the various provisions of the federal and provincial tax systems (e.g., statutory income tax rates, deductions and credits) and the various government income transfers paid to eligible individuals or families. It is also the result of payroll taxes on earnings that workers have to pay to finance the Canada Pension Plan (CPP) or the Quebec Pension Plan (QPP) as well as the Employment-Insurance (EI) and the Quebec parental insurance plan (QPIP) programs[8]. EMTRs can be hard to predict for individuals. Two individuals with similar levels of personal income may face considerably different EMTRs depending on their income situation, personal characteristics and/or family circumstances. Personal income taxes, payroll taxes and government assistance (through tax expenditures and government transfers) vary considerably based on personal and/or family income, and may only be available to individuals with specific characteristics (e.g., seniors, those with children, those who are working). Also, an increase in labour income for one individual in a couple could impact the income of both spouses, since some federal and provincial benefits are based on family income. Therefore, the estimation of EMTRs for individuals requires considering the change in their family disposable income that may result from a change in their personal labour income. It is worth noting that the change in family disposable income may differ depending on which spouse receives the labour income increment in the family (e.g., the impact may differ depending on where the income of the individual receiving the labour income increment falls in the tax rate structure, and on whether the individual has already topped up maximum annual CPP/QPP contributions and EI/QPIP premiums).

When EMTRs are calculated for each individual in a given population, they can be aggregated to represent the actual distribution of EMTRs in the economy, and to better understand the characteristics of the groups facing high EMTRs.

7 In the current analysis, the concept of family refers to nuclear family which is defined as unattached individuals or members of couples with children under the age of 18. This family concept is the closest to the one used by the Canada Revenue Agency (CRA) to determine entitlement to family tax measures.

8 Payroll taxes only refer to the employees' contributions, i.e., they do not include those paid by employers to finance these programs.

A.2 Data Source and Methodology

To derive individuals' EMTRs, this project uses the "Marginal Tax Rate" facility of Statistics Canada's Social Policy Simulation Database/Model (SPSD/M) version 27.0 for the 2017 tax year. This facility can simulate the impact on income after taxes, transfers and payroll deductions of an increase in employment income for each individual of interest.

Given that SPSD/M only produces EMTRs when the sources of income incremented are SPSD/M base income variables, total employment income could not be incremented at once. Paid-employment income and self-employment income had to be incremented separately. Further, while social assistance income is included in SPSD/M data, this source of income does not affect the calculation of SPSD/M's EMTRs, meaning that increasing labour income does not decrease social assistance. Hence, using the SPSD/M facility underestimates the real EMTRs values for social assistance recipients. For more accurate estimates for this group, some adjustments to social assistance amounts were needed before estimating EMTRs.[9]

[9] Only tax and transfer programs which are modelled in the SPSD/M are accounted for in the Marginal tax rate facility. These exclude provincial social assistance programs for which some adjustments were applied in the current analysis, but also the tax shield for workers which was introduced in Quebec in 2016, as well as all in-kind benefits offered to lower-income individuals or families, such as subsidized housing or child care.

References

Alexandre Laurin (January 2018), "Two-Parent Families with Children: How Effective Tax Rates Affect Work Decisions", E-Brief, C.D. HOWE Institute.

Office of the Assistance Secretary for Planning & Evaluation – U.S. Department of Health and Human Services, Suzanne Macartney and Nina Chien (March 2019), "Marginal Tax Rates: A Quick Overview", Brief#1 in ASPE Marginal Tax Rate Series.

Office of the Assistance Secretary for Planning & Evaluation – U.S. Department of Health and Human Services, Suzanne Macartney and Nina Chien (March 2019), "What Happens when People Increase their Earnings? Effective Marginal Tax Rates for Low-Income Households", Brief#2 in ASPE Marginal Tax Rate Series.

Office of the Assistance Secretary for Planning & Evaluation – U.S. Department of Health and Human Services, Linda Giannarell, Kye Lippold, Elaine Maag, C. Eugene Steuerle, Nina Chien and Suzanne Macartney (March 2019), "Estimating Marginal Tax Rates Using a Microsimulation Model: Technical Appendix", Brief#5 in ASPE Marginal Tax Rate Series.

Statistics Canada (December 2018), "User's Guide", Social Policy Simulation

Database/Model (SPSD/M) Version 27.0, Catalogue no. 89F0002X.

Statistics Canada (December 2018), "Variable Guide", Social Policy Simulation Database/Model (SPSD/M) Version 27.0, Catalogue no. 89F0002X.

Evaluation of Wage Subsidy Programs[1]

1. Introduction

At the onset of the COVID-19 pandemic, the federal government introduced the Temporary Wage Subsidy (TWS), designed to encourage employers to keep employees on their payrolls. Shortly thereafter, the Canada Emergency Wage Subsidy (CEWS) was introduced, with similar objectives. These programs were developed in an emergency context under exceptionally short timeframes and have been modified over time as the pandemic has evolved.

This paper presents an evaluation of the TWS and the CEWS, as recommended in recent reports by the Office of the Auditor General[2] and the House of Commons Standing Committee on Public Accounts (PACP).[3]

The evaluation begins by providing background information on the programs, including the emergency context in which they were developed and delivered, their policy intents, and their evolution over time. This is followed by an evaluation of the programs on the basis of relevance, effectiveness, equity and efficiency.

2. Background Information

2.1 Health and Economic Context

The COVID-19 pandemic was unprecedented in terms of the rapidity, depth and scope of its health, societal, and economic impacts. In early March 2020, as an exponential rise in cases was reported, governments across Canada took wide-ranging steps to mitigate and contain the spread of COVID-19. Restrictive public health containment measures were implemented, including school and business closures, cancelation of mass gatherings, travel restrictions and stay-at-home policies, which resulted in drastic impacts on the Canadian economy. Gross domestic product (GDP) contracted by almost 11% in the second quarter of 2020 compared to the first, with precipitous drops also observed in household final consumption (-14%), business investment (-15%), imports (-23%) and exports (-11%).[4] It was the largest and most sudden economic contraction since the Great Depression.

Over March and April 2020, 5.5 million Canadians (about 30% of the workforce) either lost their jobs or saw their hours significantly scaled back, and the employment rate fell to its lowest level on record.[5] Business closures nearly tripled in April 2020 compared to February 2020,[6] with full-time employment declining by 16%, and part-time employment falling by 29% (Chart 1). By May 2020, employment among salaried workers had fallen by 8%, while for hourly-paid employees the contraction was 25%.[7]

---

1 The analysis presented in this paper was prepared by a team of economists in the Tax Policy Branch, Department of Finance Canada. Enquiries regarding Department of Finance Canada publications can be sent to finpub@canada.ca.

2 House of Commons Standing Committee on Public Accounts. *Canada Emergency Wage Subsidy: Report of the Standing Committee on Public Accounts, 43rd Parliament, 2nd Session,* June 2021 (accessible at: https://www.ourcommons.ca/DocumentViewer/en/43-2/PACP/report-25/)

3 Office of the Auditor General of Canada. *Report 7 – Canada Emergency Wage Subsidy*, 2021 (accessible at: https://www.oag-bvg.gc.ca/internet/English/parl_oag_202103_02_e_43784.html)

4 Statistics Canada, Table 36-10-0104-01.

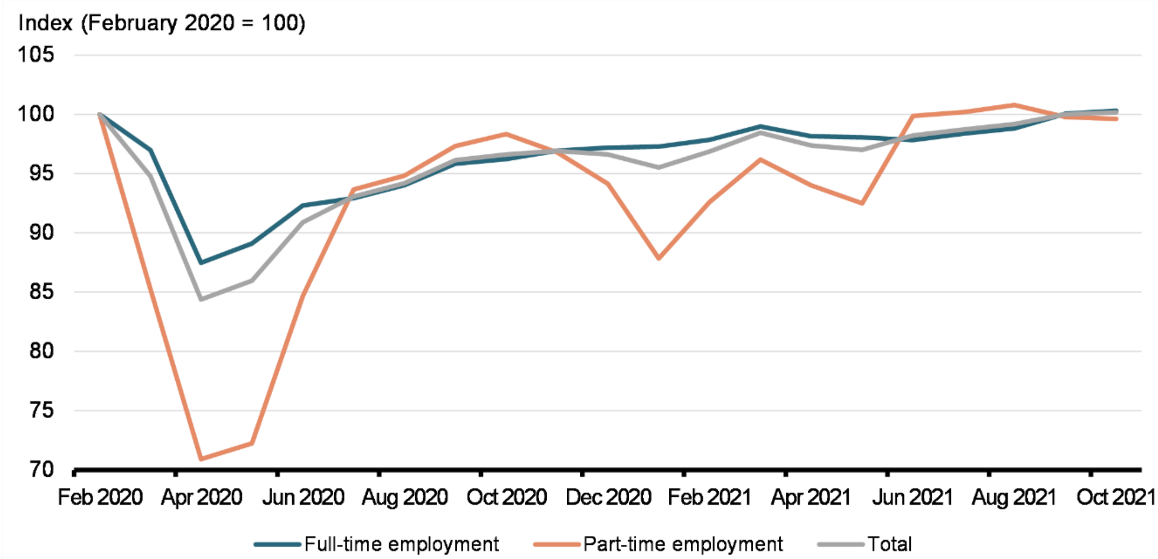
5 Department of Finance Canada. *Economic and Fiscal Snapshot 2020* (accessible at: https://www.canada.ca/en/department-finance/services/publications/economic-fiscal-snapshot.html)

6 Statistics Canada, Table 33-10-0270-01.

7 Statistics Canada, Table 14-10-0222-01.

Chart 1

Total, Full-Time, and Part-Time Employment, February 2020 to October 2021



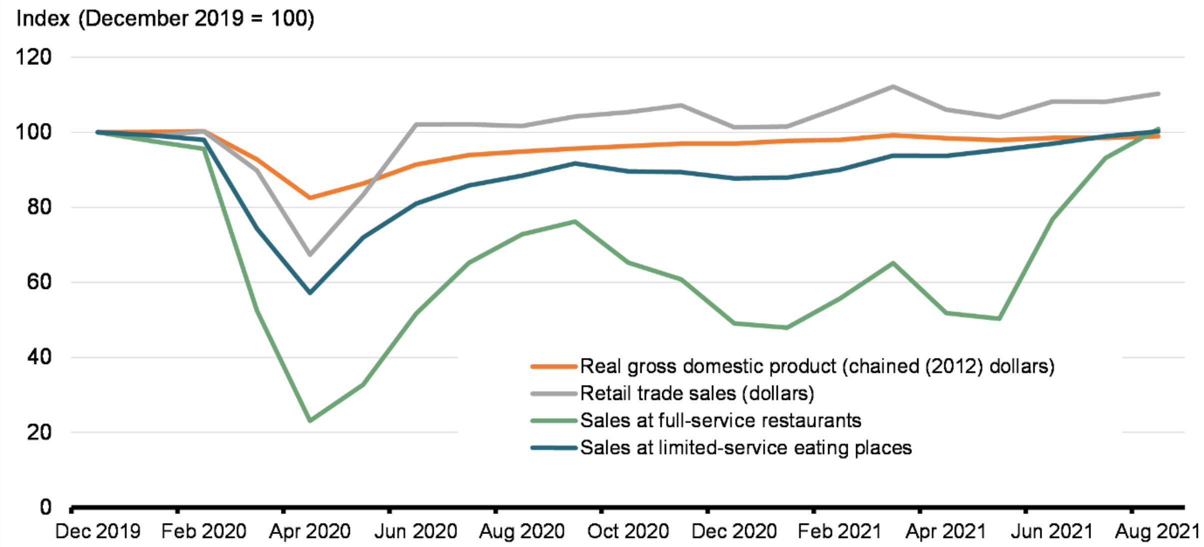
Source: Statistics Canada Table 14-10-0287-01

The most significant impacts were concentrated in the service sector, particularly in areas affected by the closure of non-essential activities, and where physical distancing and alternative work arrangements are more difficult or not possible, such as restaurants (Chart 2). Women experienced a slightly larger reduction in hours worked and lost their jobs earlier than men, reflecting their greater share of employment in some of the hardest-hit service industries. Differentiated sectoral impacts meant that low-wage workers, youth and very recent immigrants faced more significant job losses and reductions in hours worked.[8]

[8] Department of Finance Canada. *Economic and Fiscal Snapshot 2020* (accessible at: https://www.canada.ca/en/department-finance/services/publications/economic-fiscal-snapshot.html)

Chart 2

Indexes of Economic Activity Demonstrate the Impacts of COVID-19 on Different Segments of the Canadian Economy



Source: Canadian Economic Dashboard and COVID-19, available at: https://www150.statcan.gc.ca/n1/pub/71-607-x/71-607-x2020009-eng.htm

In order to stabilize the economy, the federal government implemented rapid and broad-based emergency support measures aimed at protecting the health of Canadians and supplementing the existing safety net that supports families, workers and businesses across the country. Substantial support was provided by replacing lost income and avoiding even higher unemployment. It was in this context that the TWS and CEWS were first introduced.

2.2 Introduction of the Temporary Wage Subsidy

At the onset of the pandemic, on March 18, 2020, the Government announced the TWS to support employment. This was a three-month measure that allowed eligible employers to reduce the amount of payroll deductions required to be remitted to the Canada Revenue Agency (CRA).[9] This mechanism provided immediate access to Government support, without the need to put in place a new government program, which was an important objective in the context of a crisis. The subsidy was equal to 10% of the remuneration paid from March 18 to June 19, 2020, up to $1,375 for each eligible employee and to a maximum of $25,000 total per employer. The cost of this measure is estimated to be $1.3 billion for subsidies provided for the period between March 18 and June 19, 2020.

The TWS was designed to support small- and medium-sized employers and prevent layoffs. To be eligible, employers must: i) have had a payroll program account with the CRA as of March 18, 2020; ii) have paid salary, wages, bonuses or other remuneration to an eligible employee employed in Canada; and iii) have been classified as an individual, partnership, non-profit organization, registered charity or a Canadian-controlled private corporation with taxable capital in the previous taxation year (or at the start of the subsidy period where it is their first taxation year) below $15 million. An application for the subsidy was not necessary; employers were able to calculate their subsidy and reduce the federal, provincial and territorial income tax portion of payroll remittances by the amount of the subsidy. Eligible employers were then required to submit a self-identification form to the CRA for the subsidy amount they claimed.

[9] The reduction applied to the federal, provincial or territorial income tax portion of the remittance.

The TWS was introduced swiftly at the onset of the pandemic. As the pandemic evolved, it became quickly apparent that the health crisis would last longer than initially anticipated and require a stronger government response. This sentiment was echoed by many stakeholders and ultimately led to the creation of the CEWS. The TWS and the CEWS coexisted until June 19, 2020. The TWS continued to provide timely support to employers, including employers not eligible for the CEWS.

2.3 Introduction of the Canada Emergency Wage Subsidy

On March 27, 2020, the Government announced the creation of the CEWS to provide further support to affected businesses. Its objective was to prevent further job losses by encouraging employers to keep employees on the payroll and enable them to rehire workers who were laid off as a result of the pandemic. As with the TWS, this measure was intended to preserve the employer-employee relationship, thus helping employers to resume normal operations as pandemic restrictions were lifted and prevent disruption and uncertainty for employees.

The CEWS was initially put in place for the period from March 15 to June 6, 2020, and available to eligible employers experiencing a minimum decline in revenue of 15% in March, 2020, or a minimum 30% decline in revenue in April, May, or June of 2020. The subsidy was available for both active and furloughed employees (i.e., employees on leave with pay). Eligibility requirements, described further below, were established, including rules for calculating revenue declines. In contrast to the TWS, which mainly focused on small- and medium-sized businesses, the CEWS was made available to a broader range of employers.

The subsidy amount for a given employee on eligible remuneration paid in respect of the period between March 15 and June 6, 2020 was the greater of:

- 75% of remuneration paid, up to a maximum of $847 per week; and,
- The amount of remuneration paid, up to a maximum of $847 per week or 75% of the employee's pre-crisis weekly remuneration,[10] whichever is less.

In effect, this meant that employers could have been eligible for a subsidy of up to 100% in cases where the eligible remuneration was equal to or less than 75% of the baseline remuneration for an eligible employee.

Employers were also entitled to a 100% refund for employer-paid contributions to Employment Insurance, the Canada Pension Plan, the Quebec Pension Plan, and the Quebec Parental Insurance Plan for eligible employees for each week throughout which those employees were on leave with pay and for which the employer is eligible to claim the CEWS for those employees.

Employers were required to apply for the subsidy through a web-based application on the CRA website for each four-week claim period. Employers were initially required to apply by October 2020 for the subsidy. This deadline was subsequently modified as the program evolved, to the later of February 1, 2021 and 180 days after the end of a claim period. Employers that qualified for both the TWS and CEWS were able to claim both subsidies, but were required to reduce their CEWS claim by the amount claimed under the TWS.

[10] Pre-crisis remuneration for a given employee was based on the average weekly remuneration paid between January 1 and March 15, 2020 inclusively, excluding any seven-day periods in respect of which the employee did not receive remuneration.

2.4 Evolution of the CEWS

Since its introduction, the CEWS has undergone modifications in order to respond to the evolving health and economic situation, as well as stakeholder concerns. The major extensions and modifications to program parameters are summarized below:

- On May 15, 2020, the Government extended the CEWS for an additional 12 weeks (from June 7 to August 29, 2020) and to a broader range of employers. At this point, the Government also signaled its intention to consult with business and labour representatives and other stakeholders on potential adjustments to the program to maximize employment and better ensure the CEWS reflected the immediate needs of businesses and supported the economic recovery.
- In July 2020, the Government announced another extension until December 19, 2020 and introduced a new rate structure for active employees as of July 5, 2020, based on feedback from consultations. The new rate structure was comprised of a base subsidy available to all eligible employers, and a 25% top-up for employers experiencing a decline in revenues of more than 50%.[11] The base subsidy was available to all employers experiencing a decline in revenues, with the subsidy amount varying depending on the scale of revenue decline. This new approach was designed to address concerns that the 30% revenue drop threshold was too stringent and was creating a "cliff effect."
- For active arm's-length employees, the amount of remuneration was also now based solely on actual remuneration paid for the eligibility period at hand, without reference to the pre-crisis remuneration concept used for earlier CEWS periods. However, the wage subsidy for active non-arm's-length employees was based on the employee's weekly eligible remuneration or pre-crisis remuneration, whichever is less, up to a maximum of $1,129. The CEWS support for furloughed employees was also adjusted to align with the benefits provided under the Canada Emergency Response Benefit and/or Employment Insurance system as of August 30, 2020.
- In October 2020 it was announced that the CEWS would be extended until June 2021 and the maximum subsidy rate would be 65% until December 19, 2020. Shortly thereafter, the *Fall Economic Statement* announced the maximum subsidy rates would be increased to 75% from December 20, 2020 to March 13, 2021 given the expected economic impact of a second wave. The subsidy rates remained unchanged from March 14, 2021 to June 5, 2021.
- Budget 2021 extended the program until September 25, 2021, with gradually declining subsidy rates, beginning 4 July 2021, in order to ensure an orderly phase-out of the program as vaccinations progressed and the economy was reopening. On July 30, the program was further extended until October 23, 2021 and the maximum subsidy rate was increased from 20% to 40% for the period between August 29 and September 25, 2021, in recognition of the uneven recovery and need for continued support in the context of a fourth wave.
- The broad-based CEWS program ended on October 23, 2021 and was replaced with three new targeted programs: the Tourism and Hospitality Recovery Program, Hardest-hit Business Recovery Program and Local Lockdown Program.
- To better support Canadians in the face of the Omicron variant, on December 22, 2021, the government proposed to temporarily expand eligibility for the Local Lockdown Program to include employers that are subject to capacity-limiting restrictions of 50% or more, in addition to those subject to full lockdowns as per the previous rules. The government also proposed to lower the current-month revenue decline requirement from 40% to 25%.

[11] Initially, the top-up was available to employers who had had declines in revenues of over 50% in the preceding 3-month period. In order to make the program more responsive to the evolution of the second wave of the pandemic, starting from September 27, 2020, the relevant periods for calculating the top-up rate were harmonized with the relevant periods for calculating the base rate so that the basis for calculating both was the revenue decline in the current period.

Additional program details are provided in Annex 1. As published in the 2021 *Economic and Fiscal Update*, the cost of the program is estimated to be $100.5 billion from March 15, 2020 to October 23, 2021.

2.5 Data Sources

This analysis relies primarily on administrative information and data collected from CEWS and TWS claims. As mentioned above, the application period for CEWS closes 180 days after the end of a period, so that as of the time of writing, complete data on program spending were only available up to Period 15 (ending May 8, 2021) inclusively.

Where applicable, data from forms *PD7A — Statement of account for current source deductions* is also used to complement the data from CEWS claims. These PD7A forms accompany the remittances that are submitted to the CRA by employers who are required to collect and remit Canada Pension Plan contributions, Employment Insurance premiums and income tax deductions on behalf of their employees each pay period. Data from 2019 corporate income tax returns is also used to identify and obtain supplemental information from employers that have claimed CEWS and who are corporations and partnerships.

Finally, data from Statistics Canada is used to provide additional context by industry in certain instances. In particular, the 2019 Labour Force Survey is useful to provide relevant information about labour force characteristics, and the 2021 Canadian Survey of Business Conditions is used to examine the impacts of the COVID-19 pandemic on employers.

2.6 Overview of Completed TWS Claims to Date

As described, employers were able to access TWS support from March 18 to June 19, 2020 and to confirm to the CRA that they had withheld remittances using self-declaration forms that became available in July 2020.

Table 1 provides an overview of the scale of the program, based on employers who had completed their self-declaration forms at the time of writing and the total value of withheld remittances. The available data do not allow for a precise count of employees who received any support, but based on the size of the program it is equivalent to 1.88 million employees receiving full support of $1,375.[12]

Table 1

Overview of TWS, March 18 to June 19, 2020

Total payout ($B)	Unique applicants	Total estimated number of employees fully supported
1.3	264,000	1,880,000

Notes: The estimated number of employees fully supported was calculated by dividing total TWS claimed by the TWS limit of $1,375 per employee. In practice, not all employees whose wages were subsidized would have received the full TWS limit of $1,375 due to: the limit being below 10% of their pay for the period, eligible employees not being on payrolls for the full TWS period, or employers opting not to claim TWS after CEWS became available. The actual number of employees who received some wage support is therefore likely higher.

2.7 Overview of Completed CEWS Claims to Date

At the time of writing, the CEWS periods between March 15, 2020 and May 8, 2021 were closed for applications. Table 2 provides an overview of the scale of the program over this period.

Table 2

Overview of CEWS, Period 1 to Period 15

Total payout ($B)	Unique applicants	Average number of employees supported in a single period
87.1	442,000	4,432,000

[12] Employers were required to include the eligible number of employees employed over the TWS period on self-declaration forms, but they were not required to provide details about the number of employees who benefitted from TWS. This could differ from the number of eligible employees, for example, because of the limit on total TWS support of $25,000 available for one employer.

Table 3
CEWS Claims by Period

Period	Dates	Total payout ($m)	Number of employers supported	Number of employees supported	Average payout per employee ($)	Average revenue decline (%)
1	April 12 to May 9, 2020	7,590	258,000	3,654,000	2,077	N/A
2	May 10 to June 6, 2020	9,380	298,000	3,981,000	2,359	N/A
3	June 7 to July 4, 2020	10,087	301,000	4,313,000	2,339	N/A
4	July 5 to August 1, 2020	9,376	276,000	4,118,000	2,277	N/A
5	August 2 to August 29, 2020	8,703	290,000	5,246,000	1,659	40
6	August 30 to September 26, 2020	8,073	289,000	5,333,000	1,514	38
7	September 27 to October 24, 2020	5,017	277,000	5,229,000	959	35
8	October 25 to November 21, 2020	3,865	268,000	4,982,000	776	36
9	November 22 to December 19, 2020	3,739	259,000	4,786,000	781	37
10	December 20 to January 16, 2021	3,685	250,000	4,698,000	784	38
11	January 17 to February 13, 2021	3,463	235,000	4,272,000	811	38
12	February 14 to March 13, 2021	3,737	236,000	4,203,000	889	42
13	March 14 to April 10, 2021	3,810	233,000	4,289,000	886	39
14	April 11 to May 8, 2021	3,476	219,000	4,033,000	862	36
15	May 9 to June 5, 2021	3,117	194,000	3,350,000	931	43

Table 3 summarizes the date ranges for each period and provides an overview of claimant characteristics. The period with the highest claims and highest number of individual claimants was between May 10 and June 6, 2020 (period 3). On average, however, more employees were supported in the period between August 2 and August 29, 2020 (period 6), despite slightly fewer employers claiming.

As described, after the CEWS period between July 5 and August 1 (period 5), claimants were required to report their year-over-year revenue declines to calculate their subsidies. Average revenue decline rates stayed within about seven percentage points, ranging from a low of 35% between August 30 and September 26 (period 7) and a high of 43% between April 11 and May 8, 2021 (period 15).

2.8 Evaluation Framework

The remainder of this paper evaluates the CEWS and TWS using both qualitative and quantitative analyses on the basis of relevance, effectiveness, equity and efficiency, as defined below:

- **Relevance**: The extent to which the measures serve a clearly defined policy need aligned with the roles and responsibilities and current priorities of the Government.
- **Effectiveness:** The extent to which the measures achieve their stated policy objectives.
- **Equity:** The extent to which the measures contribute to an equitable distribution of benefits not only across income classes, but also between genders, and across age groups, industries, regions, etc.
- **Efficiency:** The extent to which the costs incurred in achieving the measures' objectives are minimized, or alternatively when the benefits attained are maximized for a given level of costs incurred.

This evaluation framework is based on the list of core issues that departments and agencies should consider when evaluating programs under the *Policy on Results* of the Treasury Board Secretariat, as well as more general considerations pertinent to tax policy issues (Lenjosek, 2004).

3. Relevance of Wage Subsidy Programs

3.1 Temporary Wage Subsidy

A measure is relevant if it serves a demonstrable, clearly defined policy need that is aligned with the roles, responsibilities and current priorities of the federal government. The TWS was introduced at the onset of the COVID-19 pandemic in response to the extraordinary nature of the crisis and its impact on the Canadian economy. At the time, there was a clear policy need to help employers and workers manage the sudden and unpredictable decline and, in some cases, shutdown of business activity. The Government's position was that support was needed to keep employees on payroll to establish a quick economic recovery. The TWS was designed to respond to this need by providing immediate support to employers through a reduction in payroll remittances.

Indeed, economic theory suggests that there is value in maintaining employer-employee matches by subsidizing employment through periods of uncertainty. While economic shocks may allow an efficient reallocation of resources, sudden liquidity issues and decreases in revenues could inefficiently force employers to lay off productive employees. Preventing separations is therefore particularly relevant in the current situation, where employers are facing pressure from externally imposed, temporary public health measures rather than structural economic changes or inefficient operations.

In all downturns, an added reason to prevent or delay layoffs is that searching for, hiring and training new employees is costly for employers. Further, employees also develop job-specific skills in a given role, and "separations risk destroying this valuable source of idiosyncratic employment", while unemployment is associated with adverse health and economic outcomes for workers and their communities (Giupponi et al., 2021). This is particularly true of long-term unemployment (Nichols et al., 2013). Successfully keeping employees on payrolls and encouraging rehiring also supported employers in resuming normal operations as pandemic restrictions were lifted and demand recovered.

The relevance of this measure is further demonstrated by considering the international context. Many other countries including Denmark, Australia, New Zealand, Ireland and the United Kingdom, also launched new job retention schemes to allow businesses to retain their employees during the pandemic. On average across the OECD, the use of job retention support peaked during the first wave of the pandemic in April 2020, supporting approximately 20% of employment or 60 million jobs, more than 10 times as many as during the 2007-2008 global financial crisis (OECD, 2021). These measures were similar to the TWS in that they were short-term measures; however, many of them offered significantly more generous support than the 10% TWS. Consequently, while Canada's decision to launch the TWS was aligned with the actions of other countries, as the pandemic evolved it became clear that more generous support would be needed to preserve employment.

That said, the TWS still played an important role in supporting small employers not directly affected by the pandemic, especially after the CEWS was launched. The reduction in payroll remittances granted through the TWS provided immediate access to government subsidies for eligible businesses, up to the level allowed under the TWS.

3.2 Canada Emergency Wage Subsidy

Similar to the TWS, the CEWS was introduced during the first wave of the pandemic in response to the extraordinary nature of the crisis and its impact on the Canadian economy. As COVID-19 cases surged and public health restrictions were tightened, the CEWS program provided significantly more support to eligible employers through an initial subsidy of 75% of qualifying wages. The CEWS program has since been adapted to ensure that it continued to remain relevant to the evolution of the pandemic context. The various extensions, rate structure launched in July 2020 and subsequent enhancements to the subsidy rate, are examples of how the program has been modified to respond to the impacts of the multiple waves of the pandemic, as well as employer and stakeholder concerns.

In addition to responding to a clear policy need, the CEWS was aligned with the federal government's role and responsibility to ensure Canada's economic stability in the face of the pandemic, and complement the public health and safety measures of the provincial and territorial governments. Without broad-based support through programs like the CEWS, for example, provinces and territories may have been limited in the types of public health measures that could be practically implemented without suffering untenable economic and human consequences. The CEWS provided a consistent, nation-wide approach to protecting Canadians and businesses, allowing provinces and territories to focus on public health measures under their jurisdiction.

The evolution of the CEWS has also followed that of job retention programs in other countries. Similar to the CEWS, international job retention programs were initially announced as three-to-six month measures but were subsequently extended and adapted in response to continued restrictions and to better incentivize economic recovery. To date, some countries have ended their programs following a period of low case counts and minimal ongoing restrictions, while others have extended them until into 2022, with modifications to account for a gradual reopening of their economies. See Annex 2 for a summary of select international job retention schemes.

4. Effectiveness Evaluation

Effectiveness relates to the extent to which a program meets its stated policy objectives. In the case of the TWS, the objective was to support employment. Similarly, the objective of the CEWS was to help prevent job losses and encourage employers to quickly rehire workers previously laid off as a result of COVID-19.

Outside of the pandemic context, the effectiveness of payroll (tax) subsidies has been widely discussed in the literature. As related by Collischon et al. (2020), evidence for an effect on employment is limited in earlier papers (see, e.g., Gruber, 1997, Anderson and Meyer, 2000), either because of wage adjustments or rigidity in labour supply or demand. In their own study, Collischon et al. exploit variation in German federal subsidies to demonstrate a significant crowd-out effect of subsidized employment (i.e., Minijobs) on non-subsidized employment. That said, some papers suggest a positive employment effect from payroll tax subsidies (e.g., Kangasharju, 2007; Garsaa and Levratto, 2015). Recently, Saez et al. (2019) leverage the age dependence of payroll tax subsidies in Sweden, and find the tax subsidies led to a two-to-three percentage point increase in youth employment, with the effect stronger for credit-constrained firms. In an upcoming paper using a similar approach in the Hungarian context, Bíró et al. (2021) also find a positive employment effect from payroll tax subsidies on both young and older workers. Moreover, targeted subsidies supporting new hires are found to be effective in Boockmann (2007) among East German women, Brown et al. (2007) for the long-term unemployed in Germany, Cahuc et al. (2014) for low-wage workers in France,[13] and in Rubolino (2021) among unemployed Italian women, though Huttunen et al. (2013) report little effect among older low-wage workers in Finland. A review by Neumark (2013), meanwhile, indicates that subsidies for new hires can have an impact on employment during recessions when they are broad-based.

[13] The authors caution, however, that existing wage rigidity likely contributed to the result.

In fulfilment of its objective of supporting employers through the pandemic, the TWS provided $1.3 billion in support to approximately 264,000 employers, most of which would likely have been bearing additional pandemic-related costs. The majority of TWS support (88%) was received by Canadian-controlled private corporations (CCPCs). Of all CCPCs that were eligible and had employees, 26.9% accessed the TWS[14] and support received was equivalent to 1.88 million employees[15] being fully supported (for more detail on take-up of the TWS by province and industry, see tables in Section 5.1.). The TWS was available to all employers, even those without a revenue decline, in recognition that small businesses could have more difficulty dealing with additional costs created by the pandemic. The design of the TWS enabled liquidity support to be immediately provided to employers, who did not need to apply for the subsidy but instead could receive it through a reduction in payroll remittances. This approach enabled timely implementation, thus facilitating immediate support to employers. The quick delivery mechanism for the TWS continued to be effective even after the CEWS was launched as employers with important liquidity constraints were able to obtain immediate support from the TWS and then adjust their CEWS claim accordingly, while they waited for CEWS payments.

Estimating the number of jobs saved or employees rehired through the CEWS, meanwhile, requires a reliable counterfactual (OECD, 2021). This is made challenging in the current context due to the existence of other interventions and the difficulty in establishing a control group (i.e., a group that does not claim but is otherwise identical).[16] All firms were eligible at the same time, and all across the country. Moreover, while in some periods firms have to meet a revenue-decline threshold, high frequency data on revenues and outcomes among non-claimants is not available. Nevertheless, some early analysis of the program is available. On one hand, in initial appraisals Smart (2020) and Corak (2021) regard the program as not being sufficiently targeted to those jobs and workers affected by the COVID restrictions. On the other hand, in an upcoming paper, Leung and Liu (2022) find that usage of the CEWS in the early months of the pandemic correlates with a lower probability of closure over the period spanning October 2020 to March 2021. In addition, businesses that used the CEWS had an average cumulative employment growth rate 2.5 percentage points higher than that of non-claimants between February and the last three months of 2020, and this difference increases to 5 percentage points when accounting for pre-pandemic firm characteristics. The estimates are also larger when attempting to account for the possible relationship between an employer's decision to claim and their likelihood of remaining open.

Feedback from surveys among stakeholders also points to the effectiveness of the CEWS. During consultations in May and June 2020 on the CEWS, many businesses and employers indicated that the CEWS helped them keep workers on the payroll and bring previously laid off workers back.[17,18] Additional surveys were conducted by associations such as the Canadian Federation of Independent Business (CFIB), which also indicated that the CEWS was an important lifeline, especially for small businesses.[19]

To gain more insight into the effectiveness of the CEWS, the remainder of this section explores data trends among claimants, some of which will also have benefited from the TWS.

---

[14] The estimated number of employees fully supported was calculated by dividing total TWS claimed by the TWS limit of $1375 per employee. In practice, not all employees whose wages were subsidized would have been fully supported due to: employers being unable to claim above $25,000, employers opting not to claim TWS after CEWS became available, or eligible employees not being on payrolls for the full TWS period.

[15] A business could claim both the TWS and CEWS but any amount of TWS claimed reduced, one-for-one, the amount of CEWS a business could claim for the same employees and period of time. Of the 73.1% of CCPCs that were eligible for TWS and had employees, but that did not access the TWS, 38% claimed the CEWS in a later period.

[16] In principle, one way to construct a control group is by exploiting the eligibility threshold of a program, examining claimants just above the threshold with non-claimants just below the threshold. This method is used in an emerging literature on the effectiveness of COVID-19 job retention programs, in particular the U.S. Payroll Protection Program (PPP). The program's effectiveness has been analyzed by contrasting the evolution of payroll employment in PPP-eligible and PPP-ineligible firms, where eligibility is determined by industry-specific firm-size cutoffs. Autor et al. (2020) find the program increased employment by approximately 3% (or two million jobs) and Chetty et al. (2020) estimate it increased employment by 2% among smaller firms.

[17] Government of Canada. *Adapting the Canada Emergency Wage Subsidy to Protect Jobs and Promote Growth*, June 2020 (accessible at: https://www.canada.ca/en/department-finance/news/2020/07/adapting-the-canada-emergency-wage-subsidy-to-protect-jobs-and-promote-growth.html)

[18] House of Commons. *What We Heard Report, Canada Emergency Wage Subsidy (CEWS) Consultations*, Spring 2020 (accessible at: https://www.ourcommons.ca/content/Committee/432/PACP/WebDoc/WD11383542/11383542/DataOnCanadaEmergencyWageSubsidy-e.pdf, pgs 78-107)

[19] Canadian Federation of Independent Business. *CFIB statement on draft legislation on wage subsidy extension and new rent relief program,* November 2020 (accessible at: https://www.cfib-fcei.ca/en/media/news-releases/cfib-statement-draft-legislation-wage-subsidy-extension-and-new-rent-relief)

4.1 Overall Trends in Employment and Business Closures among CEWS Claimants and Non-Claimants

This section looks at data to explore the trends in employment, rehiring, and business closures among CEWS claimants (defined as all businesses that claim the CEWS in at least one period). As a point of reference, the section also presents the data for non-claimants when possible.[20] While a comparison is being made between the two groups, CEWS claimants are expected to fare worse on these indicators, since by definition, they were more likely to have been deeply affected by the pandemic than non-claimants. Certain trends are however expected to be common between the two groups (for example, improvements for both groups would be expected at times when restrictions were generally lifted).

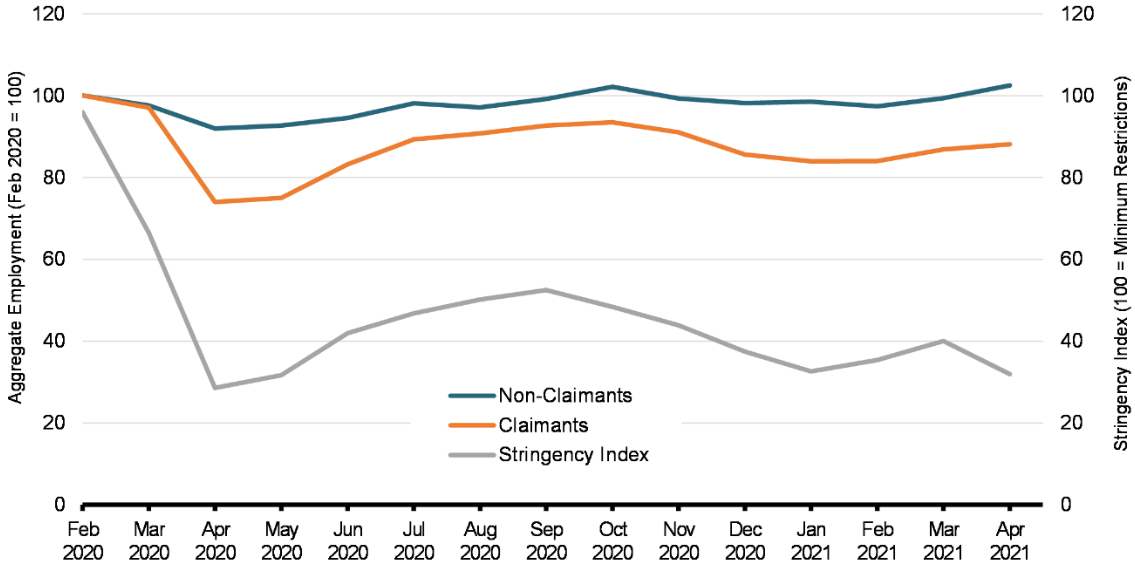
Chart 3 shows the aggregate employment trends among CEWS claimants (employers claiming CEWS in at least one period) and non-claimants (those who never claimed CEWS) from February 2020 to April 2021. Private sector job losses were concentrated among employers who claimed CEWS at some point, with employment reaching a low of 80% of the pre-pandemic level among claimants and 95% among non-claimants in May 2020. Starting in June 2020, employment began rising among claimants and non-claimants. This coincided with a period of loosening restrictions across Canada as measured by the Bank of Canada's COVID-19 stringency index[21] and followed the May announcement that the CEWS would be extended as long as necessary. In addition, starting in July 2020, aggregate employment among CEWS claimants and non-claimants followed similar trends. However, among CEWS claimants, the level of aggregate employment remains lower than it was in February 2020, which is expected since by definition, CEWS claimants were more likely to have been affected by the pandemic.

[20] Two sources of data are used in this section. First, CEWS microdata from the CRA are used, which contain information on claimants for each period (including the number of employees, the revenue drop used in determining eligibility when available, and whether they rehired at least one employee). This paper uses data until period 16. Note that period 16 was still open for applications at the time of writing, and is therefore subject to revisions. The second source is microdata from PD7A forms, which include information on the number of employees at each firm on a monthly basis.

[21] The Bank of Canada COVID-19 Stringency Index is available at: https://www.bankofcanada.ca/markets/market-operations-liquidity-provision/covid-19-actions-support-economy-financial-system/covid-19-stringency-index/. The index measures the stringency of policy related to containment restrictions and public information campaigns across provinces and over time. It is published by the Bank of Canada and its methodology is adapted from the one developed by Hale et al. (2020).

Chart 3

Share of Aggregate Employment Recovered among CEWS Claimants and Non-Claimants and Bank of Canada COVID-19 Stringency Index



Notes: Data on employment from PD7A forms. The share of employment is calculated by dividing monthly total employment by February 2020 employment. Claimants are employers who received CEWS in at least one period. The COVID-19 Stringency Index is obtained from the Bank of Canada and was inverted to highlight association with aggregate employment (100 = minimum restrictions).

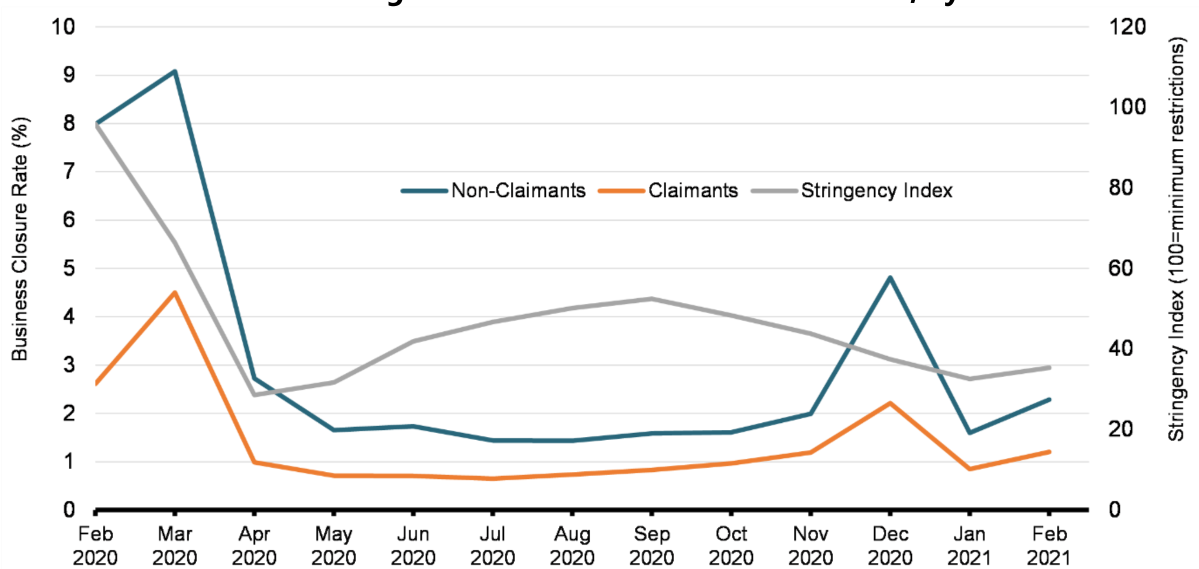
Chart 4 shows the trends in the business closure rate among CEWS claimants and non-claimants.[22] It demonstrates that over the period from March 2020 to March 2021, CEWS claimants were less likely, on average, to close than non-claimants. The spike in business closures in the first few months may reflect a selection bias, since by definition, claimants had to operate at least until CEWS was available to be classified as such. That being said, CEWS claimants were consistently less likely to close in all periods.

Chart 4 shows two major spikes in the closure rate in March and April 2020, at the beginning of the pandemic. The closure rate then stabilized from May 2020 until December 2020, at which point another smaller increase in the number of businesses that stop operating is observed. Notably, this spike in the closure rate affected both claimants and non-claimants, and thus may reflect a seasonal pattern. In January 2021, the closure rate decreased again.

[22] Business closures are inferred from data in the PD7 forms. If a firm stops hiring workers for at least three months (i.e., stops filling out a PD7 form for that period), it is classified as a business closing in the first month it hires no workers. This methodology is similar to the one employed by Leung (2021) and Lafrance-Cooke et al. (2020), and the estimates found in Statistics Canada Table 33-10-0270-01. To obtain the business closure rate in a given month, the number of businesses closing in that month is divided by the number of active businesses in the previous month.

Chart 4

Business Closure Rate among CEWS Claimants and Non-Claimants, by Month

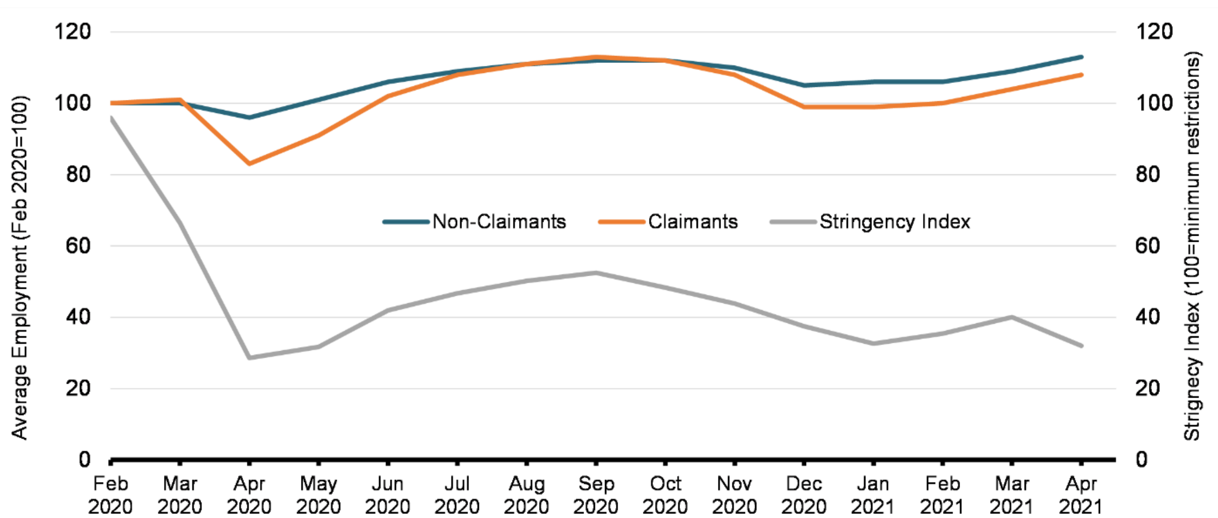


Notes: Closures are calculated using employment data from PD7A forms. A business is classified as closing in a given month if it stops hiring workers for at least 3 months. To obtain the business closure rate in a given month, the number of business closing in that month is divided by the number of active businesses in the previous month Claimants are employers who received CEWS in at least one period. The COVID-19 Stringency Index is obtained from the Bank of Canada and was inverted to highlight association with aggregate employment (100 = minimum restrictions).

Chart 5 illustrates average employment at surviving firms among CEWS claimants and non-claimants. These lines show that among businesses continuing operations, average employment in April 2021 surpassed its pre-pandemic level. This is true both for CEWS claimants and non-claimants. In other words, while aggregate employment is lower among CEWS claimants, surviving firms kept a level of employment similar to their pre-pandemic level, at least for the period after June 2020.

Chart 5

Average Employment at Surviving Firms

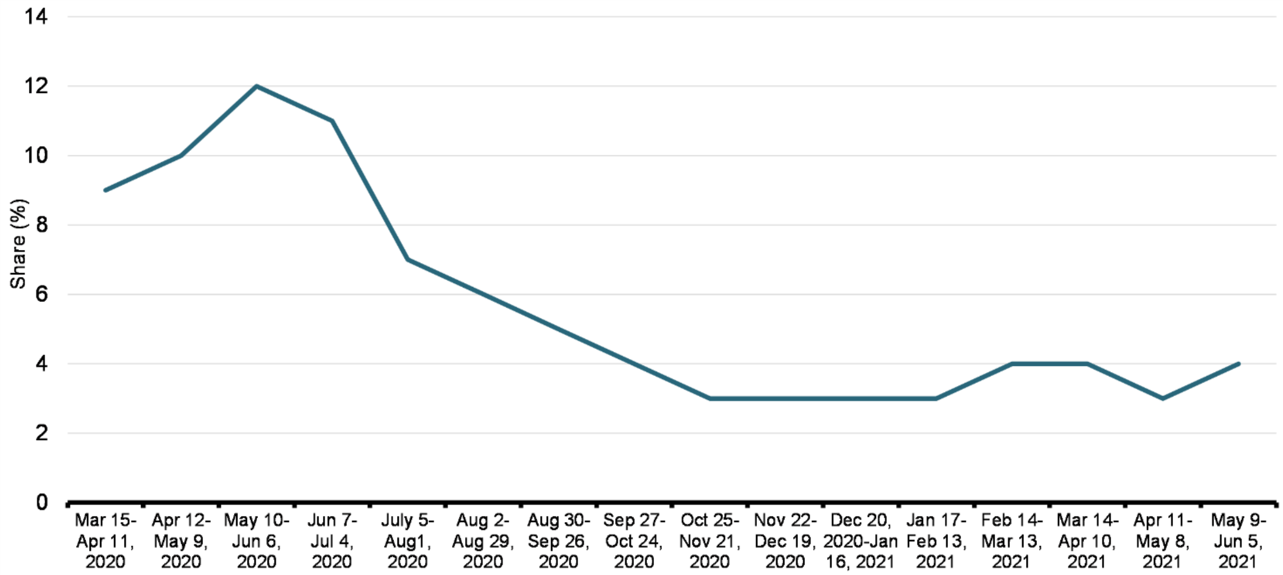


Notes: Data on employment obtained from PD7A forms. Claimants are employers who received CEWS in at least one period. The COVID-19 Stringency Index is obtained from the Bank of Canada and was inverted to highlight association with aggregate employment (100 = minimum restrictions).

A second objective of the CEWS was enabling employers to rehire workers who had been laid off during the pandemic. While detail about individual employees supported by CEWS is not collected from employers, employers are required to report whether they have rehired at least one employee with each claim they submit. Chart 6 shows the overall pattern on a period-by-period basis of the share of CEWS claimants that rehired at least one employee. This proportion has varied over the course of the program, with a peak of 12% of applicants in the third period. On average, over all periods, 22.3% of CEWS claimants rehired at least one worker.

Chart 6

Share of CEWS Claimants Rehiring at Least One Employee, by CEWS Period



Notes: Data on rehiring obtained from CEWS claims microdata. A CEWS claimant is classified as re-hiring in a period if it rehired at least one employee in that period.

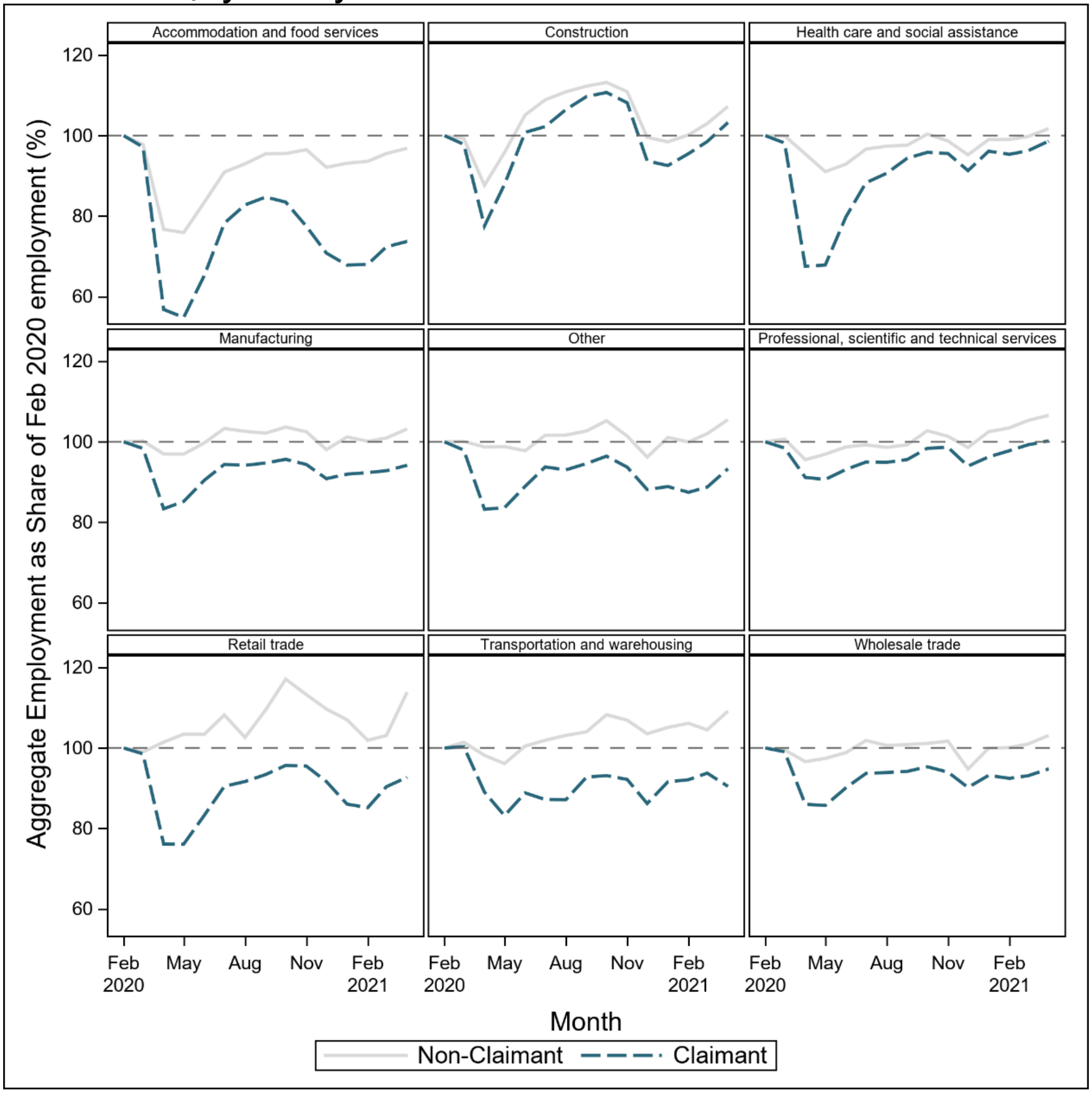
4.2 Industry-Level Trends in Employment, Business Closures, and Revenues among CEWS Claimants and Non-Claimants

Generally speaking, the more severely impacted an industry, the greater the reduction in demand and revenues and the less likely claimants in the industry will be to retain employees or even stay open, both because of reduced staffing needs and reduced liquidity.

Chart 7 shows how aggregate employment among CEWS claimants and non-claimants has evolved across industries. Customer-facing industries in particular struggled due to COVID-19 related restrictions. In Accommodation and food services, for example, aggregate employment decreased more than in any other industry at the beginning of the pandemic, and more for claimants than non-claimants. In addition, aggregate employment among CEWS claimants in this industry remained well below its February 2020 level. Retail trade is another sector in which CEWS claimants experienced large swings in employment, although that sector experienced a slightly faster recovery by April 2021. In other industries, aggregate employment among non-claimants recovered around its February 2020 level by April 2021, while that of claimants settled at a slightly lower level.

Chart 7

Share of February 2020 Aggregate Employment Recovered Among CEWS Claimants and Non-Claimants, by Industry

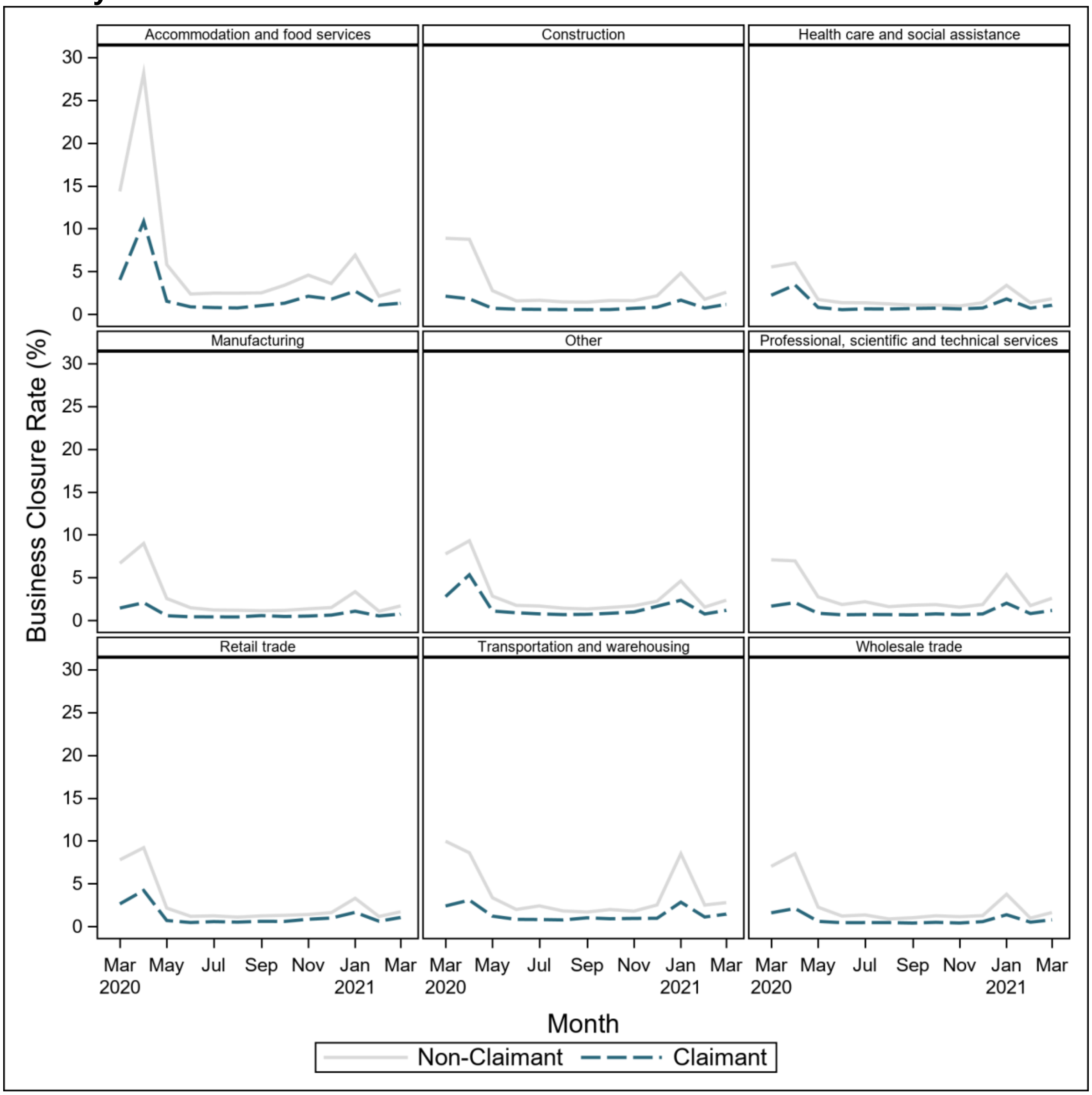


Notes: Data on employment from PD7 forms. Share of employment is calculated by dividing monthly total employment by February 2020 employment. Claimants are employers who received CEWS in at least one period. Industries pictured all received at least 5% of total payouts.

Business closures by industry tell a similar story (Chart 8). The Accommodation and food services sector experienced the largest spike in closures at the beginning of the pandemic, with over 28% of non-claimant businesses in that sector closing in April 2020. As explained earlier, however, trends in business closures in the first few months of the pandemic are particularly prone to selection bias. Nevertheless, since that selection bias affects every industry in the same way, this chart still shows that businesses in the accommodation and food services sector were more likely to close.

Chart 8

Business Closure Rate among CEWS Claimants and Non-Claimants, by Month and Industry

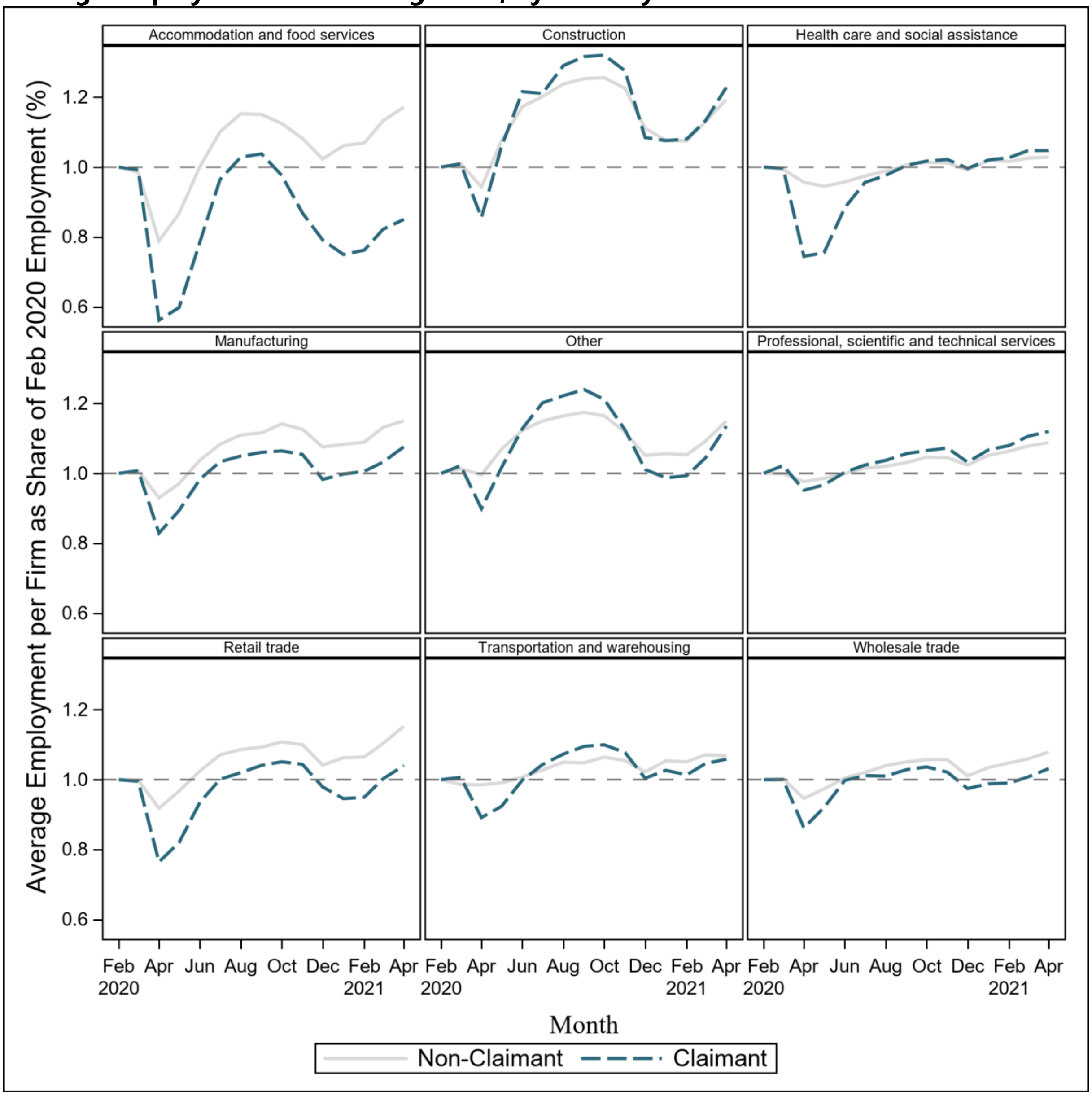


Notes: Closures are calculated using employment data from PD7 forms. A business is classified as closing in a given month if it stops hiring workers for at least 3 months. To obtain the business closure rate in a given month, the number of business closing in that month is divided by the number of active businesses in the previous month Claimants are employers who received CEWS in at least one period. Industries pictured all received at least 5% of total payouts.

Chart 9 shows the average employment of firms within each industry. It demonstrates that in most industries, the level of employment per firm reached or surpassed its February 2020 level, both for claimants and non-claimants. One notable exception is the Accommodation and food services sector, where CEWS claimants still employ fewer workers on average than they did before the pandemic.

Chart 9

Average Employment at Surviving Firms, by Industry

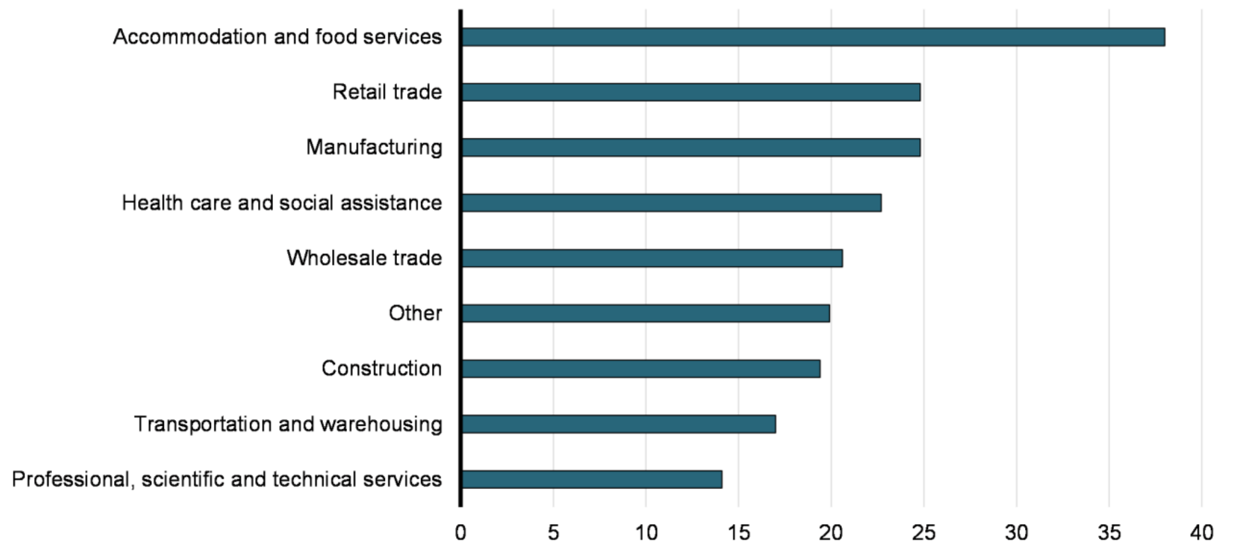


Notes: Data on employment obtained from PD7 forms. Claimants are employers who received CEWS in at least one period. Industries pictured all received at least 5% of total payouts.

Rehiring rates also vary by industry. Chart 10 shows the share of CEWS claimants in each industry who rehired at least one worker in at least one period since the implementation of CEWS. Of course, in order to rehire workers, a first condition is that employees had first been laid-off by a business, and therefore sectoral differences are to be expected, in line with differential impacts of the pandemic restrictions. Employers in the accommodation and food services sector have been the most likely to report rehiring a worker (38.0% of them did so), while businesses in the professional, scientific and technical services sector were the least likely (14.1%). These observations are consistent with employment trends across sectors.

Chart 10

Share of CEWS Claimants who Rehired at Least One Employee between March 15, 2020 and September 25, 2021 (Periods 1 to 20)



Notes: Data on rehiring obtained from CEWS claims microdata. In this chart, a CEWS claimant is classified as rehiring if it rehired at least one employee in at least one period.

4.3 Summary on Effectiveness

Overall, this study finds that the CEWS and TWS were effective at supporting employment during a time of crisis. For the TWS, the study argues that the design was effective at providing temporary and immediate liquidity support to employers. For the CEWS, the study reports both survey-based and quantitative findings. First, feedback from stakeholders indicate that the CEWS was effective, in line with a number of academic studies. Second, the data show that businesses claiming the CEWS were less likely on average to close than non-claimants, and that claimants in the most affected industries (such as accommodation and food services) were most likely to report rehiring workers. Moreover, while aggregate employment among CEWS claimants has not reached its pre-pandemic level before the end of the period considered in this study, the average employment at surviving businesses that claim the CEWS is actually higher than it was before the pandemic, and follows a trend similar to that among non-claimants.

5. Equity Evaluation

This section evaluates the TWS and CEWS from an equity perspective, assessing whether they provided an equitable distribution of benefits across dimensions such as industry, province and gender. To describe program reach, a key metric is the take-up rate, which represents the share of eligible employers that received wage subsidies. Take-up rates were calculated by dividing the total number of employers that received CEWS by the total number of businesses with employees according to payroll data prior to the pandemic.

5.1 Distribution of the Temporary Wage Subsidy

The TWS was designed to support small- and medium-sized employers across the economy who may have struggled to maintain their payrolls as COVID-19 restrictions disrupted their operations. As such, eligibility was extended to individuals (excluding trusts), registered charities, non-profit organizations, certain partnerships, and CCPCs that have taxable capital in the previous taxation year (or at the start of the subsidy period where it is their first taxation year) below $15 million.[23]

As mentioned in section 4.2, 88% of TWS claimants were CCPCs. Table 4 shows TWS take-up among eligible CCPCs by industry.[24] Take-up was particularly high in the Agriculture, forestry, fishing and hunting and Health care and social assistance industries, where respectively 39.8% and 32.2% of all eligible CCPCs made use of the TWS, while representing 5.9% and 12.6% of overall unique applicants.

The distribution of take-up by province shows that it was the highest in New Brunswick and Manitoba, where 2.2% and 3.4% of applicants are located, respectively (Table 5).

Table 4
TWS Take-up Rates by Industry

Industry	Take-up (%)	Share of unique applicants (%)
Agriculture, forestry, fishing and hunting	39.8	5.9
Health care and social assistance	32.2	12.6
Utilities	30.0	0.1
Retail trade	29.3	10.5
Manufacturing	28.8	4.9
Construction	28.5	15.3
Professional, scientific and technical services	27.6	15.1
Wholesale trade	27.3	4.3
Mining, quarrying, and oil and gas extraction	26.6	0.7
Administrative and support, waste management and remediation services	25.7	4.3
Finance and insurance	25.5	2.3
Other services (except public administration)	25.3	6.8
Information and cultural industries	23.4	1.1
Accommodation and food services	22.5	6.2
Educational services	21.4	1.0
Real estate and rental and leasing	20.2	2.9
Arts, entertainment and recreation	18.5	1.2
Transportation and warehousing	18.2	4.6
Management of companies and enterprises	15.2	0.3
Average/ Total	26.9	100.0

Notes: Total shares of applicants may not add up to 100% due to rounding. Estimates are based on total private sector employers that submitted PD7 forms to CRA in 2019 and the average monthly number of employees they reported, as well as CEWS claims submitted as of September 27, 2021.

[23] Large private and public corporations were excluded from the TWS, under the assumption that these employers would have more financing options than smaller employers and be better able keep employees on payrolls despite uncertainty.

[24] Although the TWS was available to other types of employers, take-up estimates by industry exclude these employers due to challenges assigning industry classifications.

Table 5

TWS Take-up Rates by province

Province	Take-up (%)	Share of unique applicants (%)
New Brunswick	32.6	2.2
Manitoba	30.7	3.4
Saskatchewan	30.6	3.3
British Columbia	29.2	17.4
Quebec	28.5	21.9
Newfoundland	26.9	1.0
Alberta	26.5	13.5
Nova Scotia	24.8	2
Ontario	24.4	34.7
Prince Edward Island	24.2	0.4
Yukon	21.4	0.1
Northwest Territories	18.8	0.1
Nunavut	12.2	0
Average/ Total	26.9	100.0

Notes: Total shares of applicants may not add up to 100% due to rounding. Estimates are based on total private sector employers that submitted PD7 forms to CRA in 2019 and the average monthly number of employees they reported, as well as CEWS claims submitted as of September 27, 2021. Provinces are assigned to employers based on the address provided on tax returns. Employers that operate in more than one province are assigned to one province only.

Although the TWS did not provide direct benefits across all employers and employees, from a macro-economic stabilization perspective, all groups and sectors of the economy may have indirectly benefitted from this measure. The liquidity support provided through the TWS, combined with the support from other components of the Government's Covid-19 Economic Response Plan, helped stabilize the economy, thereby indirectly supporting all groups and sectors of the economy.

5.2 Distribution of the Canada Emergency Wage Subsidy

The CEWS is a broad-based program, designed to ensure that all employers who have suffered revenue declines during the pandemic have the support and certainty they need to keep employees on payroll. In this respect, program parameters were chosen to ensure that the program is accessible to a wide range of employers of different sizes and across different regions and sectors. For example, eligibility requirements are quite broad and the program also includes flexibilities (e.g., approach to calculate revenue decline, accounting method to determine qualifying revenue, etc.) to minimize any variability in support between different types of employers. In addition, eligibility has been extended over time to additional groups and the rate structure has also been modified to ensure the program remains equitable and provides support proportional to the level of revenue decline.

As shown in Table 6, the composition of types of employers that received the CEWS is roughly proportional to the composition of types of employers in the economy as a whole. However, a slightly higher share of employees supported by CEWS were in CCPCs than were employed by CCPCs in the economy as a whole. As in the economy generally, a relatively small share of CEWS recipients are public corporations.

Table 6

Composition of Types of Employers and Employees Receiving CEWS

	Share of employers (%)	Share of employers that received CEWS (%)	Share of employees (%)	Share of employees in CEWS claimants (%)
CCPCs	87.5	86.7	60.1	66.5
Other corporations	6.5	6.3	15.4	14.9
Charities and NPOs	4.7	4.7	6.3	7.1
Partnerships	1.2	1.8	4.1	4.9
Public corporations (including corporations controlled by public corporations)	0.5	0.4	14.1	6.6
Total	100.0	100.0	100.0	100.0

Notes: Total shares of employers may not add up to 100% due to rounding. Estimates are based on total private sector employers that submitted PD7 forms to CRA in 2019 and the average monthly number of employees they reported, as well as CEWS claims submitted as of September 27, 2021. Employers which could not be assigned a 'Type' based on tax information are excluded.

Take-up rates by industry (Table 7) suggest that the CEWS was accessed by a broad range of private sector businesses experiencing revenue losses across Canada. Take-up was highest in the Accommodation and food services industry, with 67% of businesses receiving support, and lowest in the Finance and insurance (19.2%), and Real estate, rental and leasing (21.8%) industries.[25] Differences in take-up rates by industry are associated with findings from Statistics Canada's Canadian Survey of Business Conditions. Generally speaking, industries with above average take-up rates, such as Manufacturing, Retail trade and Accommodation and food services also had above average rates of experiencing shut down due to COVID-19 restrictions and below- average rates of remaining fully operational throughout the pandemic. According to the survey, these industries also have a greater than average share of businesses reporting revenue decreases between 2019 and 2020.

[25] Although the CEWS was available to non-profit organizations and charities as well, take-up estimates by industry exclude these organizations due to challenges assigning industry classifications. Non-profit organizations and charities together received 5% of total payouts.

Table 7

CEWS Take-up Rates by Industry

Industry	Take-up (%)	Share of unique applicants (%)
Accommodation and food services	67.0	9.9
Manufacturing	58.2	6.2
Arts, entertainment and recreation	53.6	1.4
Educational services	52.6	1.2
Other services (except public administration)	48.7	5.9
Wholesale trade	48.5	4.9
Health care and social assistance	45.2	9.1
Retail trade	43.2	8.9
Construction	41.1	12.5
Information and cultural industries	40.0	1.1
Administrative and support, waste management and remediation services	38.9	3.7
Mining, quarrying, and oil and gas extraction	35.7	0.6
Agriculture, forestry, fishing and hunting	31.1	2.7
Professional, scientific and technical services	29.9	9.7
Utilities	28.5	0.1
Real estate and rental and leasing	21.8	2
Transportation and warehousing	21.5	3.5
Finance and insurance	19.2	1.2
Management of companies and enterprises	17.2	0.3
Average/ Total	42.2	100.0

Notes: Total shares of applicants may not add up to 100% due to rounding. Estimates are based on total private sector employers that submitted PD7 forms to CRA in 2019 and the average monthly number of employees they reported, as well as CEWS claims submitted as of September 27, 2021.

Unlike the TWS, the CEWS did not have limits on the number of employees that could be supported. CEWS take-up rates also varied according to business size, with take-up highest among employers with 20 to 99 employees prior to the onset of the pandemic (Table 8).

Table 8

CEWS Take-up Rates by Employer Size

Size	Take-up (%)	Share of unique applicants (%)
Fewer than 5 employees	30.7	49.7
5 to 19 employees	65.5	34.0
20 to 99 employees	70.4	14.1
100 or more employees	63.3	2.1
Average/ total	42.2	100

Notes: Total shares of applicants may not add up to 100% due to rounding. Estimates are based on total private sector employers that submitted PD7 forms to CRA in 2019 and the average monthly number of employees they reported, as well as CEWS claims submitted as of September 27, 2021.

Finally, Table 9 illustrates that take-up rates vary across provinces. This provincial variation is partially attributable to industry distribution. For example, CEWS take-up is generally higher in Atlantic provinces than in other parts of Canada, despite lower average incidence of COVID-19.[26] This is in part due to the relative importance to the region of industries that rely on tourism such as Accommodation and food services, and the disruption to these industries caused by provincial and international restrictions on travel. Similarly, high take-up in Quebec is partly attributable to a higher proportion of businesses in both Accommodation and Food services and Manufacturing.

Table 9

CEWS Take-up Rates by Province

Province	Take-up (%)	Share of unique applicants (%)
New Brunswick	51.9	2.1
Prince Edward Island	51.5	0.5
Quebec	50.5	24.6
Newfoundland	48.9	1.2
Nova Scotia	47.1	2.2
Nunavut	43.8	0
Northwest Territories	41.9	0.1
Yukon	40.0	0
British Columbia	39.9	14.7
Ontario	39.6	35.9
Alberta	39.2	13.4
Saskatchewan	38.1	2.6
Manitoba	37.6	2.5
Average/ Total	42.2	100.0

Notes: Total shares of applicants may not add up to 100% due to rounding. Estimates are based on total private sector employers that submitted PD7 forms to CRA in 2019 and the average monthly number of employees they reported, as well as CEWS claims submitted as of September 27, 2021. Provinces are assigned to employers based on the address provided on tax returns. Employers that operate in more than one province are assigned to one province only.

The share of the private sector labour force supported, or the CEWS coverage rate, is another perspective on the importance of the program. Industries that were highly affected, as evidenced by above-average take-up rates and revenue losses, generally also had an above-average share of the private sector labour force supported.

Considering program reach by examining labour force composition also enables a discussion of equity in terms of types of employees that the CEWS supported and if groups that may be disadvantaged in the labour market benefitted from the program. Table 10 complements Table 8 by showing coverage rates across industries that received at least 5% of total CEWS payouts. Of these eight industries, Retail trade, Health care and social assistance, and Accommodation and food services had a larger than average share of female employees. Retail trade and Accommodation and food services were also the only industries with a larger than average share of youth employment (defined as employees under age twenty-five), which is consistent with a quarter of all youth employment occurring in these industries.[27] These industries also have below-average payout rates, which reflect the fact that they are generally lower wage and have a higher share of part-time workers.[28]

Overall, given the demographic profiles of sectors that have benefitted from the CEWS, men and more established workers may be slightly more likely to be covered by the wage subsidy than women and younger workers.

---

[26] Public Health Agency of Canada. Interactive data visualizations of COVID-19, 2021. Accessible at: https://health-infobase.canada.ca/covid-19/?stat=rate&measure=total#a2.

[27] Statistics Canada, Table 14-10-0023-01, Labour force characteristics by industry, annual.

[28] Statistics Canada, Table 14-10-0204-01, Average weekly earnings by industry, annual.

Table 10

Selected Industries that Received CEWS and Labour Force Composition

Industry	Share of all employees in industry covered by CEWS (%)	Coverage rate: Average share of private sector labour force covered by CEWS (%)	Share of female employees in industry (%)	Share of employees under 25 in industry (%)	Average payout, P1 to P11 ($)	Average payout, after P8 ($)
Manufacturing	15.3	43.7	27.4	8.4	1,714	873
Accommodation and food services	13.5	54.9	55.5	41.2	841	541
Retail trade	10.6	23.9	51.6	29.7	1,024	438
Construction	9.7	33.3	12.3	10.6	1,821	1,083
Professional, scientific and technical services	7.2	23.3	41.3	7.8	1,840	1,066
Wholesale trade	6.5	49.8	31.0	6.7	1,660	789
Health care and social assistance	6.4	23.9	80.8	9	1,172	569
Transportation and warehousing	5.1	29.7	21.6	8.5	1,742	1,058
Other	25.6	30.3	46.3	11.6	1,484	870
Total/average	100.0	32.7	42.9	15.2	1,447	793

Notes: Total shares of employees may not add up to 100% due to rounding. Selected industries all received at least 5% of total CEWS payouts. Estimates are based on average total employees reported by CEWS claimants between P1 and P11. Labour force demographic statistics are based on Statistics Canada Table 14-10-0023-01, Labour force characteristics by industry, annual.

It is worth noting that efforts were made as the CEWS evolved to ensure that the program was accessible to a broad range of employers and employees. For example, in May 2020, eligibility was extended to groups that had been inadvertently excluded when the program was launched, including partnerships with one or more non-eligible members, registered Canadian Amateur Athletic Associations, registered journalism organizations and others. In addition, amendments were introduced to better support employees returning from extended leave, such as parental or disability leave. These amendments allowed employers to use an alternative period to calculate the baseline remuneration of their employee in cases where the employee was on leave during the baseline period originally intended to be used (January 1 to March 15, 2020). In response to stakeholder feedback, eligibility was also extended in July 2020 to employers who had experienced a revenue decline of less than 30%.

5.3 Summary on Equity

The data presented in this section show that the wage subsidies put in place by the Government followed principles of equity, and were available to a broad range of employers: primarily CCPCs, but also public corporations, charities and NPOs, as well as partnerships. Take-up rates across provinces and industries are variable but illustrate that the programs benefited employers and workers across the country. Evidence on the labour force composition of CEWS recipients, meanwhile, suggests that men and more established workers were slightly more likely to be covered than women and younger workers, given the composition on the industries in which they work, and how these were affected by the pandemic.

6. Efficiency Evaluation

Whether a policy is effective in achieving its stated objectives is an important criterion for its evaluation, but also of importance is whether the policy is efficient; that is, whether the measure achieved its stated objectives in a cost-minimizing fashion, or alternatively, maximized the benefits attained for a given level of costs incurred. Therefore, the extent to which the wage subsidies have achieved their objective of preserving employment in the midst of the pandemic must be weighed against the costs that result from the introduction of the measure. This discussion focuses on the CEWS, as there is limited data available with respect to the short-lived TWS and as the CEWS became the main support program for businesses facing the adverse effects of the pandemic.

Evaluating the overall efficiency of the program must go beyond simply estimating the average CEWS payout per job saved. To that end, establishing a cost-benefit framework is useful to present the major elements to be considered. On one hand, the total costs of the CEWS go beyond the fiscal cost of the program itself and include other impacts it may have on the economy. On the other hand, the benefits should also account for its broader consequences, and not merely the benefits for businesses and employees whose jobs were potentially saved. In particular, in the context of a very sharp economic downturn, the benefits of avoiding a prolonged recession can have much longer-term implications than what can be observed in the short term. Thus, the economic context in which the wage subsidies were introduced and their broader economic impacts must be taken into consideration.

The remainder of this section provides a high-level discussion of the direct and indirect costs and benefits that should be considered.

6.1 Direct and indirect costs

The direct fiscal cost of the wage subsidy is a function of the design parameters of the program and the take-up of businesses that qualify. One obvious factor that influenced the cost of the CEWS is the Government's intention that the program be widely available to entities affected by the pandemic. During the initial four periods of coverage of the CEWS, i.e., March 15 to July 4, 2020, a total of over $36.4 billion in CEWS was paid out (nearly 42% of the total for the first 15 periods, Table 3). The large payouts in the first four periods reflect high take-up in the early days of the pandemic and the generous subsidy rate available starting at a revenue drop of 30%.

The initial program requirement of a 30% revenue drop did ensure that the subsidy was targeted at businesses that had been negatively impacted by the pandemic. In addition, the generosity of the subsidy, i.e., a flat 75% during the first four periods, ensured that some hard-hit businesses could keep more employees on the payroll.

At the beginning of Period 5, a new rate structure for the CEWS was introduced, which provided support proportional to the level of revenue decline. In Period 7, following the sunsetting of the "safe harbour" clause[29], subsidy rates decreased.[30] Tying the subsidy rate to revenue losses improved targeting, because claimants with high revenue losses were experiencing less demand and this could correlate with a greater need for a subsidy to encourage them to keep employees on payrolls. Overall, these changes reduced the cost of the program from an average of $2,260 per employee in P2 to P4 to an average of $1,400 per employee for a comparable claimant in P11.[31]

---

29 The safe harbour clause guaranteed that businesses who received CEWS in Period 4 or earlier, at a flat subsidy rate of 75%, would be at least as well-supported in Periods 5 and 6.

30 The subsidy rates decreased from a maximum of 85% in Periods 5 and 6 (under the safe harbour rule) to a maximum of 75% in Period 7 and 65% in Period 8 and 75% later.

31 A claimant receiving CEWS between Period 2 and Period 4 had to have a revenue loss of at least 30% to qualify, so the estimate for a comparable claimant after Period 8 is based on all claimants with revenue declines of at least 30%.

Beyond the direct costs, government programs can result in other costs from indirect consequences. Though such indirect effects often cannot be readily measured, four effects are discussed in this context. The first effect is the potential that the CEWS has discouraged growth for businesses that qualified, as an increase in revenues could have eliminated access to an important government subsidy. Over the first four periods, the main design feature that determined the eligibility was the 30% revenue drop rule (15% in the first period). This rule was modified in Period 5, with the introduction of a sliding scale to determine the level of subsidy and eliminate this so-called cliff effect.

The second potential effect is to subsidize businesses that will not be viable when the pandemic and subsidies end, which can therefore result in an inefficient allocation of resources. In a healthy and innovative economy, businesses that fall behind competitors exit markets and their resources are then reallocated to more productive ends. In the context of the pandemic, this effect is believed to be less important, as a number of businesses are not suffering because of inherent economic or productivity reasons, but rather because of the external pandemic context and associated health and safety restrictions.

The third indirect effect is the loss of economic activity associated with financing the wage subsidies via taxation or debt. An opportunity cost could exist if the economic benefits of introducing a wage subsidy are less than those under an alternative use of the funds.

Finally, the efficiency of the CEWS can also be evaluated in terms of administration costs for the Government and the compliance costs for claimants. At the onset of the pandemic, it was essential that support be provided to businesses as quickly as possible given the emergency context. In order to expedite subsidy payments to applicants and for ease of administration, a decision was made to deliver the CEWS through the tax system. By using the tax system, the Government was able to legislate objective rules in the *Income Tax Act* that could accommodate a broad range of businesses, while still maintaining the integrity of the program by using an existing architecture of rules that enables the Canada Revenue Agency to audit and review claims. This was important in facilitating rapid and efficient administration and delivery of benefits.

As the program has evolved, efforts have also been made to simplify planning and provide greater certainty for claimants. For example, when the new rate structure was implemented in July 2020, a "safe harbour" rule was introduced to provide certainty to businesses that had already made business decisions for July and August by ensuring that they would not receive a subsidy rate lower than under the previous rules. Similarly, under the "deeming rule", applicants can choose the current or previous period to calculate their revenue decline. This effectively ensures that they can continue to receive support for one additional period after their revenue recovers. In addition, educational material, including frequently asked questions and tools for applicants (e.g., subsidy calculator, application guide), were published regularly on the CRA website to enhance program understanding and simplify planning for applicants. Together these features helped minimize administration costs and other barriers to application for claimants.

6.2 Direct and indirect benefits

The direct beneficiaries of the wage subsidies are the employees whose wages were supported by the programs. As discussed in the effectiveness section, data has shown that starting in June 2020, employment began rising among claimants as they hired and rehired while remaining relatively stable among non-claimants. The CEWS claimants were also less likely to close than non-claimants, on average from February 2020 to March 2021. This is corroborated by Leung and Liu (2022) who found evidence on the correlation between claiming the CEWS and the probability of not being closed and as well as higher employment growth. Absent the CEWS, additional closures or layoffs could have had a significant negative impact on employees.

In addition to the direct benefits, there are other possible indirect benefits that may have resulted from the wage subsidies; two will be discussed in this section. The first is the extent to which the subsidies have helped maintain macroeconomic stability. The second is the extent to which the subsidies help avoid drops in productivity.

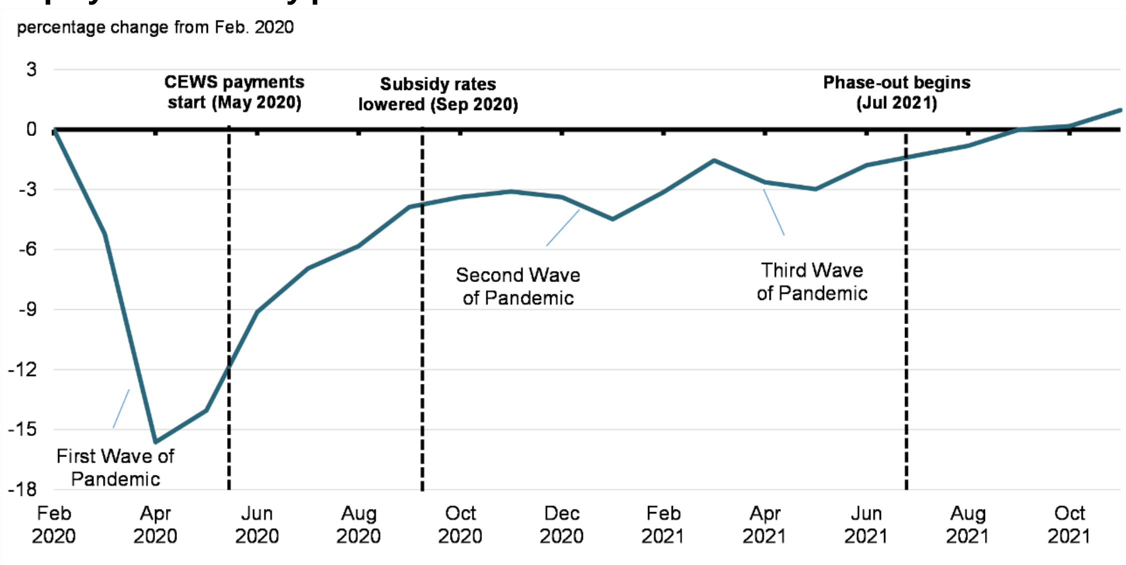
The CEWS was introduced rather early in the pandemic, with payments retroactive to March 15, roughly coinciding with the first mandated closures. It became apparent that the economy was likely to take a very sharp downward turn, more profound and faster than any other experienced in modern times. When faced with severe downturns, additional fiscal policy measures, i.e., fiscal stimulus measures, are often deemed necessary when monetary policy responses and automatic stabilizers[32] are not sufficient to maintain aggregate demand. Fiscal stimulus measures, financed through increased borrowing in the short term, reinject funds in the economy where the recipients use these funds to make purchases (e.g., businesses and employees in this context) from goods and services providers who will in turn make purchases of their own to other suppliers. The initial funds provided thus continue circulating, creating a multiplier effect. In the absence of fiscal stimulus, loss of income from affected businesses and employees would reduce their spending and lower demand for other goods and services.

The CEWS has been one of the largest conduits for stimulus funds to be reinjected into the economy to boost demand and accelerate the recovery. Delivering support more quickly than typical government spending programs and public works would normally have, and targeting businesses and their employees that have been impacted by the pandemic, aimed to ensure that demand from those affected would be prevented from falling too rapidly. Estimates made in the context of Budget 2021 evaluated the total direct support in the economic response plan at $219 billion for fiscal year 2020-21, of which the CEWS represented 38.6%.

The sum of actions taken by the Government have produced results that contributed to the recovery in terms of the major macroeconomic indicators such as GDP (as shown in Chart 2). More directly, the CEWS has contributed to hastening the recovery in employment in the months following the first wave of the pandemic, and to sustaining employment during the subsequent waves (Chart 11). Without a rapid response, it is possible that the recovery could have dragged on for a significant period.

Chart 11

Employment recovery path



Source: Statistics Canada and Finance Canada calculations

The second indirect effect is to prevent a drop in productivity over the longer term. Because the effects of a prolonged recession can last longer than the recession itself, the benefits of recovery measures that help prevent a prolonged recession can therefore also last for much longer. Two benefits that have effects over the longer term are particularly important: the negative impact of capital underutilization and lack of investment, and the effects on human capital.

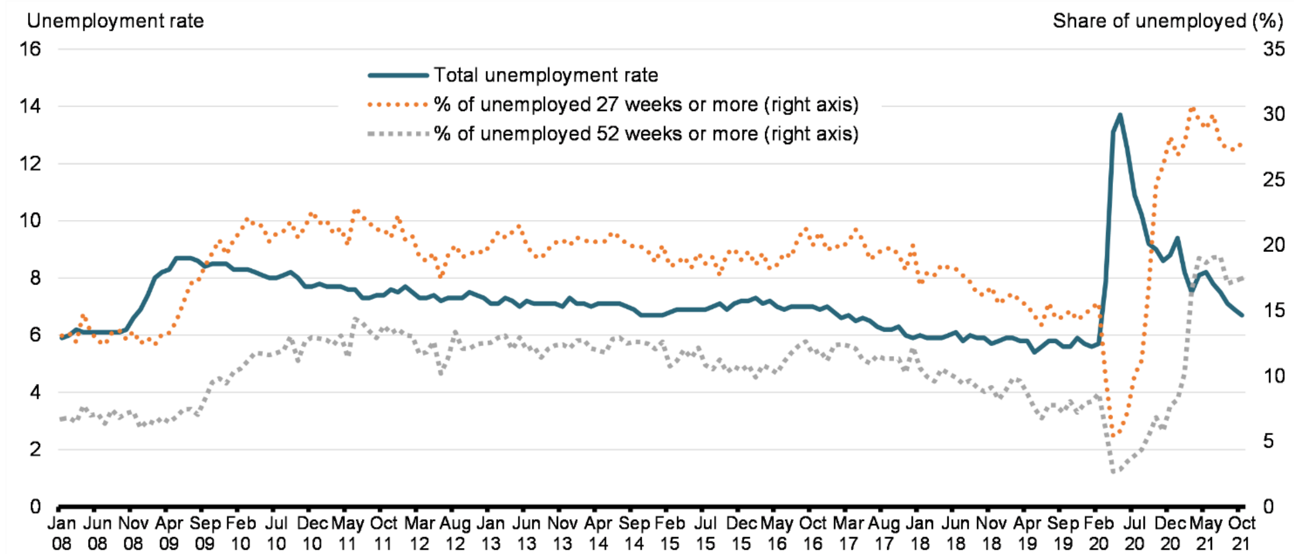
[32] For example, inherently countercyclical programs such as Employment Insurance, other social programs, and income taxes.

In a prolonged recession, because of reduced demand for goods and services, unused or underused capital can lead to reductions in the returns on investment, and to firms delaying further investment decisions. A fall in investment not only reduces economic activity in the short term but also to a reduction in productivity over the longer term. With lower investments may come lower labour productivity and delays in the adoption of new technologies, which can further lower productivity and competitiveness over time. However, business gross fixed capital formation has recovered to its pre-pandemic level in the fourth quarter of 2020 and has exceeded it since.[33] The CEWS may have played a role by providing an income stream, helping with business liquidity and allowing for some funds to be available for new investments.

On the human capital side, an extended spell of unemployment can diminish job skills and the ability to return to the labour market once the recession fades. As discussed in the relevance section (section 3), unemployment is also associated with adverse health and economic outcomes for workers, their families and their communities, particularly in the case of long-term unemployment. In October 2021 (last update at the time of writing this report), the unemployment rate in Canada fell to 6.7%, inching closer to pre-pandemic levels, but the share of those unemployed that have been continuously unemployed for more than 27 weeks or 52 weeks has risen sharply (Chart 12). This suggests that the pandemic has had lasting effects on certain categories of workers and there are likely to be longer term consequences for the most affected workers. In comparison to the 2008-09 recession, there is now evidence that long-term unemployment is impacting a greater share of the unemployed. By helping businesses keep employees on the payroll, the CEWS may have to some extent prevented workers of falling into long-term unemployment and reduce the associated risks of enduring socio-economic hardship.

Chart 12

Unemployment rate, and share of long-term unemployment



Source: Statistics Canada Tables 14-10-0287-01 and 14-10-0342-01

[33] Statistics Canada, Table 36-10-0104-01.

6.3 Summary on Efficiency

This study finds that the wage subsidies put in place by the Government were efficient.

A subsidy program of the magnitude of the CEWS, in the unprecedented context of a pandemic shutting down large segments of the economy, has certainly led to a very wide range of consequences for the economy and society. The direct costs of providing the program were large, $87.1 billion to date during the first 15 periods. But the benefits of the subsidies are numerous as well. The subsidies have prevented business closures and encouraged businesses to rehire employees, or keep employees on the payroll. Beyond the benefits of protecting employment, the subsidies were a part of the Government's recovery plan that has shored up demand and helped the recovery in the short-term. And by helping to prevent a prolonged recession, the subsidies have possibly prevented longer term reductions in capital and labour productivity which could yield benefits into the future.

7. Conclusion

On balance, recognizing the limited information available and the context in which the wage subsidies were introduced, it is reasonable to conclude that these subsidies were relevant, effective at meeting their objectives, equitable and efficient.

The TWS and CEWS were designed and administered by the Government in the context of an extraordinary health and economic crisis. From the launch of the TWS in March 2020, to the rapid expansion of support through the CEWS and its evolution as the pandemic wore on, these programs provided unprecedented assistance to Canadian businesses and workers affected by COVID-19. The relevance of the measures is set against this backdrop and in respect of the Government's roles and responsibilities in helping employers and workers cope with the sudden decline in business activity, as well as supporting provincial and territorial governments by providing a consistent, nation-wide approach to stabilizing the economy. The Government's provision of temporary wage subsidies also mirrors the response observed in countries across the world.

The evidence presented supports the notion that the programs helped claimant businesses and workers. Alongside feedback from stakeholders and some academic studies indicating the CEWS or similar payroll subsidies are generally effective, the data show that businesses claiming the CEWS were less likely on average to close than non-claimants, and that those in the most affected industries (such as Accommodation and food services) were most likely to report rehiring workers. Moreover, while aggregate employment among CEWS claimants has not reached its pre-pandemic level before the end of the period considered in this study, the average employment at surviving businesses that claim the CEWS is actually higher than it was before the pandemic, and follows a trend similar to that among non-claimants.

In examining whether the measures were equitable in their distribution of support, the data reveal a broad range of employers claimed both the TWS and CEWS: primarily CCPCs, but also public corporations, charities and NPOs, as well as partnerships. Take-up rates, although variable, also show the programs reached employers of different sizes across the country and across industries. With respect to the CEWS in particular, the evidence suggests that men and more established workers were slightly more likely to be covered than women and younger workers, given the composition on the industries in which they work, and how these were affected by the pandemic.

Finally, while the cost of the programs were substantial, their benefits in terms of sustaining employment, preventing business closures and supporting the economic recovery were also tremendous. In particular, there are substantial indirect benefits of preventing a prolonged recession that, once fully accounted for, supports the overall assessment that the CEWS has fulfilled its objectives in an efficient manner.

References

Anderson, P.A. and B.D. Meyer (2000). "The effects of the unemployment insurance payroll tax on wages, employment, claims and denials", *Journal of Public Economics* 78: 81-106.

Autor, D., Cho, D., Crane, L.D., Goldar, M., Lutz, B., Montes, J., Peterman, W.B., Ratner, D., Villar, D., and A. Yildirmaz (2020). "An Evaluation of the Paycheck Protection Program Using Administrative Payroll Microdata", MIT Working Paper.

Bíró, A., Branyiczki, R., Lindner, A., and L. Márk (2021). "The Impact of Payroll Tax Subsidies: Theory and Evidence", forthcoming.

Boockmann, B., Zwick, T., Ammermüller, A., and M. Maier (2007). "Do Hiring Subsidies Reduce Unemployment Among the Elderly? Evidence From Two Natural Experiments", ZEW Discussion Paper No. 07-001.

Brown, A., Merkl, C., and D.J. Snower (2007). "Comparing the Effectiveness of Employment Subsidies", IZA Discussion Paper No. 2835.

Chetty, R., Friedman, J. N., Hendren, N., Stepner, M., and The Opportunity Insights Team (2020). "How Did COVID-19 and Stabilization Policies Affect Spending and Employment? A New Real-Time Economic Tracker Based on Private Sector Data", NBER Working Paper 27431.

Cahuc, P., Carcillo, S., and T. Le Barbanchon (2014). "Do Hiring Credits Work in Recessions? Evidence from France", IZA Discussion Paper No. 8330.

Corak, M. (2021). "The Canada Emergency Wage Subsidy as an employer-based response to the pandemic: First steps, missteps, and next steps", Available at: https://milescorak.files.wordpress.com/2021/10/corak-american-enterprise-institute-canada-emergency-wage-subsidy.pdf. Accessed November 18, 2021.

Collischon, M., Cygan-Rehm, K., and R.T. Riphahn (2020). "Employment Effects of Payroll Tax Subsidies", IZA Discussion Paper No. 13037.

Garsaa, A. and N. Levratto (2015). "Do labor tax rebates facilitate firm growth? An empirical study on French establishments in the manufacturing industry, 2004-2011." *Small Business Economics,* 45: 613-641.

Giupponi, G., Landais, L. and A. Lapeyre (2021). "Should We Insure Workers or Jobs During Recessions?" Available at: https://econ.lse.ac.uk/staff/clandais/cgi-bin/Articles/JEP_STW_UI.pdf. Accessed November 4, 2021.

Gruber, J. (1997). "The Incidence of Payroll Taxation: Evidence from Chile", *Journal of Labor Economics* 15(3-2): 72-101.

Hale, T., Angrist, N., Cameron-Blake, E., Hallas, L., Kira, B., Majumdar, S., Petherick, A., Phillips, T., Tatlow, H., and S. Webster. (2020). "Variation in Government Responses to COVID-19" Version 7.0. Blavatnik School of Government Working Paper. May 25, 2020. Available: www.bsg.ox.ac.uk/covidtracker

Huttunen, K., Pirttilä, J., and R. Uusitalo (2013). "The employment effects of low-wage subsidies", *Journal of Public Economics*, 97: 49-60.

Kangasharju, A. (2007). "Do Wage Subsidies Increase Employment in Subsidized Firms?", *Economica,* 74: 51-67.

Lafrance-Cooke, A., R. Macdonald, and M. Willox (2020). "Monthly Business Openings and Closures: Experimental Series for Canada, the Provinces and Territories, and Census Metropolitan Areas," Economic Insights, Statistics Canada Catalogue no. 11-626-X — 2020014 - No. 116.

Lenjosek, G. J. (2004). "A Framework for Evaluating Tax Measures and Some Methodological Issues", in Polackova B., H., Valenduc, C., and Swift, Z. L. (ed) *Tax Expenditures – Shedding Light on Government Spending through the Tax System: Lessons from Developed and Transition Economies*. The World Bank, 19-32.

Leung, D. and H. Liu (2022). "The Canada Emergency Wage Subsidy Program and Business Survival and Growth During the COVID-19 Pandemic in Canada", Statistics Canada.

Leung, D. (2021). "Characteristics of businesses that closed during the COVID-19 pandemic in 2020," Economic and Social Reports, Statistics Canada Catalogue no. 36-28-0001.

Nichols, A., Mitchell, J., and S. Lindner (2013). "Consequences of Long-Term Unemployment"', Urban Institute.

Neumark, D. (2013). "Spurring Job Creation in Response to Severe Recessions: Reconsidering Hiring Credits", *Journal of Policy Analysis and Management,* 32(1): 142-171.

OECD (2021). "OECD Employment Outlook 2021: Navigating the COVID-19 Crisis and Recovery", OECD Publishing, Paris.

Rubolino, E. (2021). "Taxing the Gender Gap: Labor Market Effects of a Payroll Tax Cut for Women in Italy", Available at SSRN: https://ssrn.com/abstract=3888305. Accessed December 23, 2021.

Saez, E., Schoefer, B. and D. Seim (2019). "Payroll Taxes, Firm Behavior, and Rent Sharing: Evidence from a Young Workers' Tax Cut in Sweden", *American Economic Review*, 109(5): 1717-1763.

Smart, M. (2020). "Boos for CEWS". *Finances of the Nation*. Available at https://financesofthenation.ca/2020/09/20/boos-for-cews/. Accessed November 18, 2021.

Annex 1: Program Details

Table A1
Overview of the CEWS and TWS

	CEWS	TWS
Short description	Wage subsidy (via direct payment) for eligible employers that have experienced a decline in revenues due to COVID-19	Wage subsidy (via payroll remittance reduction) for eligible employers. No revenue reduction necessary.
Claiming the Subsidy	Application required for each claim period through CRA's web-based application system. Employers were initially required to apply by October 2020. This deadline was subsequently modified as the program evolved. Employers must currently file an application by the later of February 1, 2021 and 180 days after the end of a claim period.	No application necessary. Eligible employers calculate their subsidy and reduce their payroll remittances of federal, provincial and territorial income tax, accordingly. Eligible employers required to submit a self-identification form to the CRA for the subsidy amount they claimed.
Eligible employers	For-profit corporations, individuals, registered charities, non-profit organizations, and other prescribed organizations with a CRA payroll account as of March 15, 2020[1].	Primarily designed to support small and medium sized businesses, including: individuals or sole proprietors (excluding trusts), partnerships, non-profit organizations, registered charities, Canadian-controlled private corporations.
Minimum revenue-decline threshold	>15% (March 15 to April 11, 2020) >30% (April 12 to July 4, 2020) >0% (July 5, 2020 to July 4, 2021) >10% (July 5 to October 23, 2021)	N/A
Eligible employees	Active and furloughed employees	Active employees
Maximum eligible remuneration	$1,129 per week per active employee	Equivalent to total remuneration of $13,750 per employee and $250,000 per employer between March 18 and June 19 2020
Subsidy rate (active employees)	At its most generous, up to 85% of eligible remuneration.[2] Between July 4 and October 23, 2021, subsidy rates gradually declined from a maximum of 60% to 20%.	10% of remuneration paid for the period
Subsidy rate (furloughed employees)	Aligned with benefits provided under the Canada Emergency Response Benefit and/or Employment Insurance system, as of August 30, 2020.	N/A
Available as of	March 15, 2020	March 18, 2020
Available until	August 28, 2021 (furloughed employees) October 23, 2021 (active employees)[3]	June 19, 2020

Notes: [1]Entities without a payroll account on March 15 could still qualify if a) another person or partnership made remittances on their behalf or b) they purchased all (or almost all) of another person's or partnership's business assets. [2]For a complete history of subsidy rates, see Section 2.4 and Chart 1. [3]After October 23, 2021, the broad-based CEWS program for active employees expired and was replaced by three new targeted programs specifically for tourism, hospitality and other hard-hit employers.

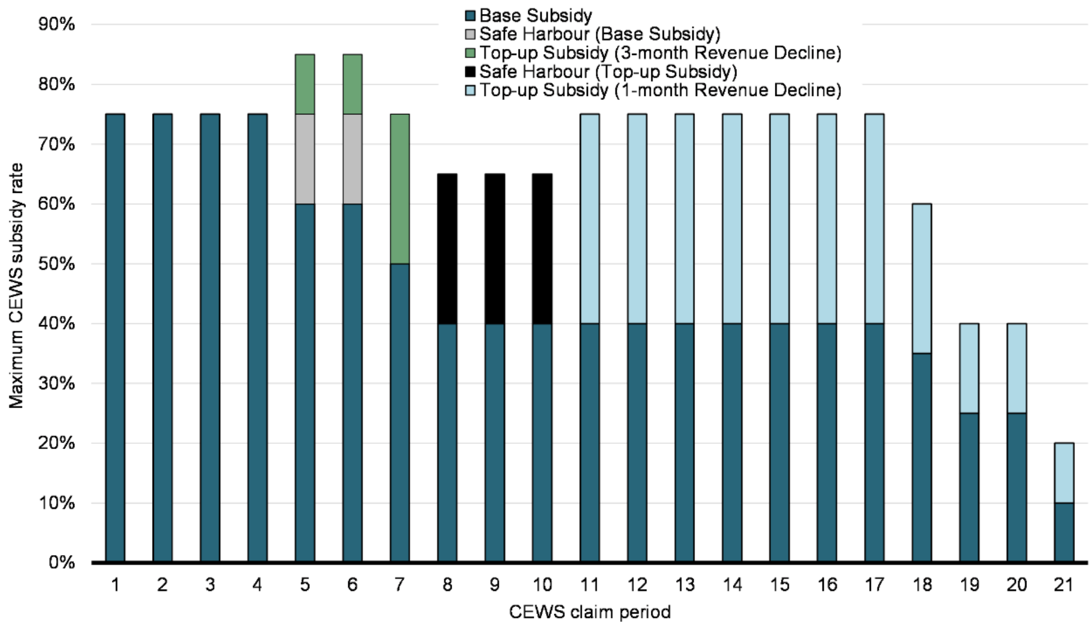
Table A2

Minimum Qualifying Revenue Decline, Subsidy Rate Detail, and Maximum Subsidy Rate, CEWS Periods 1-21

Period	Dates	Minimum revenue decline required to qualify	Subsidy rate detail	Maximum subsidy rate
1	March 15 to April 11, 2020	15%	Flat rate	75% of eligible wages
2	April 12 to May 9, 2020	30%		
3	May 10 to June 6, 2020			
4	June 7 to July 4, 2020			
5	July 5 to August 1, 2020	0%	Base rate (1.2 x current-period revenue decline) + Top-up (1.25 x (3-month revenue decline -50%) "Safe harbor" rule in effect*	85% of eligible wages (60% base + 25% top-up)
6	August 2 to August 29, 2020			
7	August 30 to September 26, 2020		Base rate (1 x current-period revenue decline) + top-up (1.25 x (3-month revenue decline - 50%)	75% of eligible wages (50% base + 25% top-up)
8	September 27 to October 24, 2020		Base rate (0.8 x current-period revenue decline) + top-up (1.25 x (current revenue decline - 50%) "Safe harbor" rule for top-up in effect*	65% of eligible wages (40% base + 25% top-up)
9	October 25 to November 21, 2020			
10	November 22 to December 19, 2020			
11	December 20 to January 16, 2021		Base rate (0.8 x current-period revenue decline) + top-up (1.75 x (current-period revenue decline - 50%)	75% of eligible wages (40% base + 35% top-up)
12	January 17 to February 13, 2021			
13	February 14 to March 13, 2021			
14	March 14 to April 10, 2021			
15	April 11 to May 8, 2021			
16	May 9 to June 5, 2021			
17	June 6 to July 3, 2021			
18	July 4 to July 31, 2021	10%	Base rate (0.875 x (current-period revenue decline – 10%)) + top-up (1.25 x (current-period revenue decline -50%))	60% of eligible wages (35% base + 25% top-up)
19	August 1 to August 28, 2021		Base rate (0.625 x (current-period revenue decline – 10%)) + top-up (0.75 x (current-period revenue decline -50%))	40% of eligible wages (25% base + 15% top-up)
20	August 29 to September 25, 2021			
21	September 26 to October 23, 2021		Base rate (0.25 x (current-period revenue decline – 10%)) + top-up (0.5 x (current-period revenue decline -50%))	20% of eligible wages (10% base + 10% top-up)

Notes: "Safe harbour" rules were designed to manage uncertainty associated with changes in the subsidy rate schedules for claimants. In Period 5 and Period 6, claimants could choose to take the flat subsidy of 75% from the previous four periods or calculate a rate based on their revenue declines, depending on which approach was more favorable. In Periods 8 to 10, after a decision to harmonize periods used to calculate the base and top-up rates, claimants could choose to use the revenue decline for the previous 3-months or the current period revenue decline to calculate their top-up subsidy.

Chart A1
Maximum CEWS Subsidy Rate, by Period



Annex 2: Select International Job Retention Programs

Many countries relied on job retention programs during the COVID-19 crisis to help preserve jobs and maintain employer-employee links. Some countries adapted already-established short-time work schemes, including Germany, France, Japan, and Italy. Several other countries launched new temporary job retention programs under an accelerated timeframe, namely Australia, Canada, Ireland, New Zealand, and the United Kingdom.

These job retention schemes shared the common goal of supporting workers and preserving employment linkages to prevent scarring. However, they varied in terms of employer eligibility, employee coverage and generosity. With respect to coverage of employees, some schemes subsidized only fully/partially furloughed workers (e.g., United Kingdom, Germany, France, Italy, Japan), whereas other schemes could be used by firms for both active and furloughed employees (e.g., New Zealand, Australia, Canada, Ireland).

While most new wage subsidy programs were initially announced as three-to-six month programs, most were extended to align with the renewal of COVID-19 restrictions as the health and economic situation evolved. Countries with pre-existing short-time work schemes similarly extended their expanded criteria to facilitate access, expand coverage and increase the generosity of these schemes. At present, some countries have ended their programs, while other countries have extended them into 2022. In countries where programs ended, more targeted measures were often introduced to support workers during renewed lockdowns.

Table A2: Job Retention Schemes During the COVID-19 Pandemic

	New Wage Subsidy Scheme	New Short-time Work Scheme	Adjusted Short-time Work Scheme
Australia	✓		
Canada	✓	✓	
France			✓
Germany			✓
Ireland	✓		
Italy			✓
Japan			✓
New Zealand	✓		
United Kingdom		✓	

Source: Finance Canada, OECD (2021), "Job retention schemes during the COVID-19 crisis: Promoting job retention while supporting job creation", in OECD Employment Outlook 2021: Navigating the COVID-19 Crisis and Recovery, OECD Publishing, Paris, https://doi.org/10.1787/c4c76f50-en.

Table A3

Selected International Wage Subsidy Programs

	Australia	Canada	Ireland	New Zealand
Program	JobKeeper Payment scheme	Canada Emergency Wage Subsidy	Temporary Wage Subsidy Scheme / Employment Wage Subsidy Scheme	COVID-19 Wage Subsidy
Description	Flat rate payments to support eligible workers for businesses experiencing a decline in revenues	Subsidy proportional to employee wages with subsidy rate determined by revenue decline of employer	Flat rate payment or subsidy proportional to employee wages for qualifying employers experiencing a decline in revenues	Flat rate payments to eligible employers for businesses experiencing a decline in revenues
Government contribution	Originally one flat rate subsidy, extended as two flat rates based on number of hours worked (+/- 80 hours over a four week period)	Originally one flat rate subsidy, rate subsequently modified to be proportional to the employer's decline in revenues (up to a maximum earnings limit)	Subsidy amount, including as multiple flat-rate payments, dependent on the gross income of each employee (up to a maximum earnings limit)	Two flat rate payments based on number of hours worked (+/- 20 hours per week)
Maximum government contribution	Up to AU$1,000 - AU$1,500 per fortnight (C$2,004 - C$3,005 per month)	At the program's most generous level, up to C$847 per week (C$3,388 per month)	Up to €100 - €410 per week (C$663 - C$2,718 per month)	Up to NZ$586 - NZ$600 per week (C$2,212 - C$2,265 per month)
Minimum Decline in Revenue	15% - 50% decline depending on the type of entity and its revenues	0% -30% decline (range over time)	25% -30% decline (range over time)	30% - 40% decline (range over time)
Start	March 30, 2020	March 15, 2020	March 26, 2020	March 27, 2020
Original Duration	6 months	12 weeks	12 weeks	3 months
Current Extension	Ended March 28, 2021	Ended October 23, 2021 and replaced by more targeted subsidy programs	Extended until April 30, 2022	Ended September 3, 2020 Reactivated March; August - December 2021
New Lockdown Supports	New COVID-19 Disaster Payment program for workers experiencing reduced hours was implemented during recent lockdowns	More targeted wage and rent support available until May 7, 2022, including a new Local Lockdown Program, for businesses that are facing temporary local lockdowns or, in some cases, capacity-limiting restrictions	Enhanced rates maintained for December 2021 and January 2022 before tapering off	Program was reactivated during recent lockdowns

Note: Calculation of revenue decline may differ by jurisdiction. Range of revenue drop required and maximum government contribution may have varied during the life of the program.

Source: Finance Canada, National authorities, OECD (2021), "Job retention schemes during the COVID-19 crisis: Promoting job retention while supporting job creation", in OECD Employment Outlook 2021: Navigating the COVID-19 Crisis and Recovery, OECD Publishing, Paris, https://doi.org/10.1787/c4c76f50-en

List of Tax Expenditures