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Report on Federal Tax Expenditures

Concepts, Estimates and Evaluations

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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 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 2017 to 2024 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 a 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 for persons with disabilities, as well as analytical studies on the Northern Residents Deduction and the Tuition Tax Credit.

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.

Disclaimer

The descriptions of tax measures contained in this document are intended to provide only a general understanding of how each of the tax measures operates. These descriptions do not replace the relevant legislation or regulations and should not be relied upon by taxpayers in arranging their tax affairs. Taxpayers are invited to contact the Canada Revenue Agency or consult the Agency's website at www.cra-arc.gc.ca for additional information on the administration of the federal tax system.

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 2017 to 2024 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 Gender-Based Analysis plus of tax expenditures for persons with disabilities, as well as analytical studies on the Northern Residents Deduction and the Tuition Tax Credit.

[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.

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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 2024; 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 2020. 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 *2022 Fall Economic Statement*.

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, most T1 model projections will continue to be based on the 2019 base year. Although data for the 2020 tax year is available, the department's view was that projections for the 2022 tax year and beyond would be better represented by the 2019 taxpayer population. The 2020 and 2021 tax years were at the height of the pandemic, which saw significant employment disruptions and government interventions in the labour market. In the 2022 tax year, the labour market returned to a state that more closely resembled the pre-pandemic period. We also anticipate other important income streams to return to levels closer to their pre-pandemic trends. As a result, tax expenditure projections using the T1 model were primarily completed using an updated 2019 base year data that included updated tax parameters based on federal and provincial announcements, as well as revised projections of income and certain deductions consistent with the *2022 Fall Economic Statement*. A smaller number of estimates were completed using projections of the T1 model using the 2020 data. These included estimates where a measure, and therefore the corresponding data, were introduced in 2020. Modelling with both datasets for the 2020 and 2021 pandemic-affected tax years reflected adjustments to alter the projected taxfiler population based on information from Statistics Canada's Labour Force Survey, administrative data on the COVID-related measures, T-slip data, and internal projections as was done for last year's publication. These deviations in modelling methodology, as well as the disruptions caused by the pandemic and the government's response, will create more variance in the estimates than is typical.

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 2020. 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 2022 *Fall Economic Statement* 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 *Fall Economic Statement*) or on historical trends. The years of the projections are indicated in the descriptions of the tax expenditures found in Part 3.

2021 tax data have been used as the baseline for many corporate income tax expenditure projections in this year's report. This, combined with the fact that in some instances different vintages of data have been used to account for pandemic-related disruptions, may create more variance in the projections than is typical.

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 2020 are derived from the most recent complete administrative data and forecasts of related economic variables provided in the Department of Finance Canada's *2022 Fall Economic Statement* or by third parties. As for GST expenditures estimated using the Goods and Services Tax Model, the values shown for 2017 and 2018 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 *2022 Fall Economic Statement* or by third parties. In many cases, preliminary aggregate data for 2019 and 2020 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 for the purpose of estimating its cost. 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 with a focus on persons with disabilities.

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 2022*, Appendix I
https://www.gov.nl.ca/budget/2022/reports-and-publications/

Nova Scotia—*Budget 2022-23*, Estimates and Supplementary Detail
https://beta.novascotia.ca/documents/budget-documents-2022-2023

Quebec—*Tax Expenditures, 2021 edition* (available in French only)
http://www.budget.finances.gouv.qc.ca/budget/outils/depenses-fiscales/index.asp

Ontario—*Taxation Transparency Report, 2022*
https://budget.ontario.ca/2022/fallstatement/transparency.html

Manitoba—*Budget 2022*, Estimates of Expenditure
https://gov.mb.ca/budget2022/index.html

Saskatchewan—*2022-23 Provincial Budget*, Estimates
https://www.saskatchewan.ca/government/budget-planning-and-reporting/budget-2022-23/budget-documents

Alberta—*Budget 2022-23—2022-25 Fiscal Plan*
https://www.alberta.ca/budget-documents.aspx#22-23

British Columbia—*Budget and Fiscal Plan 2022/23 - 2024/25*, Appendix A1, Tax Expenditures
https://www.bcbudget.gov.bc.ca/2022/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, Registered Retirement Savings Plans and the Saskatchewan Pension Plan

The cost of Registered Pension Plans, Pooled Registered Pension Plans, Registered Retirement Savings Plans and the Saskatchewan Pension Plan 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 2017 to 2024. 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			
		2017	2018	2019	2020	2021	2022	2023	2024
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.
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	2	-2	S	S	S	n.a.	n.a.	n.a.
	CIT	3	3	1	1	3	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	-5	-10	-20	20	4	n.a.	n.a.	n.a.
	CIT	-5	-10	-20	20	4	-3	n.a.	n.a.
Exemption for insurers of farming and fishing property (repealed)	CIT	10	20	–	–	–	–	–	–
Patronage dividends paid as shares by agricultural cooperatives	PIT	2	2	S	1	1	1	1	1
	CIT	4	4	S	2	1	2	2	2
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			
		2017	2018	2019	2020	2021	2022	2023	2024
BUSINESS – NATURAL RESOURCES *(cont'd)*									
Corporate Mineral Exploration and Development Tax Credit (phased out)	CIT	60	80	4	45	45	45	45	45
Critical Mineral Exploration Tax Credit for Flow-Through Share Investors	PIT	–	–	–	–	–	55	50	45
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	1	S	S	S	S
Flow-through share deductions	PIT	120	75	105	135	245	255	250	240
	CIT	50	40	25	45	75	70	70	70
Mineral Exploration Tax Credit for Flow-Through Share Investors (sunset in 2024)	PIT	65	50	60	100	140	125	120	-30
Reclassification of expenses under flow-through shares (phased out)	PIT	-2	-4	-3	-2	-1	-1	-1	-1
	CIT	S	-1	S	S	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	1	1	1	1	S	S	S	S
	CIT	1,545	1,435	1,430	1,460	1,525	1,705	1,745	1,810
BUSINESS – SMALL BUSINESSES									
Structural									
Small suppliers' threshold	GST	225	240	275	185	210	265	270	270
Non-structural									
Deduction of allowable business investment losses	PIT	40	35	50	40	45	45	45	45
	TRU	S	S	S	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	3,760	4,155	4,945	5,420	6,310	6,535	6,840	6,930
Rollovers of investments in small businesses	PIT	10	15	10	10	15	10	10	10

Table
Estimates and Projections
millions of dollars

		Estimates				Projections			
		2017	2018	2019	2020	2021	2022	2023	2024
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	-1	S	S	S
Deferral through five-year capital gain reserve	PIT	20	20	15	20	20	15	15	15
	TRU	4	5	-2	S	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	30	10	25	40	70	60	60	65
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.	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	25	55	40	40	80	85	90	90
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	–	365	4,750	3,735	2,870	2,625	2,440	-1,000
Additional Tax on Banks and Life Insurers	CIT	–	–	–	–	–	-375	-390	-405
Canada Recovery Dividend	CIT	–	–	–	–	–	-765	-765	-765
Atlantic Investment Tax Credit (non-refundable portion for CIT)	PIT	10	10	10	10	10	10	10	10
	CIT	480	235	200	130	180	215	190	195

Table
Estimates and Projections
millions of dollars

		Estimates				Projections			
		2017	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
BUSINESS – OTHER *(cont'd)*									
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 ten-year capital gain reserve	PIT	45	40	40	35	50	45	45	45
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	5	5	1	S	4	5	5
Immediate expensing for small businesses	PIT	–	–	–	–	–	305	245	205
	CIT	–	–	–	–	580	1,030	855	-330
Lifetime Capital Gains Exemption	PIT	1,755	1,855	1,805	1,745	2,795	1,965	2,040	2,125
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	S	–	–	–	–	–	–	–
DONATIONS, GIFTS, CHARITIES AND NON-PROFIT ORGANIZATIONS									
Non-structural									
Additional deduction for gifts of medicine (repealed)	CIT	X	X	X	X	X	X	–	–
Charitable Donation Tax Credit	PIT	2,900	2,980	3,055	3,055	3,310	3,400	3,510	3,600
	TRU	35	30	30	40	45	45	50	50
Deductibility of charitable donations	CIT	635	695	835	690	1,030	1,225	1,105	1,110
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	1,250	1,345	1,410	1,415	1,475	1,615	1,695	1,770
First-Time Donor's Super Credit (sunset in 2017)	PIT	4	–	–	–	–	–	–	–
Non-taxation of capital gains on donations of cultural property	PIT	5	5	3	5	5	5	4	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	2	3	2	2	3	3	3	3
	TRU	S	S	S	S	S	S	S	S
	CIT	2	1	1	S	2	1	1	1

Table
Estimates and Projections
millions of dollars

		Estimates				Projections			
		2017	2018	2019	2020	2021	2022	2023	2024
DONATIONS, GIFTS, CHARITIES AND NON-PROFIT ORGANIZATIONS *(cont'd)*									
Non-taxation of capital gains on donations of publicly listed securities	PIT	95	75	125	100	135	120	125	130
	TRU	1	2	1	S	1	1	1	1
	CIT	100	85	190	110	160	185	190	195
Non-taxation of non-profit organizations	PIT/ CIT	105	130	90	40	90	200	225	220
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	75	80	80	75	75	80	85	85
Rebate for registered charities	GST	315	320	335	295	315	330	340	355
EDUCATION									
Structural									
Deduction for tuition assistance for adult basic education	PIT	2	2	2	3	3	2	2	2
Education Tax Credit (phasing out)	PIT	400	325	230	190	120	45	S	S
Textbook Tax Credit (phasing out)	PIT	65	55	35	30	20	5	S	S
Tuition Tax Credit	PIT	1,455	1,630	1,735	2,100	2,085	2,060	2,135	2,135
Non-structural									
Exemption from GST for tuition and educational services	GST	820	895	950	895	905	925	945	965
Exemption of scholarship, fellowship and bursary income	PIT	365	470	440	510	545	485	455	410
Rebate for book purchases made by certain organizations	GST	15	15	15	10	15	15	15	15
Rebate for schools, colleges and universities	GST	830	885	860	795	875	910	925	955
Registered Education Savings Plans	PIT	110	110	120	100	120	145	180	235
Student Loan Interest Credit	PIT	45	50	55	25	20	20	20	20
EMPLOYMENT									
Structural									
Apprentice vehicle mechanics' tools deduction	PIT	3	3	3	4	4	4	4	4
Canada Employment Credit	PIT	2,385	2,495	2,595	2,750	2,760	2,785	2,985	3,140
Child Care Expense Deduction	PIT	1,240	1,270	1,325	975	1,210	1,100	1,000	950
Deductibility of certain costs incurred by musicians	PIT	S	1	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

Table
Estimates and Projections
millions of dollars

		Estimates				Projections			
		2017	2018	2019	2020	2021	2022	2023	2024
EMPLOYMENT *(cont'd)*									
Deduction of other employment expenses	PIT	920	910	920	1,145	1,370	1,380	1,240	1,275
Deduction of union and professional dues	PIT	975	1,030	1,075	1,075	1,150	1,265	1,300	1,335
Labour Mobility Deduction for Tradespeople	PIT	–	–	–	–	–	110	110	115
Moving expense deduction	PIT	110	110	110	105	145	130	120	120
Non-taxation of allowances for diplomats and other government employees posted abroad	PIT	30	35	35	35	35	30	n.a.	n.a.
Non-taxation of allowances for members of legislative assemblies and certain municipal officers (repealed)	PIT	20	20	–	–	–	–	–	–
Non-taxation of benefits in respect of home relocation loans (repealed)	PIT	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	50	50	50	40	45	50	55	55
Non-structural									
Apprenticeship Job Creation	PIT	2	2	1	1	1	1	1	1
Tax Credit	CIT	85	85	85	100	95	95	100	100
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	655	770	910	920	1,575	1,045	1,075	1,110
Non-taxation of income earned by military and police deployed to international operational missions	PIT	40	40	40	30	35	30	n.a.	n.a.
Northern Residents Deductions	PIT	225	230	230	220	235	265	265	270
ENVIRONMENT									
Structural									
Deductibility of contributions to a	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
qualifying environmental trust	CIT	60	60	50	50	50	55	55	55
Non-structural									
Accelerated capital cost allowance	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
for clean energy generation equipment (Class 43.2 sunset in 2024)	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	5	4	3	3	-5
Accelerated deductibility of Canadian	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Renewable and Conservation Expenses	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Public Transit Tax Credit (repealed)	PIT	105	–	–	–	–	–	–	–

Table
Estimates and Projections
millions of dollars

		Estimates				Projections			
		2017	2018	2019	2020	2021	2022	2023	2024
ENVIRONMENT *(cont'd)*									
Rate reduction for zero-emission technology manufacturers	CIT	–	–	–	–	–	10	15	15
FAMILIES AND HOUSEHOLDS									
Structural									
Adoption Expense Tax Credit	PIT	2	2	2	1	2	2	2	2
Canada Caregiver Credit	PIT	190	220	235	240	245	250	255	265
Eligible Dependant Credit	PIT	940	980	1,025	1,200	1,235	1,240	1,300	1,370
Goods and Services Tax/Harmonized Sales Tax Credit	GST	4,550	4,650	4,935	10,450	5,030	7,740	5,440	5,590
Spouse or Common-Law Partner Credit	PIT	1,715	1,740	1,740	1,680	1,855	2,135	2,260	2,380
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	185	210	220	150	200	175	150	140
Exemption from GST for personal care services	GST	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Investment Tax Credit for Child Care Spaces (phased out)	PIT	S	S	S	S	S	S	S	S
	CIT	X	X	X	X	X	X	X	X
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	120	100	110	125	135	150
Zero-rating of feminine hygiene products	GST	50	45	50	50	55	60	60	65
HEALTH									
Structural									
Disability supports deduction	PIT	3	3	3	3	3	3	3	3
Disability Tax Credit	PIT	1,090	1,150	1,200	1,250	1,500	1,550	1,600	1,650
Medical Expense Tax Credit	PIT	1,550	1,645	1,700	1,600	1,850	1,950	2,050	2,150
Non-structural									
Exemption from GST for health care services	GST	925	950	1,025	810	885	1,025	1,150	1,255
Exemption from GST for hospital parking	GST	15	15	15	10	15	15	20	20
Home Accessibility Tax Credit	PIT	15	15	15	15	25	35	35	35
Non-taxation of benefits from private health and dental plans	PIT	2,840	3,050	3,170	3,150	3,410	3,660	3,835	3,985
Rebate for hospitals, facility operators and external suppliers	GST	665	695	745	980	965	1,000	1,015	1,040
Rebate for specially equipped motor vehicles	GST	S	S	S	S	S	S	S	S
Registered Disability Savings Plans	PIT	60	65	70	70	85	95	115	125

Table
Estimates and Projections
millions of dollars

		Estimates				Projections			
		2017	2018	2019	2020	2021	2022	2023	2024
HEALTH *(cont'd)*									
Surtax on the profits of tobacco manufacturers (phased out)	CIT	X	–	–	–	–	–	–	–
Zero-rating of face masks and face shields	GST	–	–	–	3	80	60	40	35
Zero-rating of medical and assistive devices	GST	440	465	480	475	525	550	555	580
Zero-rating of prescription drugs	GST	850	880	895	945	985	1,035	1,080	1,135
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	1,820	1,915	2,070	2,205	2,255	2,360	2,490	2,610
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	110	105	110	130	150	265	270	270
Non-taxation of capital gains on principal residences	PIT	6,980	5,590	5,645	7,805	11,430	10,870	8,765	8,995
Rebate for new housing	GST	510	495	420	425	460	400	395	385
Rebate for new residential rental property	GST	165	170	210	205	225	220	220	210
Tax-Free First Home Savings Account	PIT	–	–	–	–	–	–	125	465
INCOME SUPPORT									
Non-structural									
Non-taxation of certain veterans' benefits	PIT	205	200	200	185	175	170	170	165
Non-taxation of Guaranteed Income Supplement and Allowance benefits	PIT	225	225	235	245	210	240	305	300
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	35	40	50	55	70	75	75	80
Non-taxation of social assistance benefits	PIT	265	300	340	400	370	340	320	300
Non-taxation of workers' compensation benefits	PIT	675	720	755	830	855	840	850	855

Table
Estimates and Projections
millions of dollars

		Estimates				Projections			
		2017	2018	2019	2020	2021	2022	2023	2024
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	2,515	2,670	2,765	2,765	2,895	3,060	3,100	3,195
Refunds for Indigenous self-governments	GST	10	10	10	10	10	15	15	15
Non-structural									
Logging Tax Credit	PIT	1	2	1	1	2	2	2	3
	TRU	X	X	X	X	X	X	X	X
	CIT	50	75	20	55	175	45	30	25
INTERNATIONAL									
Structural									
Deductibility of countervailing and anti-dumping duties when paid	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 for international shipping and aviation by non-residents	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-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	305	310	330	80	100	265	315	335
Non-structural									
Exemptions from non-resident withholding tax	PIT/ CIT	6,940	8,415	8,795	8,215	9,280	10,375	10,645	10,925
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	1,195	1,235	1,255	1,270	1,275	1,295	1,360	1,395
Pension income splitting	PIT	1,290	1,380	1,415	1,470	1,565	1,735	1,895	2,040
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	28,000	25,045	28,685	24,990	34,475	37,205	42,865	42,350
Registered Retirement Savings Plans	PIT	17,670	15,455	17,915	17,040	24,310	25,805	29,600	29,290
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	225	215	230	235	230	220	245	255

Table
Estimates and Projections
millions of dollars

		Estimates				Projections			
		2017	2018	2019	2020	2021	2022	2023	2024
SAVINGS AND INVESTMENT *(cont'd)*									
Taxation of capital gains	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
upon realization	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	150	155	160	180	175	170	175	185
	PIT	9,485	8,700	8,540	10,755	19,100	10,560	10,995	11,450
Partial inclusion of capital gains	TRU	885	725	695	1,105	825	495	645	775
	CIT	8,540	11,640	10,985	10,225	16,845	10,105	10,540	11,015
Tax-Free Savings Account	PIT	1,075	870	1,100	1,500	1,765	1,630	1,825	1,955
SOCIAL									
Non-structural									
Age Credit	PIT	3,450	3,625	3,820	3,945	3,955	4,130	4,680	5,045
Credit for subscriptions to Canadian digital news media	PIT	–	–	–	10	15	15	20	20
Deduction for clergy residence	PIT	95	95	95	95	100	100	100	105
Exemption from GST and rebate for legal aid services	GST	45	50	50	45	45	55	60	65
Exemption from GST for ferry, road and bridge tolls	GST	10	15	15	10	10	15	15	15
Exemption from GST for municipal transit	GST	215	225	225	100	110	160	195	215
Exemption from GST for water, sewage and basic garbage collection services	GST	305	325	340	355	375	405	425	440
Political Contribution Tax Credit	PIT	25	30	45	35	45	25	25	25
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	4
Volunteer Firefighters Tax Credit	PIT	20	20	15	15	20	20	20	20
Zero-rating of basic groceries	GST	4,525	4,705	4,895	5,385	5,510	5,800	6,120	6,415
OTHER									
Non-structural									
Non-taxation of personal property of status Indians and Indian bands	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
situated on reserve	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			
		2017	2018	2019	2020	2021	2022	2023	2024
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	370	135	245	135	165	175	195	210
	CIT	7,210	7,885	8,530	8,625	9,390	11,640	10,755	10,730
Partial deduction of and partial input tax credits for meals and entertainment	PIT	210	200	200	135	110	135	120	120
	CIT	315	330	340	225	185	220	200	200
	GST	180	185	190	125	100	115	105	105
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	10,075	10,615	11,540	11,845	13,635	15,680	17,085	18,495
Tax treatment of Employment Insurance and Quebec Parental Insurance Plan premiums and benefits	PIT	3,970	4,240	4,330	4,180	4,555	4,985	5,305	5,665
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	4,745	5,130	5,415	5,515	6,260	6,760	7,005	7,100
	TRU	95	70	90	135	165	125	160	180
Transfer of income tax points to provinces	PIT	22,905	24,410	25,270	26,135	29,290	31,770	32,890	33,675
	TRU	820	535	875	1,045	1,125	985	1,195	1,295
	CIT	3,320	3,650	3,435	3,680	5,235	6,215	5,600	4,410
INTERNATIONAL									
Structural									
Foreign tax credit for individuals	PIT	1,650	1,825	1,975	1,925	2,005	2,040	2,080	2,110
	TRU	50	50	30	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	1,295	750	890	710	1,540	900	1,075	1,400
	CIT	565	780	555	915	770	800	825	830
Deduction of interest and carrying charges incurred to earn investment income	PIT	1,630	1,855	1,945	1,890	2,245	2,265	2,350	2,410
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Dividend gross-up and tax credit	PIT	5,395	4,925	4,885	4,650	5,255	5,835	6,040	6,285
	TRU	240	280	250	250	240	270	275	285

Table
Estimates and Projections
millions of dollars

		Estimates				Projections			
		2017	2018	2019	2020	2021	2022	2023	2024
SAVINGS AND INVESTMENT *(cont'd)*									
Investment corporation deduction	CIT	S	S	S	S	S	S	S	S
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.
Refundable capital gains tax for investment corporations, mutual fund corporations and mutual fund trusts	TRU	4,480	2,400	4,910	5,920	6,405	2,135	3,845	4,995
	CIT	1,315	1,025	1,085	1,120	1,745	1,045	1,090	1,145
OTHER									
Structural									
Credit for the Basic Personal Amount	PIT	35,050	36,440	38,775	44,485	46,415	47,585	50,420	53,265
Non-taxation of payments to Canadian Armed Forces members and veterans in respect of pain and suffering	PIT	345	345	295	300	390	430	455	355
Refundable taxes on investment income of private corporations	CIT	-1,840	-2,360	-2,525	-3,155	-4,645	-5,225	-5,205	-5,440
Special tax computation for certain retroactive lump-sum payments	PIT	1	1	2	S	1	1	1	1
REFUNDABLE TAX CREDITS CLASSIFIED AS TRANSFER PAYMENTS									
10% Temporary Wage Subsidy for Employers	PIT/ CIT	–	–	–	1,695	–	–	–	–
Atlantic Investment Tax Credit (refundable portion)	CIT	20	25	25	30	25	30	30	30
Canada Child Benefit	PIT	23,420	23,900	24,300	26,800	24,500	24,900	26,300	27,700
Quarterly payments for families with young children entitled to the Canada Child Benefit (2021) – Children's Benefits	PIT	–	–	–	560	1,680	–	–	–
Carbon Capture, Utilization and Storage Investment Tax Credit	CIT	–	–	–	–	–	–	–	165
Canada Emergency Rent Subsidy and Lockdown Support	PIT/ CIT	–	–	–	2,105	5,640	–	–	–
Canada Emergency Wage Subsidy	PIT/ CIT	–	–	–	70,885	29,875	–	–	–
Canada Recovery Hiring Program	PIT/ CIT	–	–	–	–	955	460	–	–
Canada Training Credit	PIT	–	–	–	100	175	200	220	235
Canadian Film or Video Production Tax Credit	CIT	295	270	295	240	200	290	300	310

Table
Estimates and Projections
millions of dollars

		Estimates				Projections			
		2017	2018	2019	2020	2021	2022	2023	2024
REFUNDABLE TAX CREDITS CLASSIFIED AS TRANSFER PAYMENTS *(cont'd)*									
Canadian Journalism Labour Tax Credit	PIT	–	–	n.a.	1	S	S	S	S
	CIT	–	–	35	35	30	35	35	35
Film or Video Production Services Tax Credit	CIT	275	310	315	330	260	335	345	355
Hardest-Hit Business Recovery Program	PIT/ CIT	–	–	–	–	315	345	–	–
Investment Tax Credit for Clean Technologies	PIT	–	–	–	–	–	–	75	45
	CIT	–	–	–	–	–	–	1,100	970
Local Lockdown Program	PIT/ CIT	–	–	–	–	n.a.	n.a.	–	–
Multigenerational Home Renovation Tax Credit	PIT	–	–	–	–	–	–	25	25
Refundable Medical Expense Supplement	PIT	155	165	170	120	140	160	180	200
Scientific Research and Experimental Development Investment Tax Credit (refundable portion)	CIT	1,300	1,405	1,835	1,825	1,725	1,925	1,975	2,050
Small Businesses Air Quality Improvement Tax Credit	PIT	–	–	–	–	–	5	1	–
	CIT	–	–	–	–	–	155	80	–
Teacher and Early Childhood Educator School Supply Tax Credit	PIT	4	5	5	5	10	10	10	10
Tourism and Hospitality Recovery Program	PIT/ CIT	–	–	–	–	1,055	1,640	–	–
Working Income Tax Benefit (replaced)	PIT	1,160	1,105	–	–	–	–	–	–
Canada Workers Benefit	PIT	–	–	2,005	900	2,445	3,655	4,735	4,875

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			
		2017	2018	2019	2020	2021	2022	2023	2024
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	1	S	S	S	S
Flow-through share deductions for oil and gas and coal mining[3]	PIT	20	10	5	3	2	2	1	1
	CIT	15	10	10	5	5	10	10	5
Reclassification of expenses under flow-through shares (phased out)[4]	PIT	-2	-4	-3	-2	-1	-1	-1	-1
	CIT	S	-1	S	S	S	S	S	S
Atlantic Investment Tax Credit for oil and gas and coal mining (non-refundable portion for CIT, phased out)[5]	PIT	S	S	S	S	S	S	S	S
	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] Budget 2022 announced the elimination of the flow-through share regime for fossil fuel sector activities. This will be done by no longer allowing expenditures related to oil, gas, and coal exploration and development to be renounced to flow-through share investors for flow-through share agreements entered into after March 31, 2023.
[4] 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.
[5] 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 2021–2022

	Revenues (billions of dollars)	Share of total revenues (%)	Share of gross domestic product (%)
Personal income taxes	198.4	48.0	8.0
Corporate income taxes	78.8	19.1	3.2
Non-resident withholding taxes	10.8	2.6	0.4
Goods and Services Tax	46.2	11.2	1.8
Other excise duties and taxes and customs import duties	16.5	4.0	0.7
Total tax revenues	350.7	84.9	14.1
Non-tax revenues	62.6	15.1	2.5
Total revenues	413.3	100.0	16.6

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, *2022 Fall Economic Statement*.

Federal Personal Income Tax Brackets and Rates, Taxfilers and Taxes Paid, 2020

	Tax Brackets		Taxfilers		Taxes Paid	
	Income range	Rate	Number (millions)	Share (%)	Amount (billions of dollars)	Share (%)
First bracket	Under $48,535	15%	9.9	33	19.6	12
Second bracket	$48,535 - $97,069	20.5%	7.5	26	56.4	35
Third bracket	$97,069 - $150,473	26%	1.6	6	28.8	18
Fourth bracket	$150,473 - $214,368	29%	0.5	2	14.4	9
Fifth bracket	Over $214,368	33%	0.4	1	41.9	26
Taxable filers			19.9	68	161.1	100
Non-taxable filers			9.1	32		
All taxfilers			29.0	100		

Notes: These statistics are presented on a public accounts basis and calculated using the T1 microdata from individual tax returns for the 2020 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), 2020

	Taxable Income		Corporations Reporting Income		Taxes Paid	
	Amount (billions of dollars)	Share (%)	Number (thousands)	Share (%)	Amount (billions of dollars)	Share (%)
Canadian-controlled private corporations	**215.0**	**56**	**1,024.1**	**98**	**28.4**	**55**
Business income taxed at the preferential tax rate for small businesses	86.5	23	818	78		
Other business income taxed at the general rate	96.6	25	138	13		
Other income	32	8	361.3	35		
Other corporations	**167.7**	**44**	**20.9**	**2**	**23.3**	**45**
Business income taxed at the general rate	163.5	43	20.7	2		
Other income	4.2	1	10.2	1		
Total	**382.7**	**100**	**1,045.0**	**100**	**51.7**	**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 2022 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, 2022, changes announced in Budget 2023 are not listed below or taken into account in the estimates and projections.

Personal Income Tax

Canada Workers Benefit

The *2022 Fall Economic Statement* proposed to automatically issue advance payments of the Canada Workers Benefit to people who qualified for the benefit in the previous year, starting in July 2023 for the 2023 taxation year. Workers would receive a minimum entitlement for the year through advance payments based on income reported in the prior year's tax return, and any additional entitlement for the year would be provided when filing their tax return for the year.

Labour Mobility Deduction for Tradespeople

Budget 2022 introduced a Labour Mobility Deduction for Tradespeople, which provides tax recognition on up to $4,000 per year in eligible travel and temporary relocation expenses to eligible tradespersons and apprentices working in a construction activity.

Eligible expenses include temporary lodging near a temporary work location, transportation for one round trip from the ordinary residence to the temporary lodging, and meals in the course of travel. An eligible temporary relocation requires that the temporary lodging be at least 150 kilometres closer than the ordinary residence to the temporary work location. This measure applies to the 2022 and subsequent taxation years.

Disability Tax Credit

Budget 2021 amended the list of mental functions necessary for everyday life for qualifying for the Disability Tax Credit to include: attention; concentration; memory; judgement; perception of reality; problem-solving; goal-setting; regulation of behaviour and emotions; verbal and non-verbal comprehension; and adaptive functioning.

Budget 2021 also amended rules pertaining to the life-sustaining therapy category, in order to reduce the minimum required frequency of therapy and to recognize more types of activities as related to life-sustaining therapy.

All individuals with type 1 diabetes are deemed to automatically meet the eligibility criteria under the life-sustaining therapy category.

These changes apply for the 2021 and subsequent tax years.

Medical Expense Tax Credit

Budget 2022 amended the *Income Tax Act* to allow medical expenses incurred in Canada related to a surrogate mother or a sperm, ova, or embryo donor, as well as fees paid to fertility clinics and donor banks in Canada in order to obtain donor sperm and ova, to be eligible under the Medical Expense Tax Credit. These changes will apply to the 2022 and subsequent taxation years.

Home Accessibility Tax Credit

Budget 2022 doubled the Home Accessibility Tax Credit's annual qualifying expense limit from $10,000 to $20,000, to provide a tax credit of up to $3,000. All other rules regarding the credit remain the same. This change applies to expenses incurred in the 2022 and subsequent taxation years.

Multigenerational Home Renovation Tax Credit

Budget 2022 introduced a new refundable Multigenerational Home Renovation Tax Credit. This credit provides recognition of eligible expenses for a qualifying renovation. A qualifying renovation is one that creates a secondary dwelling unit to permit an eligible person—a senior or a person with a disability—to live with a qualifying relation. The value of the credit is 15% of up to $50,000 in eligible expenses, such as the cost of labour and professional services, building materials, fixtures, and equipment rentals. This measure will apply for the 2023 and subsequent taxation years.

Goods and Services Tax/Harmonized Sales Tax Credit

As announced on September 13, 2022, the government is providing temporary support to Canadians by doubling the 2022-23 Goods and Services Tax/Harmonized Sales Tax Credit for six months and paying out the extra amounts as a one-time, lump-sum payment starting on November 4, 2022.

Tax Measures for Kinship Care Providers

Budget 2022 clarified that a kinship care provider may be considered to be the parent of a child in their care for the purposes of the Canada Workers Benefit amount for families and the Canada Child Benefit, regardless of whether they receive financial assistance from an Indigenous governing body (acting on behalf of an Indigenous community exercising its jurisdiction over child and family services), provided they meet all other eligibility requirements.

Budget 2022 also clarified that financial assistance payments for the care of a child received by kinship care providers or foster parents from an Indigenous governing body are neither taxable, nor included in income for the purposes of determining entitlement to income-tested benefits and credits.

These measures are retroactive to January 1, 2020, when *An Act respecting First Nations, Inuit and Métis children, youth and families* came into force.

Tax-Free First Home Savings Account

Budget 2022 introduced the Tax-Free First Home Savings Account (FHSA). The FHSA is a new registered plan that will help individuals save for their first home.

Starting at some point in 2023, Canadian residents 18 years and older who are first-time home buyers will be able to open an FHSA. The annual contribution limit will be $8,000 (fully available in 2023), with a lifetime contribution limit of $40,000. Any unused annual contribution room will be carried forward, up to a maximum of $8,000. The carry-forward amounts will only start accumulating after an individual opens an FHSA for the first time. FHSA contributions will be tax-deductible and income earned in an FHSA will not be subject to tax. Qualifying FHSA withdrawals, used to purchase a first home in Canada, will be non-taxable. All non-qualifying withdrawals will be subject to taxation.

Critical Mineral Exploration Tax Credit for Flow-Through Share Investors

Budget 2022 announced a new Critical Mineral Exploration Tax Credit. This measure will provide a 30% non-refundable tax credit for specified mineral exploration expenses incurred in Canada and renounced to flow-through share investors.

The tax credit applies to certain exploration expenditures targeted at nickel, lithium, cobalt, graphite, copper, rare earth elements, vanadium, tellurium, gallium, scandium, titanium, magnesium, zinc, platinum group metals, or uranium, and renounced as part of a flow-through share agreement entered into after April 7, 2022 and on or before March 31, 2027.

Corporate Income Tax

Additional Tax on Banks and Life Insurers

Budget 2022 introduced an additional tax of 1.5% of the taxable income for members of bank and life insurer groups. Bank and life insurer groups subject to the additional tax are permitted to allocate a $100 million taxable income exemption by agreement amongst group members.

The additional tax applies to taxation years that end after April 7, 2022. For a taxation year that includes April 7, 2022, the additional tax is prorated based on the number of days in the taxation year after April 7, 2022.

Canada Recovery Dividend

Budget 2022 introduced the Canada Recovery Dividend (CRD) in the form of a one-time 15% tax on bank and life insurer groups. A group would include a bank or life insurer and any other financial institution (for the purposes of Part VI of the *Income Tax Act*) that is related to the bank or life insurer.

The CRD is determined based on the average of 2020 and 2021 taxable income. A proration rule is provided for short taxation years. Bank and life insurer groups subject to the CRD are permitted to allocate a $1 billion taxable income exemption by agreement amongst group members.

The CRD liability will be imposed for the 2022 taxation year and will be payable in equal amounts over five years.

Preferential Tax Rate for Small Businesses

Small businesses may benefit from a reduced federal tax rate of 9% on their first $500,000 of taxable income, compared to a general federal corporate tax rate of 15%. A Canadian-controlled private corporation (CCPC) no longer has access to this lower rate once the combined taxable capital employed in Canada of the CCPC and its associated corporations reaches $15 million.

Budget 2022 modified the rules to phase out access to the small business tax rate more gradually, with access to be fully phased out when the combined taxable capital employed in Canada of the CCPC and its associated corporations reaches $50 million, rather than at $15 million.

This measure applies to taxation years that begin on or after April 7, 2022.

Flow-through Share Deductions

Budget 2022 announced the elimination of the flow-through share regime for fossil fuel sector activities. This will be done by no longer allowing expenditures related to oil, gas, and coal exploration and development to be renounced to flow-through share investors for flow-through share agreements entered into after March 31, 2023.

Investment Tax Credit for Clean Technologies

The *2022 Fall Economic Statement* proposed a refundable tax credit for the capital cost of investments in certain clean technologies:

- Certain Electricity Generation Systems, including small modular nuclear reactors, solar, wind, and water (small hydro, run-of-river, wave, and tidal);
- Stationary Electricity Storage Systems that do not use fossil fuels in their operation;
- Certain Low-Carbon Heat Equipment, including active solar heating, air-source heat pumps, and ground-source heat pumps; and
- Non-road zero-emission vehicles and related charging or refueling equipment.

A 30% tax credit rate will be available to businesses that adhere to certain labour conditions, while other businesses will be eligible for a 20% tax credit rate. Additional details on labour conditions will be announced in Budget 2023.

The credit will be available starting on or after the day of the 2023 Budget and no longer in effect after 2034, subject to a phase-out starting in 2032.

Carbon Capture, Utilization and Storage (CCUS) Investment Tax Credit.

Budget 2022 proposed a refundable investment tax credit for businesses that incur eligible CCUS expenses, starting in 2022. The investment tax credit would be available to CCUS projects to the extent that they permanently store captured CO_2 through an eligible use. Eligible CO_2 uses include dedicated geological storage and storage of CO_2 in concrete, but does not include enhanced oil recovery.

From 2022 through 2030, the investment tax credit rates would be set at:

- 60% for investment in equipment to capture CO_2 in direct air capture projects;
- 50% for investment in equipment to capture CO_2 in all other CCUS projects; and
- 37.5% for investment in equipment for transportation, storage and use.

To encourage the industry to move quickly to lower emissions, these rates will be reduced by 50% for the period from 2031 through 2040.

Expansion of the Eligibility for Immediate Expensing to a Broader Range of Taxpayers

As announced on February 4, 2022, the government has expanded eligibility for the $1.5 million temporary immediate expensing measure to investments in eligible property made by unincorporated businesses carried on directly by Canadian resident individuals (other than trusts) and certain eligible partnerships. This measure is effective for investments made on or after January 1, 2022 that become available for use before 2025 (in the case of an individual or a partnership all members of which are individuals) or before 2024 (for other partnerships).

Rate Reduction for Zero-Emission Technology Manufacturers

Budget 2022 extended the 50% reduction in the general corporate and small business income tax rates for zero-emission technology manufacturers to include the manufacturing of air-source heat pumps used for space or water heating.

The reduced tax rates apply to taxation years that begin after 2021. The reduced rates will 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 2022 expanded the accelerated capital cost allowance for clean energy generation and energy efficient equipment under Classes 43.1 and 43.2 to include air-source heat pumps primarily used for space or water heating. The expansion of Classes 43.1 and 43.2 applies in respect of property that is acquired and that becomes available for use on or after April 7, 2022, where it has not been used or acquired for use for any purpose before that date.

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
- General revenue raising

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.[14]

Source of data

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

[14] 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 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	The cost of this measure reflects administrative data provided by the Canada Revenue Agency.
Projection method	n/a
Number of beneficiaries	As of January 2023, 324,390 employers had benefited from the subsidy, of which 23,480 had multiple payroll accounts.

Cost Information:

Millions of dollars	2017	2018	2019	2020	2021	2022 (P)	2023 (P)	2024 (P)
Personal and corporate income tax	–	–	–	1,695	–	–	–	–

Note: The figures in the table correspond to the gross fiscal impact of the measures and they are subject to change as claims are reviewed and adjusted. The distribution across years reflects the benefit periods for the programs. Gross payouts are consistent with the 2021-22 Public Accounts of Canada. Figures will be adjusted in next year's report to reflect final assessments and any adjustments made to final program totals. Beneficiary counts are rounded to the nearest ten and are subject to change as more applications are assessed and reassessed.

$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 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 2022 expanded eligibility to include air-source heat pumps used for space and water heating. Budget 2021 expanded 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 updated 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 750 businesses made additions to Classes 43.1 and 43.2 in 2020. 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	**2017**	**2018**	**2019**	**2020**	**2021 (P)**	**2022 (P)**	**2023 (P)**	**2024 (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 16,430 corporations made additions to the relevant CCA class in 2020. 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 2020 the additional allowance was only available for mining assets under Class 41.2. About 60 corporations made additions to Class 41.2 in 2020. 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 50 corporations made additions to the relevant CCA class in 2020. 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	In 2020, about 1,060 corporations made additions to Class 54, about 1,570 corporations made additions to Class 55, and about 80 corporations made additions to Class 56. No data is available for unincorporated businesses.

Cost Information:

Millions of dollars	**2017**	**2018**	**2019**	**2020**	**2021 (P)**	**2022 (P)**	**2023 (P)**	**2024 (P)**
Personal and corporate income tax								
On-road zero-emission vehicles	–	–	2	5	4	3	2	-5
Other types of zero-emission automotive equipment and vehicles	–	–	–	S	S	S	1	1
Total – personal and corporate income tax	–	–	2	5	4	3	3	-5

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 100 corporations incurred Canadian Renewable and Conservation Expenses in 2020. 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 1,650 corporations made Canadian Exploration Expenses in 2020. 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	About 560,000 corporations made new additions under the accelerated investment incentive in 2020. No

beneficiaries	data is available for unincorporated businesses.

Cost Information:

Millions of dollars	2017	2018	2019	2020	2021 (P)	2022 (P)	2023 (P)	2024 (P)
Personal and corporate income tax	–	365	4,750	3,735	2,870	2,625	2,440	-1,000

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	2017	2018	2019	2020	2021 (P)	2022 (P)	2023 (P)	2024 (P)
Corporate income tax	X	X	X	X	X	X	–	–

Additional Tax on Banks and Life Insurers

Description	Bank and life insurance groups are subject to an additional 1.5% tax on their taxable income. Bank and life insurer group members are permitted to allocate a $100 million taxable income exemption by agreement amongst group members.
Tax	Corporate income tax
Beneficiaries	Bank and life insurance groups
Type of measure	Surtax
Legal reference	*Income Tax Act*, section 123.6
Implementation and recent history	• Introduced in Budget 2022, effective for taxation years that end after April 7, 2022.
Objective – category	General revenue raising
Objective	To raise additional revenues.
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	n/a
Other relevant government programs	n/a
Source of data	T2 Corporation Income Tax Return
Estimation method	Micro-simulation model based on administrative data
Projection method	The cost of this measure is expected to grow in line with nominal gross domestic product.
Number of beneficiaries	About 25 corporations are expected to pay the additional tax in 2022.

Cost Information:

Millions of dollars	**2017**	**2018**	**2019**	**2020**	**2021 (P)**	**2022 (P)**	**2023 (P)**	**2024 (P)**
Corporate income tax	–	–	–	–	–	-375	-390	-405

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 $17,131 per child (2022, 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 1,290 individuals claimed this credit in 2020.

Cost Information:

Millions of dollars	2017	2018	2019	2020	2021 (P)	2022 (P)	2023 (P)	2024 (P)
Personal income tax	2	2	2	1	2	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 ($7,898 for 2022). The credit is income-tested—the credit amount is reduced by 15% of net income in excess of an annually indexed threshold amount ($39,826 for 2022). The credit is completely phased out at an income level of $92,480 in 2022. 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 6.5 million individuals claimed this credit in 2020.

Cost Information:

Millions of dollars	**2017**	**2018**	**2019**	**2020**	**2021 (P)**	**2022 (P)**	**2023 (P)**	**2024 (P)**
Personal income tax	3,450	3,625	3,820	3,945	3,955	4,130	4,680	5,045

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 ($1,287 in 2022) 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 5,200 individuals claimed this deduction in 2020.

Cost Information:

Millions of dollars	**2017**	**2018**	**2019**	**2020**	**2021 (P)**	**2022 (P)**	**2023 (P)**	**2024 (P)**
Personal income tax	3	3	3	4	4	4	4	4

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 500 individuals and 12,900 corporations claimed this credit in 2020. The number of trusts having claimed this credit in 2020 is not disclosed due to confidentiality restrictions.

Cost Information:

Millions of dollars	**2017**	**2018**	**2019**	**2020**	**2021 (P)**	**2022 (P)**	**2023 (P)**	**2024 (P)**
Personal income tax	2	2	1	1	1	1	1	1
Corporate income tax								
Earned and claimed in current year	60	60	60	65	60	65	65	65
Claimed in current year but earned in prior years	25	20	20	35	30	30	30	35
Earned in current year but carried back to prior years	4	3	5	2	2	2	2	2
Total – corporate income tax	85	85	85	100	95	95	100	100
Total	90	90	90	100	95	95	100	105

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.
Number of beneficiaries	About 4,100 individuals and 6,560 corporations claimed this credit in 2020. The number of trusts having claimed this credit in 2020 is not disclosed due to confidentiality restrictions.

Cost Information:

Millions of dollars	2017	2018	2019	2020	2021 (P)	2022 (P)	2023 (P)	2024 (P)
Personal income tax	10	10	10	10	10	10	10	10
Corporate income tax								
Non-refundable portion								
Earned and claimed in current year	45	50	35	55	70	85	75	75
Claimed in current year but earned in prior years	425	180	155	65	105	125	110	110
Earned in current year but carried back to prior years	10	5	15	10	5	5	5	5
Total – non-refundable portion	480	235	200	130	180	215	190	195
Refundable portion	20	25	25	30	25	30	30	30
Total – corporate income tax	500	260	230	160	205	240	225	225
Total	515	270	240	170	215	255	235	235

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 2022, the amount of the credit is: • $7,525 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; • $2,350 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 ($2,350). Where this results in less tax relief than would be available if the higher amount ($7,525) 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 $17,670 (in 2022) and is fully phased out when the dependant's income reaches $25,195 (in 2022). 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
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model

Number of beneficiaries	In total, about 535,000 were entitled to an amount for the Canada Caregiver Credit for 2020. This includes about 199,000 who were caring for an infirm spouse or common-law partner, 46,000 who were caring for an eligible dependant, 157,000 individuals who claimed the credit in respect of an infirm dependant age 18 or older, and 133,000 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	**2017**	**2018**	**2019**	**2020**	**2021 (P)**	**2022 (P)**	**2023 (P)**	**2024 (P)**
Personal income tax	190	220	235	240	245	250	255	265

Canada Child Benefit

Description	For the 2022-23 benefit year, the Canada Child Benefit provides a maximum benefit of $6,997 per child under the age of 6 and $5,903 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 $32,797 and $71,060, 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 $71,060, 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 $71,060. 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 2022-23 benefit year, the Child Disability Benefit provides up to $2,985 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 $71,060. 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. • Budget 2022 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, regardless of whether they receive financial assistance from an Indigenous governing body.
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 2022.

Cost Information:

Millions of dollars	**2017**	**2018**	**2019**	**2020**	**2021 (P)**	**2022 (P)**	**2023 (P)**	**2024 (P)**
Canada Child Benefit – Children's Benefits	23,420	23,900	24,300	26,800	24,500	24,900	26,300	27,700
Quarterly payments for families with young children entitled to the Canada Child Benefit (2021) – Children's Benefits	–	–	–	560	1,680	–	–	–

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) provided eligible employers with a subsidy on certain rent- and mortgage-related costs. Eligible entities were individuals, taxable corporations and trusts, partnerships consisting of eligible entities, non-profit organizations, registered charities and other prescribed entities that met the minimum revenue decline. The measure came into effect on September 27, 2020 and ended on 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 were capped at $75,000 per location and a maximum of $300,000 among affiliated entities. Additionally, entities with locations that had been significantly affected by a public health order were eligible for the Lockdown Support equal to 25% of eligible costs. The Lockdown Support was 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 was intended to support businesses and other organizations that were affected by the COVID-19 pandemic through a subsidy on certain rent- and mortgage-related costs. The top-up was intended to provide direct financial support to businesses that were 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	The cost of this measure reflects administrative data provided by the Canada Revenue Agency.
Projection method	n/a

Number of beneficiaries	The numbers of unique applicants with approved claims since the start of the programs are 223,570 and 95,520 for the CERS and for Lockdown Support, respectively (data as of November 6, 2022).

Cost Information:

Millions of dollars	**2017**	**2018**	**2019**	**2020**	**2021**	**2022 (P)**	**2023 (P)**	**2024 (P)**
Personal and corporate income tax	–	–	–	2,105	5,640	–	–	–

Note: The figures in the table correspond to the gross fiscal impact of the measures and they are subject to change as claims are reviewed and adjusted. The distribution across years reflects the benefit periods for the programs. Gross payouts are consistent with the 2021-22 Public Accounts of Canada. Figures will be adjusted in next year's report to reflect final assessments and any adjustments made to final program totals.

Canada Emergency Wage Subsidy

Description	The Canada Emergency Wage Subsidy (CEWS) provided eligible employers whose revenues had 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 ended on October 23, 2021. Eligible entities were individuals, taxable corporations and trusts, partnerships consisting of eligible entities, non-profit organizations, registered charities and other prescribed entities that met 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 had been restricted to employers with current-month revenue losses above 10% and subsidy rates had also been gradually reduced in order to ensure an orderly phase-out of the program by October 23, 2021. A separate rate structure applied to furloughed employees, which was 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, 2021, 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 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	The cost of this measure reflects administrative data provided by the Canada Revenue Agency.
Projection method	n/a
Number of beneficiaries	The number of unique applicants with approved claims since the start of the program is 460,110 (data as of September 11, 2022).

Cost Information:

Millions of dollars	**2017**	**2018**	**2019**	**2020**	**2021**	**2022 (P)**	**2023 (P)**	**2024 (P)**
Personal and corporate income tax	–	–	–	70,885	29,875	–	–	–

Note: The figures in the table correspond to the gross fiscal impact of the measures and they are subject to change as claims are reviewed and adjusted. The distribution across years reflects the benefit periods for the programs. Gross payouts are consistent with the 2021-22 Public Accounts of Canada. Figures will be adjusted in next year's report to reflect final assessments and any adjustments made to final program totals.

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 $1,287 (in 2022) 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 18.4 million individuals claimed this credit in 2020.

Cost Information:

Millions of dollars	**2017**	**2018**	**2019**	**2020**	**2021 (P)**	**2022 (P)**	**2023 (P)**	**2024 (P)**
Personal income tax	2,385	2,495	2,595	2,750	2,760	2,785	2,985	3,140

Canada Recovery Dividend

Description	The Canada Recovery Dividend (CRD) is a one-time tax on bank and life insurer groups. For the purpose of this measure, groups are defined as a bank or life insurer and any other financial institution (for the purposes of Part VI of the *Income Tax Act*) that is related to the bank or life insurer. The CRD applies at a rate of 15% on the average of 2020 and 2021 taxable income. Bank and life insurer groups subject to the CRD are permitted to allocate a $1 billion taxable income exemption by agreement amongst group members. The CRD liability is imposed for the 2022 taxation year and is payable in equal amounts over five years.
Tax	Corporate income tax
Beneficiaries	Bank and life insurance groups
Type of measure	Surtax
Legal reference	*Income Tax Act*, section 191.5
Implementation and recent history	• Introduced in Budget 2022, effective for the 2022 taxation year.
Objective – category	General revenue raising
Objective	The Canada Recovery Dividend was introduced to ensure large financial institutions help support Canada's broader recovery from the COVID-19 pandemic.
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	n/a
Other relevant government programs	n/a
Source of data	T2 Corporation Income Tax Return
Estimation method	Micro-simulation model based on administrative data
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	**2017**	**2018**	**2019**	**2020**	**2021 (P)**	**2022 (P)**	**2023 (P)**	**2024 (P)**
Corporate income tax	–	–	–	–	–	-765	-765	-765

Canada Recovery Hiring Program

Description	Eligible employers received 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) were generally eligible for the Canada Recovery Hiring Program. However, a for-profit corporation was eligible for the hiring subsidy only if it was a Canadian-controlled private corporation (including a cooperative corporation that was eligible for the small business deduction). Other eligible employers included individuals, non profit organizations, registered charities, and certain partnerships. Eligible employers claimed 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. 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	The cost of this measure reflects administrative data provided by the Canada Revenue Agency.
Projection method	n/a
Number of beneficiaries	The number of unique applicants with approved claims since the start of the program is 58,910 (data as of November 6, 2022)..

Cost Information:

Millions of dollars	2017	2018	2019	2020	2021	2022	2023 (P)	2024 (P)
Personal and corporate income tax	–	–	–	–	955	460	–	–

Note: The figures in the table correspond to the gross fiscal impact of the measures and they are subject to change as claims are reviewed and adjusted. The distribution across years reflects the benefit periods for the programs. Gross totals reflect reported payouts as of November 6, 2022. Figures will be adjusted in next year's report to reflect final assessments and any adjustments made to final program totals.

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 for 2022, 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 420,000 individuals claimed this credit in 2020.

Cost Information:

Millions of dollars	2017	2018	2019	2020	2021 (P)	2022 (P)	2023 (P)	2024 (P)
Personal income tax	–	–	–	100	175	200	220	235

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 $1,428 for single individuals without dependants and $2,461 for families (couples and single parents) in 2022. The CWB is phased out at a rate of 15% of each dollar of adjusted net income above thresholds of $23,495 for single individuals without dependants and $26,805 for families in 2022. An additional CWB supplement of up to $737 in 2022 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 $33,018 for single individuals without dependants and $43,210 for families in 2022. 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 2022.
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. • The *2022 Fall Economic Statement* proposed to automatically issue advance payments of the Canada Workers Benefit to people who qualified for the benefit in the previous year, starting in July 2023 for the 2023 taxation year.
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 3 million individuals are expected to receive the CWB for the 2022 tax year and, as proposed in the 2022 *Fall Economic Statement*, would begin receiving the benefit in advance, automatically, starting in July 2023.

Cost Information:

Millions of dollars	**2017**	**2018**	**2019**	**2020**	**2021 (P)**	**2022 (P)**	**2023 (P)**	**2024 (P)**
Working Income Tax Benefit – personal income tax	1,160	1,105	–	–	–	–	–	–
Canada Workers Benefit – personal income tax	–	–	2,005	900	2,445	3,655	4,735	4,875

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 extended by 12 months certain timelines with respect to the credit for taxation years ending in 2020 or 2021, 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 2020.

Cost Information:

Millions of dollars	2017	2018	2019	2020	2021 (P)	2022 (P)	2023 (P)	2024 (P)
Corporate income tax	295	270	295	240	200	290	300	310

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 (including trusts) 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	T1 Income Tax and Benefit Return T2 Corporation Income Tax Return
Estimation method	Personal income tax: The estimates are based on actual amounts earned and claimed by individuals (other than trusts). Corporate income tax: The estimates are based on actual amounts earned and claimed by corporations.
Projection method	The cost of this measure is projected to grow in line with salaries and wages.
Number of beneficiaries	About 440 individuals and 100 corporations claimed this tax credit in 2020. Information on the number of trusts claiming this tax credit is not available.

Cost Information:

Millions of dollars	**2017**	**2018**	**2019**	**2020**	**2021 (P)**	**2022 (P)**	**2023 (P)**	**2024 (P)**
Personal income tax	–	–	n.a.	1	S	S	S	S
Corporate income tax	–	–	35	35	30	35	35	35
Total	–	–	n.a.	35	30	35	35	35

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. Personal-use property of a trust is property owned mainly for the personal use or enjoyment of a beneficiary under the trust or any individual related to a beneficiary.
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 496,000 individuals, 5,200 trusts and 58,700 corporations made use of this measure in 2020 (not counting individuals that carried back losses only).

Cost Information:

Millions of dollars	**2017**	**2018**	**2019**	**2020**	**2021 (P)**	**2022 (P)**	**2023 (P)**	**2024 (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	550	445	435	545	955	660	685	720
Trusts	1,295	750	890	710	1,540	900	1,075	1,400
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	175	330	205	305	235	265	265	270
Applied to current year	390	450	350	610	535	535	555	560
Total – corporate income tax	565	780	555	915	770	800	825	830
Total	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Carbon Capture, Utilization and Storage Investment Tax Credit

Description	Budget 2022 proposed a refundable investment tax credit for businesses that incur eligible carbon capture, utilization and storage (CCUS) expenses, starting in 2022. The investment tax credit would be available to CCUS projects to the extent that they permanently store captured CO_2 through an eligible use. Eligible CO_2 uses include dedicated geological storage and storage of CO_2 in concrete, but does not include enhanced oil recovery.
Tax	Corporate income tax
Beneficiaries	Businesses investing in eligible CCUS equipment
Type of measure	Credit, refundable
Legal reference	Not yet legislated (as of December 31, 2022)
Implementation and recent history	• Introduced in Budget 2021, with further details proposed in Budget 2022.
Objective – category	To encourage or attract investment To achieve a social objective
Objective	This measure was proposed to encourage businesses to invest in carbon capture, utilization and storage equipment as an important element in the government's plan to achieve net-zero emissions by 2050 and to accelerate the growth of new businesses and jobs related to carbon capture.
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	Environment Business – other
CCOFOG 2014 code	70539 - Environmental protection - Pollution abatement
Other relevant government programs	Programs within the mandates of Natural Resources Canada and Environment and Climate Change Canada also support investment in clean technology. 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	n/a
Projection method	The projected cost of this measure is based on available information regarding expected major CCUS investments.
Number of beneficiaries	No data is available.

Cost Information:

Millions of dollars	**2017**	**2018**	**2019**	**2020**	**2021 (P)**	**2022 (P)**	**2023 (P)**	**2024 (P)**
Corporate income tax	–	–	–	–	–	–	–	165

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 2022, 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 $221,708 who may claim a 33% tax credit on the portion of total annual donations over $200 made from taxable income greater than $221,708. 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 3,700 trusts claimed this credit in 2020.

Cost Information:

Millions of dollars	**2017**	**2018**	**2019**	**2020**	**2021 (P)**	**2022 (P)**	**2023 (P)**	**2024 (P)**
Donations by individuals by type of donations								
Publicly listed securities	315	270	410	340	455	395	415	435
Ecologically sensitive land	5	10	5	10	10	10	10	10
Cultural property	20	15	10	15	15	15	15	15
Other	2,560	2,685	2,630	2,695	2,825	2,980	3,070	3,140
Subtotal – donations by individuals	2,900	2,980	3,055	3,055	3,310	3,400	3,510	3,600
Donations by trusts	35	30	30	40	45	45	50	50
Total – personal income tax	2,935	5,990	6,145	6,155	6,670	6,845	7,065	7,250

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 was also waived. These changes were 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 1.3 million individuals claimed this deduction in 2020.

Cost Information:

Millions of dollars	**2017**	**2018**	**2019**	**2020**	**2021 (P)**	**2022 (P)**	**2023 (P)**	**2024 (P)**
Personal income tax	1,240	1,270	1,325	975	1,210	1,100	1,000	950

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	**2017**	**2018**	**2019**	**2020**	**2021 (P)**	**2022 (P)**	**2023 (P)**	**2024 (P)**
Corporate income tax	60	80	4	45	45	45	45	45

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	About 300,000 individuals claimed this credit in 2020.

Cost Information:

Millions of dollars	**2017**	**2018**	**2019**	**2020**	**2021 (P)**	**2022 (P)**	**2023 (P)**	**2024 (P)**
Personal income tax	–	–	–	10	15	15	20	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 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 2022 is $14,398, with the fully reduced amount being $12,719.
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 ($155,625 in 2022), and is fully phased out by the fifth federal bracket threshold ($221,708 in 2022).
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 28.9 million individuals claimed this credit in 2020.

Cost Information:

Millions of dollars	2017	2018	2019	2020	2021 (P)	2022 (P)	2023 (P)	2024 (P)
Personal income tax	35,050	36,440	38,775	44,485	46,415	47,585	50,420	53,265

Critical 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, Budget 2022 announced that individuals (other than trusts) who invest in flow-through shares of a corporation be able to claim a 30% non-refundable tax credit in respect of specified critical 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 critical mineral resource in Canada. Eligible expenses may not benefit from both the Critical Mineral Exploration Tax Credit and the Mineral Exploration Tax Credit. 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 definitions of "critical mineral", "flow-through critical mineral mining expenditure" and "qualified professional engineer or professional geoscientist"
Implementation and recent history	• Introduced as part of Budget 2022. Effective in respect of expenditures incurred after April 7, 2022 and on or before March 31, 2027.
Objective – category	To encourage or attract investment
Objective	This measure will make critical mineral projects a less risky undertaking for companies and help grow both Canada's critical mineral industry and secure good resource jobs of the future (Budget 2022).
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	Estimates are not yet available.
Projection method	Projections are based on current market conditions.
Number of beneficiaries	No data is available.

Cost Information:

Millions of dollars	2017	2018	2019	2020	2021 (P)	2022 (P)	2023 (P)	2024 (P)
Personal income tax	–	–	–	–	–	55	50	45

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 2,800 individuals claimed this deduction in 2020.

Cost Information:

Millions of dollars	**2017**	**2018**	**2019**	**2020**	**2021 (P)**	**2022 (P)**	**2023 (P)**	**2024 (P)**
Personal income tax	S	1	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 95,100 corporations in 2020.

Cost Information:

Millions of dollars	2017	2018	2019	2020	2021 (P)	2022 (P)	2023 (P)	2024 (P)
By type of donations								
Ecologically sensitive land	1	10	2	1	1	2	2	2
Cultural property	5	3	4	1	S	3	2	2
Other	625	685	830	690	1,030	1,220	1,100	1,110
Total – corporate income tax	635	695	835	690	1,030	1,225	1,105	1,110

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 2020. No data is available for unincorporated businesses.

Cost Information:

Millions of dollars	2017	2018	2019	2020	2021 (P)	2022 (P)	2023 (P)	2024 (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	50	50	50	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 2020.

Cost Information:

Millions of dollars	2017	2018	2019	2020	2021 (P)	2022 (P)	2023 (P)	2024 (P)
Corporate income tax	S	S	S	S	-1	S	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 1,000 individuals claimed this deduction in 2020.

Cost Information:

Millions of dollars	2017	2018	2019	2020	2021 (P)	2022 (P)	2023 (P)	2024 (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 27,000 individuals claimed this deduction in 2020.

Cost Information:

Millions of dollars	2017	2018	2019	2020	2021 (P)	2022 (P)	2023 (P)	2024 (P)
Personal income tax	95	95	95	95	100	100	100	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 ($1,287 in 2022). 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 19,000 individuals claimed this deduction in 2020.

Cost Information:

Millions of dollars	**2017**	**2018**	**2019**	**2020**	**2021 (P)**	**2022 (P)**	**2023 (P)**	**2024 (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	2017	2018	2019	2020	2021 (P)	2022 (P)	2023 (P)	2024 (P)
Personal income tax	2	2	2	3	3	2	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 7,000 individuals, 140 trusts and 1,600 corporations claimed this deduction in 2020.

Cost Information:

Millions of dollars	2017	2018	2019	2020	2021 (P)	2022 (P)	2023 (P)	2024 (P)
Personal income tax								
Individuals	40	35	50	40	45	45	45	45
Trusts	S	S	S	S	S	S	S	S
Total – personal income tax	40	35	50	40	45	45	45	45
Corporate income tax	10	10	10	10	10	10	10	10
Total	50	40	55	50	55	55	55	55

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 2020. No data is available for corporations.

Cost Information:

Millions of dollars	2017	2018	2019	2020	2021 (P)	2022 (P)	2023 (P)	2024 (P)
Personal income tax (excluding trusts)	1,630	1,855	1,945	1,890	2,245	2,265	2,350	2,410
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 4.1 million individuals claimed this deduction in 2020.

Cost Information:

Millions of dollars	**2017**	**2018**	**2019**	**2020**	**2021 (P)**	**2022 (P)**	**2023 (P)**	**2024 (P)**
Personal income tax	920	910	920	1,145	1,370	1,380	1,240	1,275

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 2020.

Cost Information:

Millions of dollars	**2017**	**2018**	**2019**	**2020**	**2021 (P)**	**2022 (P)**	**2023 (P)**	**2024 (P)**
Personal income tax	975	1,030	1,075	1,075	1,150	1,265	1,300	1,335

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 2022 through 2024 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	2017	2018	2019	2020	2021 (P)	2022 (P)	2023 (P)	2024 (P)
Personal income tax	2	-2	S	S	S	n.a.	n.a.	n.a.
Corporate income tax	3	3	1	1	3	n.a.	n.a.	n.a.
Total	5	1	1	1	3	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 2022 uses data available for the first two quarters of the calendar year. Projections for 2023 and 2024 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	2017	2018	2019	2020	2021 (P)	2022 (P)	2023 (P)	2024 (P)
Personal income tax	-5	-10	-20	20	4	n.a.	n.a.	n.a.
Corporate income tax	-5	-10	-20	20	4	-3	n.a.	n.a.
Total	-10	-25	-40	40	5	n.a.	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 ten-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 ten-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 ten-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 7,700 individuals claimed a ten-year capital gain reserve in 2020.

Cost Information:

Millions of dollars	2017	2018	2019	2020	2021 (P)	2022 (P)	2023 (P)	2024 (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	45	40	40	35	50	45	45	45

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 8,400 individuals and 1,000 trusts claimed a five-year capital gain reserve in 2020. No data is available for corporations.

Cost Information:

Millions of dollars	2017	2018	2019	2020	2021 (P)	2022 (P)	2023 (P)	2024 (P)
Personal income tax								
Individuals	20	20	15	20	20	15	15	15
Trusts	4	5	-2	S	2	2	2	2
Total – personal income tax	25	30	10	20	25	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 ($15,390 for 2022). 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 ($30,780 for 2022).
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 was also waived. These changes were 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 3,930 individuals claimed this deduction in 2020.

Cost Information:

Millions of dollars	2017	2018	2019	2020	2021 (P)	2022 (P)	2023 (P)	2024 (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 ($8,870 in 2022). 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 ($5,174 in 2022) and is reduced dollar-for-dollar by the amount of child care or attendant care expenses in excess of $3,030 (for 2022) 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 amended the criteria for qualifying for the Disability Tax Credit under the mental impairment and life-sustaining therapy categories for the 2021 and subsequent tax years. In addition, all individuals with type 1 diabetes are deemed to automatically meet the eligibility criteria under the life-sustaining therapy category for the 2021 and subsequent tax years.
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, about 1.5 million individuals claimed an amount for the Disability Tax Credit for 2020. This includes about 955,000 eligible persons who claimed all or some portion of the credit for themselves, 184,000 individuals who claimed all or some portion of the credit on behalf of an eligible spouse or common-law partner, 322,000 individuals who claimed all or some portion of the credit transferred from an eligible person (such as a parent for a minor child), and 35,000 individuals who claimed all or some portion of the credit for themselves and on behalf of another eligible person. These estimates are based on initial data for the 2020 tax year and has been grossed up by 15 per cent to take into account reassessments (individuals who later become eligible for the Disability Tax Credit and retroactively claim the credit).

Cost Information:

Millions of dollars	**2017**	**2018**	**2019**	**2020**	**2021 (P)**	**2022 (P)**	**2023 (P)**	**2024 (P)**
Personal income tax	1,090	1,150	1,200	1,250	1,500	1,550	1,600	1,650

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 2022) and gross-up (38% in 2022) 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 2022) and gross-up (15% in 2022) 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 2020, while about 35,000 trusts are projected to benefit from it.

Cost Information:

Millions of dollars	**2017**	**2018**	**2019**	**2020**	**2021 (P)**	**2022 (P)**	**2023 (P)**	**2024 (P)**
Personal income tax								
Individuals	5,395	4,925	4,885	4,650	5,255	5,835	6,040	6,285
Trusts	240	280	250	250	240	270	275	285
Total – personal income tax	5,635	5,205	5,135	4,900	5,495	6,105	6,315	6,570

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 2020. No data is available for unincorporated businesses.

Cost Information:

Millions of dollars	2017	2018	2019	2020	2021 (P)	2022 (P)	2023 (P)	2024 (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	1	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	2017	2018	2019	2020	2021 (P)	2022 (P)	2023 (P)	2024 (P)
Personal income tax	400	325	230	190	120	45	S	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 each year until 2023, at which time the maximum credit amount will reach $15,000. The maximum credit amount for 2022 is $14,398, with the fully reduced amount being $12,719.
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 ($155,625 in 2022), and is fully phased out by the fifth federal bracket threshold ($221,708 in 2022).
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 1 million individuals claimed this credit in 2020.

Cost Information:

Millions of dollars	2017	2018	2019	2020	2021 (P)	2022 (P)	2023 (P)	2024 (P)
Personal income tax	940	980	1,025	1,200	1,235	1,240	1,300	1,370

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 28,000 individuals claimed this deduction in 2020.

Cost Information:

Millions of dollars	2017	2018	2019	2020	2021 (P)	2022 (P)	2023 (P)	2024 (P)
Personal income tax	655	770	910	920	1,575	1,045	1,075	1,110

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	2017	2018	2019	2020	2021 (P)	2022 (P)	2023 (P)	2024 (P)
Corporate income tax	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	**2017**	**2018**	**2019**	**2020**	**2021 (P)**	**2022 (P)**	**2023 (P)**	**2024 (P)**
Corporate income tax	30	10	25	40	70	60	60	65

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	**2017**	**2018**	**2019**	**2020**	**2021 (P)**	**2022 (P)**	**2023 (P)**	**2024 (P)**
Goods and Services Tax	45	50	50	45	45	55	60	65

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	**2017**	**2018**	**2019**	**2020**	**2021 (P)**	**2022 (P)**	**2023 (P)**	**2024 (P)**
Goods and Services Tax	1,820	1,915	2,070	2,205	2,255	2,360	2,490	2,610

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	**2017**	**2018**	**2019**	**2020**	**2021 (P)**	**2022 (P)**	**2023 (P)**	**2024 (P)**
Goods and Services Tax	1,250	1,345	1,410	1,415	1,475	1,615	1,695	1,770

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	**2017**	**2018**	**2019**	**2020**	**2021 (P)**	**2022 (P)**	**2023 (P)**	**2024 (P)**
Goods and Services Tax	185	210	220	150	200	175	150	140

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	**2017**	**2018**	**2019**	**2020**	**2021 (P)**	**2022 (P)**	**2023 (P)**	**2024 (P)**
Goods and Services Tax	10	15	15	10	10	15	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	2017	2018	2019	2020	2021 (P)	2022 (P)	2023 (P)	2024 (P)
Goods and Services Tax	925	950	1,025	810	885	1,025	1,150	1,255

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	**2017**	**2018**	**2019**	**2020**	**2021 (P)**	**2022 (P)**	**2023 (P)**	**2024 (P)**
Goods and Services Tax	15	15	15	10	15	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	**2017**	**2018**	**2019**	**2020**	**2021 (P)**	**2022 (P)**	**2023 (P)**	**2024 (P)**
Goods and Services Tax	215	225	225	100	110	160	195	215

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	2017	2018	2019	2020	2021 (P)	2022 (P)	2023 (P)	2024 (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	**2017**	**2018**	**2019**	**2020**	**2021 (P)**	**2022 (P)**	**2023 (P)**	**2024 (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	**2017**	**2018**	**2019**	**2020**	**2021 (P)**	**2022 (P)**	**2023 (P)**	**2024 (P)**
Goods and Services Tax	820	895	950	895	905	925	945	965

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	**2017**	**2018**	**2019**	**2020**	**2021 (P)**	**2022 (P)**	**2023 (P)**	**2024 (P)**
Goods and Services Tax	305	325	340	355	375	405	425	440

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 2020.

Cost Information:

Millions of dollars	**2017**	**2018**	**2019**	**2020**	**2021 (P)**	**2022 (P)**	**2023 (P)**	**2024 (P)**
Personal income tax	365	470	440	510	545	485	455	410

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	2017	2018	2019	2020	2021 (P)	2022 (P)	2023 (P)	2024 (P)
By type of payments								
Dividends	4,335	5,390	5,370	5,140	5,805	6,485	6,655	6,830
Interest	1,450	1,615	1,655	1,560	1,765	1,970	2,025	2,075
Rents and royalties	645	755	890	785	890	995	1,020	1,045
Management fees	515	655	875	730	825	920	945	970
Total – personal and corporate income tax	6,940	8,415	8,795	8,215	9,280	10,375	10,645	10,925

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 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 16,800 corporations incurred eligible expenditures in 2020. 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.

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. • Budget 2021 extended by 12 months the 24-month timelines in respect of when aggregate expenditure thresholds must be met for film or video productions for the purposes of the Film or Video Production Services Tax Credit for taxation years ending in 2020 or 2021.
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 525 corporations received this benefit in 2020.

Cost Information:

Millions of dollars	**2017**	**2018**	**2019**	**2020**	**2021 (P)**	**2022 (P)**	**2023 (P)**	**2024 (P)**
Corporate income tax	275	310	315	330	260	335	345	355

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	**2017**	**2018**	**2019**	**2020**	**2021 (P)**	**2022 (P)**	**2023 (P)**	**2024 (P)**
Personal income tax	4	–	–	–	–	–	–	–

First-Time Home Buyers’ Tax Credit

Description	First-time home buyers who acquire a qualifying home can obtain up to $1,500 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 $10,000 by the lowest personal income tax rate (15% in 2022). 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 qualifying homes acquired after January 27, 2009. • Budget 2022 increased the credit amount to $10,000 from $5,000, effective for the 2022 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 226,000 individuals claimed this credit in 2020.

Cost Information:

Millions of dollars	2017	2018	2019	2020	2021 (P)	2022 (P)	2023 (P)	2024 (P)
Personal income tax	110	105	110	130	150	265	270	270

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. • Budget 2022 announced that expenditures related to oil, gas, and coal exploration and development will no longer be eligible to be renounced to flow-through share investors for flow-through share agreements entered into after March 31, 2023.
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 44,200 individuals and 470 corporations in 2020.

Cost Information:

Millions of dollars	**2017**	**2018**	**2019**	**2020**	**2021 (P)**	**2022 (P)**	**2023 (P)**	**2024 (P)**
Personal income tax	120	75	105	135	245	255	250	240
Corporate income tax	50	40	25	45	75	70	70	70
Total	165	120	130	180	325	325	320	310

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	2017	2018	2019	2020	2021 (P)	2022 (P)	2023 (P)	2024 (P)
Goods and Services Tax	25	5	5	1	S	4	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 12,500 trusts claimed this credit in 2020.

Cost Information:

Millions of dollars	**2017**	**2018**	**2019**	**2020**	**2021 (P)**	**2022 (P)**	**2023 (P)**	**2024 (P)**
Personal income tax								
Individuals	1,650	1,825	1,975	1,925	2,005	2,040	2,080	2,110
Trusts	50	50	30	35	40	40	40	40
Total – personal income tax	1,700	1,875	2,005	1,960	2,045	2,080	2,120	2,150

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 2022 to June 2023, based on net family income reported for the 2021 taxation year: • an adult receives a basic adult credit of $306 per year; • families with children aged 18 and under receive a basic child credit of $161 per year for each child; • single parents can claim, in lieu of the basic child credit, the full basic adult credit of $306 per year for one dependent child; • single parents are eligible for an additional credit of $161 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 $161 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 $39,826. Both the credit amounts and the income threshold are adjusted annually for inflation. For the 2022-23 benefit year, a one-time doubling of the credit for six months was provided.
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. • As announced on September 13, 2022, the government introduced a temporary measure to double the 2022-23 GST/HST Credit for six months and pay out the extra amount as a one-time, lump-sum payment, starting in November 2022, to existing credit beneficiaries.
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 11 million individuals receive this benefit each year.

Cost Information:

Millions of dollars	**2017**	**2018**	**2019**	**2020**	**2021 (P)**	**2022 (P)**	**2023 (P)**	**2024 (P)**
Goods and Services Tax	4,550	4,650	4,935	10,450	5,030	7,740	5,440	5,590

Hardest-Hit Business Recovery Program

Description	The Hardest-Hit Business Recovery Program (HHBRP) provided a wage and rent subsidy for hardest-hit businesses that did not otherwise qualify for the Tourism and Hospitality Recovery Program or the Local Lockdown Program, and that had an average revenue reduction for the first year of the CEWS of 50% or more and had a current period revenue reduction of at least 50%. For qualifying entities, the HHBRP paid a wage and rent subsidy of between 10% and 50% for claim periods between October 24, 2021 to March 13, 2022. From March 13 to May 7, 2022 the maximum wage and rent subsidy rate decreased by half. The program ended on May 7, 2022.
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 had an average revenue reduction for the first year of the CEWS of 50% or more and had 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	The cost of this measure reflects administrative data provided by the Canada Revenue Agency.
Projection method	n/a
Number of beneficiaries	The number of unique applicants with approved claims since the start of the program is 10,870 and 20,620, for the wage portion and the rent portion, respectively (data as of November 6, 2022).

Cost Information:

Millions of dollars	2017	2018	2019	2020	2021	2022	2023 (P)	2024 (P)
Personal and corporate income tax	–	–	–	–	315	345	–	–

Note: The figures in the table correspond to the gross fiscal impact of the measures and they are subject to change as claims are reviewed and adjusted. The distribution across years reflects the benefit periods for the programs. Gross totals reflect reported payouts as of November 6, 2022. Figures will be adjusted in next year's report to reflect final assessments and any adjustments made to final program totals.

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 6,730 corporations claimed this deduction in 2020. No data is available for unincorporated businesses.

Cost Information:

Millions of dollars	2017	2018	2019	2020	2021 (P)	2022 (P)	2023 (P)	2024 (P)
Personal income tax	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Corporate income tax	25	55	40	40	80	85	90	90
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 $20,000 of eligible home renovation or alteration expenses per calendar year in respect of a qualifying individual, to a maximum of $20,000 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. • The annual qualifying expense limit was doubled from $10,000 to $20,000 in Budget 2022, effective for the 2022 and subsequent taxation years.
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 32,000 individuals claimed this credit in 2020.

Cost Information:

Millions of dollars	2017	2018	2019	2020	2021 (P)	2022 (P)	2023 (P)	2024 (P)
Personal income tax	15	15	15	15	25	35	35	35

Immediate expensing for small businesses

Description	Immediate expensing is provided in respect of certain property acquired by Canadian-controlled private corporations (CCPCs), sole proprietors and certain partnerships. 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. Immediate expensing is also available to unincorporated businesses carried on directly by Canadian resident individuals (other than trusts) and certain eligible partnerships for investments made on or after January 1, 2022 and that become available for use before 2025 (in the case of an individual or a partnership all the members of which are individuals) or before 2024 (for other partnerships). 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 businesses 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	Personal and corporate income tax
Beneficiaries	Canadian-controlled private corporations, unincorporated businesses, certain partnerships
Type of measure	Timing preference
Legal reference	*Income Tax Regulations*, section 1100 (0.1) to (0.3), subsection 1102(20.1), section 1104 (3.1) to (3.6)
Implementation and recent history	• Introduced in Budget 2021. • The government announced on February 4, 2022 the expansion of eligibility to a broader range of taxpayers.
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 T1 Personal Income Tax Return T5013 Statement of Partnership Income
Estimation method	T2 micro-simulation model and aggregate investment data from T1 Income Tax and Benefit Return using the nominal cash-flow method of estimation.
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	2017	2018	2019	2020	2021 (P)	2022 (P)	2023 (P)	2024 (P)
Corporate income tax	–	–	–	–	580	1,030	855	-330
Personal income tax	–	–	–	–	–	305	245	205
Total	–	–	–	–	580	1,335	1,095	-130

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.

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 2020.

Cost Information:

Millions of dollars	2017	2018	2019	2020	2021 (P)	2022 (P)	2023 (P)	2024 (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	No individuals claimed this credit in 2020. The number of corporations and trusts having claimed this credit in 2020 is not disclosed due to confidentiality restrictions.

Cost Information:

Millions of dollars	**2017**	**2018**	**2019**	**2020**	**2021 (P)**	**2022 (P)**	**2023 (P)**	**2024 (P)**
Personal income tax	S	S	S	S	S	S	S	S
Corporate income tax	X	X	X	X	X	X	X	X
Total	X	X	X	X	X	X	X	X

Investment Tax Credit for Clean Technologies

Description	The *2022 Fall Economic Statement* proposed a refundable tax credit for the capital cost of investments in certain clean technologies: • Certain Electricity Generation Systems, including small modular nuclear reactors, solar, wind, and water (small hydro, run-of-river, wave, and tidal); • Stationary Electricity Storage Systems that do not use fossil fuels in their operation; • Certain Low-Carbon Heat Equipment, including active solar heating, air-source heat pumps, and ground-source heat pumps; and • Non-road zero-emission vehicles and related charging or refueling equipment. A 30% tax credit rate will be available to businesses that adhere to certain labour conditions, while other businesses will be eligible for a 20% tax credit rate. Additional details on labour conditions will be announced in Budget 2023. Businesses would be able to benefit from the full amount of both the Investment Tax Credit for Clean Technologies and the Atlantic Investment Tax Credit. The credit will be available starting on or after the day of the 2023 Budget and no longer in effect after 2034, subject to a phase-out starting in 2032. The credit would gradually phase out with a credit rate of 20% in 2032, 10% in 2033 and 5% in 2034.
Tax	Personal (including trusts) and corporate income tax
Beneficiaries	Businesses investing in clean technologies
Type of measure	Credit, refundable and non-refundable
Legal reference	Not yet legislated (as of December 31, 2022)
Implementation and recent history	• Announced in Budget 2022 • Additional details on the design and eligible technologies were announced in the *2022 Fall Economic Statement*. • Additional details on labour conditions will be announced in Budget 2023.
Objective – category	To encourage or attract investment To support competitiveness To achieve a social objective
Objective	To help companies to adopt clean technologies in order to create jobs, ensure that Canadian businesses remain competitive, and reduce Canada's emissions at the same time (Budget 2022 and the 2*022 Fall Economic Statement*).
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	Environment Business – other
CCOFOG 2014 code	70435 - Economic affairs - Fuel and energy - Electricity 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 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	Information on past acquisitions of clean technology equipment available in administrative tax data is combined with information on announced or expected major investments to estimate future acquisitions of clean technologies. The cost estimates account for the reduction in the undepreciated capital cost caused by the introduction of an investment tax credit, as well as loss carryovers.

Projection method	Historic acquisitions are projected forward using technology-specific growth rates. These projections are combined with information on announced or expected major investments to project future acquisitions of clean technologies.
Number of beneficiaries	No data is available.

Cost Information:

Millions of dollars	**2017**	**2018**	**2019**	**2020**	**2021 (P)**	**2022 (P)**	**2023 (P)**	**2024 (P)**
Personal income tax	–	–	–	–	–	–	75	45
Corporate income tax	–	–	–	–	–	–	1,100	970
Total	–	–	–	–	–	–	1,175	1,015

Labour Mobility Deduction for Tradespeople

Description	Eligible tradespeople and apprentices who make an eligible temporary relocation can deduct up to $4,000 in eligible expenses per year. Eligible expenses include temporary lodging near a temporary work location, transportation for one round trip from the ordinary residence to the temporary lodging, and meals in the course of travel. Among other things, an eligible temporary relocation requires that the temporary lodging be at least 150 kilometres closer than the ordinary residence to the temporary work location. The maximum amount of expenses that can be claimed in respect of a particular eligible temporary relocation is capped at 50% of the worker's employment income from construction activities at temporary work locations associated with that relocation in the year.
Tax	Personal income tax
Beneficiaries	Tradespeople and apprentices working in a construction activity
Type of measure	Deduction
Legal reference	*Income Tax Act*, paragraph 8(1)(t) and subsection 8(14)
Implementation and recent history	• Introduced in Budget 2022. Effective for the 2022 and subsequent taxation years.
Objective – category	To recognize expenses incurred to earn employment income
Objective	This measure assists in improving labour mobility for workers in the construction trades (Budget 2022).
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	External data, T1 Income Tax and Benefit Return and T4 Statement of Remuneration Paid
Estimation method	n/a
Projection method	The projected cost of this measure is calculated based on employment numbers in the construction industry, the assumed percentage of workers who are mobile, and the projected average annual eligible expenses. It is expected to grow in line with the growth in the population aged 15 and over.
Number of beneficiaries	No data is available.

Cost Information:

Millions of dollars	**2017**	**2018**	**2019**	**2020**	**2021 (P)**	**2022 (P)**	**2023 (P)**	**2024 (P)**
Personal income tax	–	–	–	–	–	110	110	115

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 401,000 individuals claimed this credit in 2020.

Cost Information:

Millions of dollars	2017	2018	2019	2020	2021 (P)	2022 (P)	2023 (P)	2024 (P)
Personal income tax	150	155	160	180	175	170	175	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 $913,630 in 2022, 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 54,000 individuals claimed this deduction in 2020.

Cost Information:

Millions of dollars	2017	2018	2019	2020	2021 (P)	2022 (P)	2023 (P)	2024 (P)
Individuals, by type of property								
Small business shares	990	1,075	1,090	1,025	1,760	1,255	1,300	1,350
Farm and fishing property	765	780	720	715	1,035	710	740	775
Total – personal income tax	1,755	1,855	1,805	1,745	2,795	1,965	2,040	2,125

Local Lockdown Program

Description	The Local Lockdown Program (LLP), available from October 24, 2021 to May 7, 2022, provided wage and rent subsidies to employers that had one or more locations subject to a public health restriction (lasting for at least seven days in the current claim period) that required them to cease activities that accounted for at least approximately 25% of total revenues of the employer during the prior reference period. Eligible organizations were not required to show a 12-month revenue decline over a certain threshold, but were required to show a current-month revenue loss of at least 40% to qualify for this new LLP. For qualifying entities, the LLP paid 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 decreased by half. The program ended on May 7, 2022. From December 19, 2021 until March 12, 2022, employers subject to capacity-limiting restrictions of 50% or more and with current-month revenue declines greater than 25% were 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 provided businesses that faced new local lockdowns with up to the maximum amount of support available under the wage and rent subsidy programs. To qualify, businesses had to be subject to a qualifying public health restriction (lasting for at least seven days in the current claim period) that required them to cease activities that accounted for at least approximately 25% of total revenues of the employer during the prior reference period and had 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 was initially in effect from December 19, 2021 until February 12, 2022. • On February 9, 2022, the government announced an extension of this temporary expansion of the program to March 12, 2022. The maximum LLP rate was then decreased by half, until the program fully phased out on May 7, 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 lumber production and lumber prices.
Number of beneficiaries	About 350 individuals and 600 corporations claimed this credit in 2020. The number of trusts having claimed this credit in 2020 is not disclosed due to confidentiality restrictions.

Cost Information:

Millions of dollars	**2017**	**2018**	**2019**	**2020**	**2021 (P)**	**2022 (P)**	**2023 (P)**	**2024 (P)**
Personal income tax								
Individuals	1	2	1	1	2	2	2	3
Trusts	X	X	X	X	X	X	X	X
Total – personal income tax	X	X	X	X	X	X	X	X
Corporate income tax	50	75	20	55	175	45	30	25
Total	X	X	X	X	X	X	X	X

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 $2,479 (in 2022, 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 $2,479 (in 2022, 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. • Budget 2022 amended the *Income Tax Act* to allow medical expenses incurred in Canada related to a surrogate mother or a sperm, ova, or embryo donor, as well as fees paid to fertility clinics and donor banks in Canada in order to obtain donor sperm and ova, to be eligible under the Medical Expense Tax Credit for the 2022 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 5.0 million individuals claimed this credit in 2020.

Cost Information:

Millions of dollars	2017	2018	2019	2020	2021 (P)	2022 (P)	2023 (P)	2024 (P)
Personal income tax	1,550	1,645	1,700	1,600	1,850	1,950	2,050	2,150

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 420 companies issued flow-through shares and over 10,000 individuals claimed the credit in 2020.

Cost Information:

Millions of dollars	**2017**	**2018**	**2019**	**2020**	**2021 (P)**	**2022 (P)**	**2023 (P)**	**2024 (P)**
Personal income tax	65	50	60	100	140	125	120	-30

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 85,000 individuals claimed this deduction in 2020.

Cost Information:

Millions of dollars	2017	2018	2019	2020	2021 (P)	2022 (P)	2023 (P)	2024 (P)
Personal income tax	110	110	110	105	145	130	120	120

Multigenerational Home Renovation Tax Credit

Description	The Multigenerational Home Renovation Tax Credit provides a refundable tax credit of 15% on up to $50,000 of eligible expenses to establish a secondary dwelling unit to permit an eligible person to live with a qualifying relation. Eligible persons are adults with disabilities who qualify for the Disability Tax Credit (18 years of age or older) and seniors (65 years of age or older). Qualifying relations are the parent, grandparent, child, grandchild, brother, sister, aunt, uncle, nephew, or niece of the eligible person, which includes the spouse or common-law partner of one of those individuals. The eligible person, their spouse or common-law partner, and a qualifying relation who owns the eligible dwelling can claim eligible renovation expenses. One qualifying renovation is permitted to be claimed in respect of an eligible person over their lifetime.
Tax	Personal income tax
Beneficiaries	Seniors and persons with disabilities
Type of measure	Credit, refundable
Legal reference	*Income Tax Act*, section 122.92
Implementation and recent history	• Introduced in Budget 2022. This measure applies for the 2023 and subsequent taxation years, in respect of work performed and paid for and/or goods acquired on or after January 1, 2023.
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 constructing a secondary dwelling unit can have for seniors and persons with disabilities and their families, and the additional benefits of multigenerational living (Budget 2022).
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	Housing
CCOFOG 2014 code	71069 - Social protection - Housing
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	Information from Statistics Canada’s Building Permits Survey, Canadian Survey on Disability, Census of Canada and Survey of Household Spending,
Estimation method	The tax expenditure is estimated by multiplying the estimated number of single dwellings converted to eligible dual-unit dwellings by the maximum credit value. The tax expenditure also includes an estimate of illegal secondary dwellings that would be converted into legal dwellings.
Projection method	Projections reflect the estimates presented in Budget 2022. The tax expenditure is projected to grow in line with the growth rate for the formation of multigenerational households.
Number of beneficiaries	No data is available.

Cost Information:

Millions of dollars	2017	2018	2019	2020	2021 (P)	2022 (P)	2023 (P)	2024 (P)
Personal income tax	–	–	–	–	–	–	25	25

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 63,000 individuals, 4,500 trusts and 463,000 corporations made use of this measure in 2020 (not counting individuals that carried back losses only).

Cost Information:

Millions of dollars	2017	2018	2019	2020	2021 (P)	2022 (P)	2023 (P)	2024 (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	20	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	20	25	35	30	20	30	30	30
Applied to current year	45	40	45	55	75	85	85	90
Total – corporate income tax	65	70	80	85	100	115	115	120
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	80	70	75	85	90	80	85	90
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	1,985	2,020	2,270	3,215	1,865	2,740	2,725	2,640
Applied to current year	5,160	5,795	6,180	5,330	7,425	8,785	7,915	7,970
Total – corporate income tax	7,145	7,815	8,450	8,540	9,290	11,525	10,640	10,610
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	95	85	90	105	110	100	105	110
Trusts	370	135	245	135	165	175	195	210
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	2,005	2,050	2,305	3,240	1,890	2,770	2,755	2,670
Applied to current year	5,205	5,835	6,220	5,385	7,500	8,870	8,000	8,060
Total – corporate income tax	7,210	7,885	8,530	8,625	9,390	11,640	10,755	10,730
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 270 corporations reported non-deductible advertising expenses in 2020. No data is available for unincorporated businesses.

Cost Information:

Millions of dollars	**2017**	**2018**	**2019**	**2020**	**2021 (P)**	**2022 (P)**	**2023 (P)**	**2024 (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 10,100 individuals received non-taxable allowances in 2020.

Cost Information:

Millions of dollars	**2017**	**2018**	**2019**	**2020**	**2021 (P)**	**2022 (P)**	**2023 (P)**	**2024 (P)**
Personal income tax	30	35	35	35	35	30	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	**2017**	**2018**	**2019**	**2020**	**2021 (P)**	**2022 (P)**	**2023 (P)**	**2024 (P)**
Personal income tax	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 2020.

Cost Information:

Millions of dollars	**2017**	**2018**	**2019**	**2020**	**2021 (P)**	**2022 (P)**	**2023 (P)**	**2024 (P)**
Personal income tax	2,840	3,050	3,170	3,150	3,410	3,660	3,835	3,985

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	2017	2018	2019	2020	2021 (P)	2022 (P)	2023 (P)	2024 (P)
Personal income tax	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 prevent double taxation
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	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	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 376 certificates in respect of donations of cultural property to individuals and 27 to corporations in 2020-21.

Cost Information:

Millions of dollars	2017	2018	2019	2020	2021 (P)	2022 (P)	2023 (P)	2024 (P)
Personal income tax								
Individuals	5	5	3	5	5	5	4	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	2017	2018	2019	2020	2021 (P)	2022 (P)	2023 (P)	2024 (P)
Charitable Donation Tax Credit	20	15	10	15	15	15	15	15
Deductibility of charitable donations	5	3	4	1	S	3	2	2
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 2020. 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	2017	2018	2019	2020	2021 (P)	2022 (P)	2023 (P)	2024 (P)
Personal income tax								
Individuals	2	3	2	2	3	3	3	3
Trusts	S	S	S	S	S	S	S	S
Total – personal income tax	2	3	2	2	3	3	3	3
Corporate income tax	2	1	1	S	2	1	1	1
Total	4	4	3	2	5	4	4	5

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	2017	2018	2019	2020	2021 (P)	2022 (P)	2023 (P)	2024 (P)
Charitable Donation Tax Credit	5	10	5	10	10	10	10	10
Deductibility of charitable donations	1	10	2	1	1	2	2	2
Non-taxation of capital gains – personal income tax	2	3	2	2	3	3	3	3
Non-taxation of capital gains – corporate income tax	2	1	1	S	2	1	1	1
Total	10	20	10	10	15	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 1,480 corporations in 2020. The number of individuals and trusts who obtained tax relief is unknown; however, about 7,200 individuals made donations of publicly listed shares in that year.

Cost Information:

Millions of dollars	2017	2018	2019	2020	2021 (P)	2022 (P)	2023 (P)	2024 (P)
Personal income tax								
Individuals	95	75	125	100	135	120	125	130
Trusts	1	2	1	S	1	1	1	1
Total – personal income tax	95	75	125	100	140	120	125	130
Corporate income tax	100	85	190	110	160	185	190	195
Total	195	165	315	210	300	300	315	330

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	2017	2018	2019	2020	2021 (P)	2022 (P)	2023 (P)	2024 (P)
Charitable Donation Tax Credit	315	270	410	340	455	395	415	435
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	95	75	125	100	140	120	125	130
Non-taxation of capital gains – corporate income tax	100	85	190	110	160	185	190	195
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 eligible trust. In general, certain property of an individual or eligible 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 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 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 trust while resident in Canada is divided by the number of years after 1971 that the property was owned by the individual or 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 490,000 individuals claimed this exemption in 2020.

Cost Information:

Millions of dollars	2017	2018	2019	2020	2021 (P)	2022 (P)	2023 (P)	2024 (P)
Personal income tax	6,980	5,590	5,645	7,805	11,430	10,870	8,765	8,995

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 83,000 individuals did not include these amounts in income in 2021-22.

Cost Information:

Millions of dollars	2017	2018	2019	2020	2021 (P)	2022 (P)	2023 (P)	2024 (P)
Personal income tax	205	200	200	185	175	170	170	165

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 2.5 million beneficiaries of the Guaranteed Income Supplement and Allowance benefits in 2020, it is estimated that about 680,000 additional individuals would have been in a taxable position in the absence of this measure.

Cost Information:

Millions of dollars	**2017**	**2018**	**2019**	**2020**	**2021 (P)**	**2022 (P)**	**2023 (P)**	**2024 (P)**
Personal income tax	225	225	235	245	210	240	305	300

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 7,240 individuals received tax-deductible income in respect of international operational missions in 2020.

Cost Information:

Millions of dollars	2017	2018	2019	2020	2021 (P)	2022 (P)	2023 (P)	2024 (P)
Personal income tax	40	40	40	30	35	30	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 30,500 non-profit organizations with positive net assets filed a non-profit organization information return in 2019.

Cost Information:

Millions of dollars	2017	2018	2019	2020	2021 (P)	2022 (P)	2023 (P)	2024 (P)
Total – personal and corporate income tax	105	130	90	40	90	200	225	220

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 2021-22, there were about 36,000 Pain & Suffering beneficiaries and 22,000 Additional Pain & Suffering beneficiaries.

Cost Information:

Millions of dollars	**2017**	**2018**	**2019**	**2020**	**2021 (P)**	**2022 (P)**	**2023 (P)**	**2024 (P)**
Personal income tax	345	345	295	300	390	430	455	355

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 21,000 individuals did not include these amounts in income in 2021-2022.

Cost Information:

Millions of dollars	**2017**	**2018**	**2019**	**2020**	**2021 (P)**	**2022 (P)**	**2023 (P)**	**2024 (P)**
Personal income tax	35	40	50	55	70	75	75	80

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 2020, it is estimated that 625,000 individuals would have had an increase in net tax owing in the absence of this measure.

Cost Information:

Millions of dollars	2017	2018	2019	2020	2021 (P)	2022 (P)	2023 (P)	2024 (P)
Personal income tax	265	300	340	400	370	340	320	300

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 7,600 death benefits were paid in 2020. 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	2017	2018	2019	2020	2021 (P)	2022 (P)	2023 (P)	2024 (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 581,000 individuals reported having received workers’ compensation benefits in 2020.

Cost Information:

Millions of dollars	2017	2018	2019	2020	2021 (P)	2022 (P)	2023 (P)	2024 (P)
Personal income tax	675	720	755	830	855	840	850	855

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 allowed 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 265,000 individuals claimed these deductions in 2020.

Cost Information:

Millions of dollars	**2017**	**2018**	**2019**	**2020**	**2021 (P)**	**2022 (P)**	**2023 (P)**	**2024 (P)**
Personal income tax	225	230	230	220	235	265	265	270

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 778,000 individuals and 905,000 corporations in 2020.

Cost Information:

Millions of dollars	2017	2018	2019	2020	2021 (P)	2022 (P)	2023 (P)	2024 (P)
Personal income tax	210	200	200	135	110	135	120	120
Corporate income tax	315	330	340	225	185	220	200	200
Goods and Services Tax	180	185	190	125	100	115	105	105
Total	490	515	735	485	400	470	425	430

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 2.8 million individuals and 248,000 corporations reported capital gains in 2020. In addition, about 36,000 trusts are estimated to have benefited from this measure in 2020.

Cost Information:

Millions of dollars	2017	2018	2019	2020	2021 (P)	2022 (P)	2023 (P)	2024 (P)
Personal income tax								
Individuals	9,485	8,700	8,540	10,755	19,100	10,560	10,995	11,450
Trusts	885	725	695	1,105	825	495	645	775
Total – personal income tax	10,370	9,425	9,235	11,865	19,930	11,055	11,640	12,225
Corporate income tax	8,540	11,640	10,985	10,225	16,845	10,105	10,540	11,015
Total	18,910	21,065	20,220	22,090	36,775	21,160	22,180	23,240

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 40 corporations in 2020. No data is available for unincorporated agricultural cooperatives.

Cost Information:

Millions of dollars	**2017**	**2018**	**2019**	**2020**	**2021 (P)**	**2022 (P)**	**2023 (P)**	**2024 (P)**
Personal income tax	2	2	S	1	1	1	1	1
Corporate income tax	4	4	S	2	1	2	2	2
Total	5	5	1	3	2	3	3	3

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 5.6 million individuals claimed this credit in 2020.

Cost Information:

Millions of dollars	2017	2018	2019	2020	2021 (P)	2022 (P)	2023 (P)	2024 (P)
Personal income tax	1,195	1,235	1,255	1,270	1,275	1,295	1,360	1,395

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 2020.

Cost Information:

Millions of dollars	2017	2018	2019	2020	2021 (P)	2022 (P)	2023 (P)	2024 (P)
Personal income tax	1,290	1,380	1,415	1,470	1,565	1,735	1,895	2,040

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 177,000 individuals in 2020. The number of trusts having claimed this credit in 2020 is not disclosed due to confidentiality restrictions.

Cost Information:

Millions of dollars	2017	2018	2019	2020	2021 (P)	2022 (P)	2023 (P)	2024 (P)
Personal income tax	25	30	45	35	45	25	25	25

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	2017	2018	2019	2020	2021 (P)	2022 (P)	2023 (P)	2024 (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 combined taxable capital employed in Canada of the CCPC and its associated corporations is between $10 million and $50 million, and is zero if it is $50 million or greater, for taxation years that end on or after April 7, 2022. • 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. • Budget 2022 extended the range over which the annual small business limit is reduced based on the combined taxable capital employed in Canada of the CCPC and its associated corporations. The new range is $10 million to $50 million (rather than $10 million to $15 million), for taxation years that end on or after April 7, 2022.
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 821,000 corporations in 2020.

Cost Information:

Millions of dollars	**2017**	**2018**	**2019**	**2020**	**2021 (P)**	**2022 (P)**	**2023 (P)**	**2024 (P)**
Corporate income tax	3,760	4,155	4,945	5,420	6,310	6,535	6,840	6,930

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	2017	2018	2019	2020	2021 (P)	2022 (P)	2023 (P)	2024 (P)
Personal income tax	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	2017	2018	2019	2020	2021 (P)	2022 (P)	2023 (P)	2024 (P)
Personal income tax								
Individuals	4,745	5,130	5,415	5,515	6,260	6,760	7,005	7,100
Trusts	95	70	90	135	165	125	160	180
Total – personal income tax	4,840	5,195	5,505	5,650	6,425	6,885	7,165	7,280

Rate reduction for zero-emission technology manufacturers

Description	Zero-emission technology manufacturers may 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 applies 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. The reduced tax rates apply to taxation years that begin after 2021. The reduced rates will 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	*Income Tax Act*, section 125.2
Implementation and recent history	• Introduced in Budget 2021. Effective for taxation years that begin after 2021. • Budget 2022 announced the inclusion of manufacturing of air-source heat pumps used for space or water heating as an eligible zero-emission technology manufacturing or processing activity.
Objective – category	To encourage or attract investment To support competitiveness To support business activity
Objective	These proposed tax rate reductions will enhance Canada's competitiveness in attracting investment in zero-emission technology manufacturing, while also supporting existing businesses in the sector (Budget 2021).
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	2017	2018	2019	2020	2021 (P)	2022 (P)	2023 (P)	2024 (P)
Corporate income tax	–	–	–	–	–	10	15	15

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 1,700 entities claim this rebate each year.

Cost Information:

Millions of dollars	2017	2018	2019	2020	2021 (P)	2022 (P)	2023 (P)	2024 (P)
Goods and Services Tax	15	15	15	10	15	15	15	15

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	2017	2018	2019	2020	2021 (P)	2022 (P)	2023 (P)	2024 (P)
Goods and Services Tax	665	695	745	980	965	1,000	1,015	1,040

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	2017	2018	2019	2020	2021 (P)	2022 (P)	2023 (P)	2024 (P)
Goods and Services Tax	2,515	2,670	2,765	2,765	2,895	3,060	3,100	3,195

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	2017	2018	2019	2020	2021 (P)	2022 (P)	2023 (P)	2024 (P)
Goods and Services Tax	510	495	420	425	460	400	395	385

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	**2017**	**2018**	**2019**	**2020**	**2021 (P)**	**2022 (P)**	**2023 (P)**	**2024 (P)**
Goods and Services Tax	165	170	210	205	225	220	220	210

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	**2017**	**2018**	**2019**	**2020**	**2021 (P)**	**2022 (P)**	**2023 (P)**	**2024 (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	**2017**	**2018**	**2019**	**2020**	**2021 (P)**	**2022 (P)**	**2023 (P)**	**2024 (P)**
Goods and Services Tax	75	80	80	75	75	80	85	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	2017	2018	2019	2020	2021 (P)	2022 (P)	2023 (P)	2024 (P)
Goods and Services Tax	315	320	335	295	315	330	340	355

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	**2017**	**2018**	**2019**	**2020**	**2021 (P)**	**2022 (P)**	**2023 (P)**	**2024 (P)**
Rebate for schools	445	470	470	450	505	525	535	550
Rebate for colleges	105	125	110	95	100	105	110	110
Rebate for universities	280	295	275	245	270	280	285	295
Total – Goods and Services Tax	830	885	860	795	875	910	925	955

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	**2017**	**2018**	**2019**	**2020**	**2021 (P)**	**2022 (P)**	**2023 (P)**	**2024 (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	**2017**	**2018**	**2019**	**2020**	**2021 (P)**	**2022 (P)**	**2023 (P)**	**2024 (P)**
Goods and Services Tax	50	50	50	40	45	50	55	55

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 2020.

Cost Information:

Millions of dollars	**2017**	**2018**	**2019**	**2020**	**2021 (P)**	**2022 (P)**	**2023 (P)**	**2024 (P)**
Personal income tax	-2	-4	-3	-2	-1	-1	-1	-1
Corporate income tax	S	-1	S	S	S	S	S	S
Total	-2	-4	-4	-2	-2	-1	-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	Corporate income tax: Projections are based on the Department of Finance Canada's forecast for the growth of capital gains.
Number of beneficiaries	About 50 investment and mutual fund corporations and 2,300 mutual fund trusts claimed a capital gain refund in 2020.

Cost Information:

Millions of dollars	**2017**	**2018**	**2019**	**2020**	**2021 (P)**	**2022 (P)**	**2023 (P)**	**2024 (P)**
Investment and mutual fund corporations – corporate income tax	1,315	1,025	1,085	1,120	1,745	1,045	1,090	1,145
Mutual fund trusts – personal income tax	4,480	2,400	4,910	5,920	6,405	2,135	3,845	4,995
Total	5,795	3,425	5,995	7,035	8,150	3,180	4,930	6,140

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 2022, the supplement is available to individuals whose earnings from employment or self-employment meet or exceed a minimum threshold of $3,841. 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 $1,316 (for 2022) 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 $29,129. 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 374,000 individuals received this benefit in 2020.

Cost Information:

Millions of dollars	2017	2018	2019	2020	2021 (P)	2022 (P)	2023 (P)	2024 (P)
Personal income tax	155	165	170	120	140	160	180	200

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 316,000 and 263,000 corporations were respectively subject to the additional Part I tax and Part IV tax in 2020, while 285,000 corporations claimed the dividend refund in that year.

Cost Information:

Millions of dollars	**2017**	**2018**	**2019**	**2020**	**2021 (P)**	**2022 (P)**	**2023 (P)**	**2024 (P)**
Additional Part I tax	-6,135	-7,575	-7,500	-7,520	-9,945	-11,180	-11,135	-11,645
Part IV tax	-6,125	-8,025	-7,600	-6,910	-8,100	-9,110	-9,070	-9,485
Dividend refund	10,420	13,240	12,580	11,275	13,395	15,065	15,000	15,685
Total – corporate income tax	-1,840	-2,360	-2,525	-3,155	-4,645	-5,225	-5,205	-5,440

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	**2017**	**2018**	**2019**	**2020**	**2021 (P)**	**2022 (P)**	**2023 (P)**	**2024 (P)**
Goods and Services Tax	10	10	10	10	10	15	15	15

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 254,000 RDSPs were registered and remained open as of October 2022.

Cost Information:

Millions of dollars	2017	2018	2019	2020	2021 (P)	2022 (P)	2023 (P)	2024 (P)
Personal income tax	60	65	70	70	85	95	115	125

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 6.9 million individuals with an RESP have received a Canada Education Savings Grant between 1998 and 2020.

Cost Information:

Millions of dollars	**2017**	**2018**	**2019**	**2020**	**2021 (P)**	**2022 (P)**	**2023 (P)**	**2024 (P)**
Personal income tax	110	110	120	100	120	145	180	235

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 ($30,780 for 2022). For defined benefit RPP members, pension benefits are limited to 2% of employment earnings per year of service up to a specified dollar amount ($3,420.00 for 2022).
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, 11-10-0086-01 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	2017	2018	2019	2020	2021 (P)	2022 (P)	2023 (P)	2024 (P)
Deduction for contributions	16,125	16,460	16,275	16,550	16,625	18,210	18,895	19,495
Non-taxation of investment income	23,460	20,400	24,445	20,835	31,245	32,765	39,180	39,095
Taxation of withdrawals	-11,580	-11,815	-12,030	-12,395	-13,390	-13,770	-15,210	-16,245
Total – personal income tax	28,000	25,045	28,685	24,990	34,475	37,205	42,865	42,350

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 ($29,210 for 2022), 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	2017	2018	2019	2020	2021 (P)	2022 (P)	2023 (P)	2024 (P)
Deduction for contributions	9,375	9,750	10,105	11,235	12,685	12,975	13,050	13,070
Non-taxation of investment income	15,150	13,375	15,680	13,575	19,925	21,415	25,910	26,190
Taxation of withdrawals	-6,855	-7,665	-7,870	-7,770	-8,300	-8,585	-9,360	-9,970
Total – personal income tax	17,670	15,455	17,915	17,040	24,310	25,805	29,600	29,290

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 600 individuals reported capital gains eligible for this measure in 2020.

Cost Information:

Millions of dollars	**2017**	**2018**	**2019**	**2020**	**2021 (P)**	**2022 (P)**	**2023 (P)**	**2024 (P)**
Personal income tax	10	15	10	10	15	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 ($7,000 for 2022).
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 11,400 individuals contributed to the Saskatchewan Pension Plan in 2021.

Cost Information:

Millions of dollars	2017	2018	2019	2020	2021 (P)	2022 (P)	2023 (P)	2024 (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.
Number of beneficiaries	About 4,300 individuals and 22,350 corporations claimed this credit in 2020. The number of trusts having claimed this credit in 2020 is not disclosed due to confidentiality restrictions.

Cost Information:

Millions of dollars	2017	2018	2019	2020	2021 (P)	2022 (P)	2023 (P)	2024 (P)
Personal income tax	1	1	1	1	S	S	S	S
Corporate income tax								
Non-refundable portion								
Earned and claimed in current year	445	575	480	470	495	555	570	590
Claimed in current year but earned in prior years	1,030	830	905	945	975	1,090	1,115	1,160
Earned in current year but carried back to prior years	70	30	45	50	50	60	60	60
Total – non-refundable portion	1,545	1,435	1,430	1,460	1,525	1,705	1,745	1,810
Refundable portion	1,300	1,405	1,835	1,825	1,725	1,925	1,975	2,050
Total – corporate income tax	2,845	2,840	3,260	3,285	3,245	3,630	3,725	3,860
Total	2,845	2,840	3,260	3,285	3,245	3,630	3,725	3,860

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 5,500 individuals claimed this credit in 2020.

Cost Information:

Millions of dollars	**2017**	**2018**	**2019**	**2020**	**2021 (P)**	**2022 (P)**	**2023 (P)**	**2024 (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	To make it more affordable for small businesses 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	No data is available.

Cost Information:

Millions of dollars	**2017**	**2018**	**2019**	**2020**	**2021 (P)**	**2022 (P)**	**2023 (P)**	**2024 (P)**
Personal income tax	–	–	–	–	–	5	1	–
Corporate income tax	–	–	–	–	–	155	80	–
Total	–	–	–	–	–	160	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 1.5 million small suppliers make use of this measure each year.

Cost Information:

Millions of dollars	**2017**	**2018**	**2019**	**2020**	**2021 (P)**	**2022 (P)**	**2023 (P)**	**2024 (P)**
Goods and Services Tax	225	240	275	185	210	265	270	270

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 1,400 individuals in 2020.

Cost Information:

Millions of dollars	**2017**	**2018**	**2019**	**2020**	**2021 (P)**	**2022 (P)**	**2023 (P)**	**2024 (P)**
Personal income tax	1	1	2	S	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	2017	2018	2019	2020	2021 (P)	2022 (P)	2023 (P)	2024 (P)
Corporate income tax	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 each year until 2023, at which time the maximum credit amount will reach $15,000. The maximum credit amount for 2022 is $14,398, with the fully reduced amount being $12,719.
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 ($155,625 in 2022), and is fully phased out by the fifth federal bracket threshold ($221,708 in 2022).
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 1.8 million individuals claimed this credit in 2020.

Cost Information:

Millions of dollars	**2017**	**2018**	**2019**	**2020**	**2021 (P)**	**2022 (P)**	**2023 (P)**	**2024 (P)**
Personal income tax	1,715	1,740	1,740	1,680	1,855	2,135	2,260	2,380

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 534,000 individuals claimed this credit in 2020.

Cost Information:

Millions of dollars	**2017**	**2018**	**2019**	**2020**	**2021 (P)**	**2022 (P)**	**2023 (P)**	**2024 (P)**
Personal income tax	45	50	55	25	20	20	20	20

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	2017	2018	2019	2020	2021 (P)	2022 (P)	2023 (P)	2024 (P)
Corporate income tax	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	**2017**	**2018**	**2019**	**2020**	**2021 (P)**	**2022 (P)**	**2023 (P)**	**2024 (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 83,000 individuals reported having received alimony or maintenance payments in 2020, while about 57,000 individuals claimed a deduction.

Cost Information:

Millions of dollars	**2017**	**2018**	**2019**	**2020**	**2021 (P)**	**2022 (P)**	**2023 (P)**	**2024 (P)**
Personal income tax	95	95	120	100	110	125	135	150

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. 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 16.5 million individuals claimed the credit for Canada Pension Plan or Quebec Pension Plan contributions on employment income in 2020, while about 1.9 million claimed the credit for these contributions on self-employment or other income.

Cost Information:

Millions of dollars	2017	2018	2019	2020	2021 (P)	2022 (P)	2023 (P)	2024 (P)
Tax recognition for employee-paid contributions	4,015	4,200	4,595	4,765	5,440	6,345	7,010	7,645
Non-taxation of employer-paid contributions	6,060	6,415	6,950	7,080	8,195	9,335	10,075	10,850
Total – personal income tax	10,075	10,615	11,540	11,845	13,635	15,680	17,085	18,495

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 2020, about 16 million individuals claimed the credit for Employment Insurance contributions on employment income, while about 14,000 individuals claimed this credit on self-employment or other eligible earnings. About 3.9 million individuals claimed the credit for Quebec Parental Insurance Plan contributions on employment income earned in the province of Quebec, while about 116,000 individuals claimed the credit on income earned outside Quebec. About 431,000 individuals claimed the Quebec Parental Insurance Plan credit on self-employment or other eligible income.

Cost Information:

Millions of dollars	2017	2018	2019	2020	2021 (P)	2022 (P)	2023 (P)	2024 (P)
Credit for employee-paid premiums	1,280	1,365	1,390	1,345	1,425	1,565	1,670	1,785
Non-taxation of employer-paid premiums	2,690	2,875	2,940	2,835	3,125	3,420	3,635	3,880
Total – personal income tax	3,970	4,240	4,330	4,180	4,555	4,985	5,305	5,665

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 2022 through 2024 are not provided as the value of this measure cannot be reliably forecast for these years.
Number of beneficiaries	As of December 2021, about 95,000 AgriInvest accounts were registered.

Cost Information:

Millions of dollars	2017	2018	2019	2020	2021 (P)	2022 (P)	2023 (P)	2024 (P)
AgriInvest program								
Personal income tax	5	4	-1	1	10	n.a.	n.a.	n.a.
Corporate income tax	1	1	S	S	1	n.a.	n.a.	n.a.
Total	5	5	-1	1	10	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	2017	2018	2019	2020	2021 (P)	2022 (P)	2023 (P)	2024 (P)
Personal and corporate income tax	225	215	230	235	230	220	245	255

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 18,000 individuals benefitted from this exemption in 2020.

Cost Information:

Millions of dollars	2017	2018	2019	2020	2021 (P)	2022 (P)	2023 (P)	2024 (P)
Personal income tax	3	3	3	3	3	3	3	4

Tax-Free First Home Savings Account

Description	The First Home Savings Account (FHSA), which is expected to become available in 2023, is a registered plan that will help individuals save for their first home. Canadian residents 18 years and older who are first-time home buyers will be able to open an FHSA. The annual contribution limit will be $8,000, with a lifetime contribution limit of $40,000. Any unused annual contribution room will be carried forward, up to a maximum of $8,000. The carry-forward amounts will only start accumulating after an individual opens an FHSA for the first time. FHSA contributions will be tax-deductible, unless funded from an RRSP, and income earned in an FHSA will not be subject to tax. Qualifying FHSA withdrawals, used to purchase a first home in Canada, will be non-taxable, whereas non-qualifying withdrawals will be subject to taxation. Individuals will be allowed to transfer funds from an FHSA to another FHSA, an RRSP or a RRIF, subject to the usual rules applicable to these accounts.
Tax	Personal income tax
Beneficiaries	Individual first-time home buyers
Type of measure	Exemption
Legal reference	*Income Tax Act*, proposed sections 146.6 and 207.01
Implementation and recent history	• Introduced in Budget 2022. The measure will become effective for the 2023 and subsequent taxation years.
Objective – category	To achieve a social objective
Objective	This measure supports first-time home buyers by facilitating saving for a down payment (Budget 2022).
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
Estimation method	n/a
Projection method	T1 micro-simulation model
Number of beneficiaries	No data is available.

Cost Information:

Millions of dollars	**2017**	**2018**	**2019**	**2020**	**2021 (P)**	**2022 (P)**	**2023 (P)**	**2024 (P)**
Personal income tax	–	–	–	–	–	–	125	465

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 2022. 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 16.1 million individuals had a TFSA at the end of 2020.

Cost Information:

Millions of dollars	**2017**	**2018**	**2019**	**2020**	**2021 (P)**	**2022 (P)**	**2023 (P)**	**2024 (P)**
Personal income tax	1,075	870	1,100	1,500	1,765	1,630	1,825	1,955

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. 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* increased the credit rate to 25%; removed a requirement that supplies be used in the classroom; and extended 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 81,000 individuals claimed this credit in 2020.

Cost Information:

Millions of dollars	2017	2018	2019	2020	2021 (P)	2022 (P)	2023 (P)	2024 (P)
Personal income tax	4	5	5	5	10	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	**2017**	**2018**	**2019**	**2020**	**2021 (P)**	**2022 (P)**	**2023 (P)**	**2024 (P)**
Personal income tax	65	55	35	30	20	5	S	S

Tourism and Hospitality Recovery Program

Description	The Tourism and Hospitality Recovery Program (THRP) provided a wage and rent subsidy for employers in prescribed tourism or hospitality businesses that had an average revenue reduction for the first year of the CEWS of 40% or more and had a current period revenue reduction of at least 40%. For qualifying entities, the THRP paid a wage and rent subsidy of between 40% and 75% for claim periods between October 24, 2021 to March 13, 2022. From March 13 to May 7, 2022 the maximum wage and rent subsidy rate decreased by half. The program ended on May 7, 2022.
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 had an average revenue reduction for the first year of the CEWS of 40% or more and had 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	The cost of this measure reflects administrative data provided by the Canada Revenue Agency.
Projection method	n/a
Number of beneficiaries	The number of unique applicants with approved claims since the start of the program is 30,240 and 30,060, for the wage portion and the rent portion, respectively (data as of November 6, 2022).

Cost Information:

Millions of dollars	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023 (P)**	**2024 (P)**
Personal and corporate income tax	–	–	–	–	1,055	1,640	–	–

Note: The figures in the table correspond to the gross fiscal impact of the measures and they are subject to change as claims are reviewed and adjusted. The distribution across years reflects the benefit periods for the programs. Gross totals reflect reported payouts as of November 6, 2022. Figures will be adjusted in next year's report to reflect final assessments and any adjustments made to final program totals.

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	2017	2018	2019	2020	2021 (P)	2022 (P)	2023 (P)	2024 (P)
Personal income tax								
Individuals	22,905	24,410	25,270	26,135	29,290	31,770	32,890	33,675
Trusts	820	535	875	1,045	1,125	985	1,195	1,295
Total – personal income tax	23,725	24,945	26,150	27,180	30,415	32,755	34,085	34,970
Corporate income tax	3,320	3,650	3,435	3,680	5,235	6,215	5,600	4,410
Total	27,050	28,595	29,585	30,860	35,650	38,970	39,685	39,380

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	**2017**	**2018**	**2019**	**2020**	**2021 (P)**	**2022 (P)**	**2023 (P)**	**2024 (P)**
Goods and Services Tax	305	310	330	80	100	265	315	335

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 (up to a limit of $5,000, less the amount claimed by the student) 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 2.6 million individuals earned this credit in 2020.

Cost Information:

Millions of dollars	2017	2018	2019	2020	2021 (P)	2022 (P)	2023 (P)	2024 (P)
Personal income tax	1,455	1,630	1,735	2,100	2,085	2,060	2,135	2,135

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 2020.

Cost Information:

Millions of dollars	**2017**	**2018**	**2019**	**2020**	**2021 (P)**	**2022 (P)**	**2023 (P)**	**2024 (P)**
Personal income tax	20	20	15	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	2017	2018	2019	2020	2021 (P)	2022 (P)	2023 (P)	2024 (P)
Goods and Services Tax	4,525	4,705	4,895	5,385	5,510	5,800	6,120	6,415

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	About 38.9 million individuals benefit from this measure.

Cost Information:

Millions of dollars	**2017**	**2018**	**2019**	**2020**	**2021 (P)**	**2022 (P)**	**2023 (P)**	**2024 (P)**
Goods and Services Tax	–	–	–	3	80	60	40	35

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	**2017**	**2018**	**2019**	**2020**	**2021 (P)**	**2022 (P)**	**2023 (P)**	**2024 (P)**
Goods and Services Tax	50	45	50	50	55	60	60	65

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	**2017**	**2018**	**2019**	**2020**	**2021 (P)**	**2022 (P)**	**2023 (P)**	**2024 (P)**
Goods and Services Tax	440	465	480	475	525	550	555	580

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	**2017**	**2018**	**2019**	**2020**	**2021 (P)**	**2022 (P)**	**2023 (P)**	**2024 (P)**
Goods and Services Tax	850	880	895	945	985	1,035	1,080	1,135

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 in Budgets 2021 and 2022.
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.

Table

Additional Information on Relevant Government Programs by 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 Financial Assistance 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 and Skills 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. 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, parental and family caregiver 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.

Table

Additional Information on Relevant Government Programs by 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: A Closer Look at Persons with Disabilities[15]

1. Introduction

To better inform parliamentarians and Canadians on how government measures affect people based on gender and other intersecting identity factors, the *Canadian Gender Budgeting Act* requires that the Minister of Finance publish an annual Gender-based Analysis Plus (GBA Plus) of the impacts of existing tax expenditures based on various key identity factors. The GBA Plus studies published to date have focused on identity factors directly identifiable using T1 tax return data. The 2019 and 2020 studies looked at the impact of the personal income tax (PIT) system based on gender and family status, while the 2021 and 2022 studies examined the impact of additional identity factors, such as age, income group and region of residence. However, the "Plus" in GBA Plus indicates the need to consider identity factors that go beyond those directly identifiable in the tax data, such as ethnicity, sexual orientation or disability. The analysis presented in the current study focuses on the latter.

The federal government recognizes that a disability can represent a barrier to participation and has adopted measures to support the integration of persons with disabilities. A variety of federal programs are in place to help persons with disabilities earn a decent income while promoting their employment integration and social inclusion, including the Opportunities Fund for Persons with Disabilities and the Canada Student Grant for Students with Disabilities. Other programs, such as the Canada Pension Plan disability benefits and the Child Disability Benefit, also provide direct income support to individuals with disabilities.

The tax system is another mechanism used by the federal government to support Canadians with disabilities. The Canadian tax system recognizes that persons with disabilities and those who care for them may need to incur expenses that reduce their ability to pay taxes. It therefore offers tax relief to recognize those costs, including the Disability Tax Credit (DTC), the disability supports deduction (DSD) and the Medical Expense Tax Credit (METC).

However, the impacts of these tax expenditures on Canadians with disabilities cannot be assessed based solely on tax data. Although T1 tax data can be used to identify individuals who benefit from these tax expenditures, they do not allow for a comprehensive identification of all Canadians with disabilities. On the other hand, while the Canadian Survey on Disability (CSD) enables a more exhaustive identification of the population that reports having a disability, it does not contain the tax data needed to assess the extent to which that population benefits from these tax expenditures.

To address their respective limitations, a linkage was made between these two databases. The new linked dataset makes it possible to examine the use of certain federal tax expenditures by all individuals identified as having a disability. It also allows for a determination of the extent to which those individuals benefit from these tax expenditures.

[15] The analysis presented in this study was prepared by Dominique Fleury, Senior Tax Policy Officer, Tax Policy Branch, Department of Finance Canada. Enquiries regarding Department of Finance Canada publications can be sent to finpub@canada.ca.

Section 2 provides contextual information about this study, including details on the data used, an overview of the number and characteristics of persons identifying themselves as having a disability in Canada, and a list of tax expenditures of interest for the study, i.e., those that provide specific support to persons with disabilities or their caregivers. Section 3 continues by profiling the use of these tax expenditures by disability status. Section 4 completes the study by examining the distribution of benefits from these tax expenditures, and the extent to which they effectively assist persons with disabilities.

2. Context

2.1 Data

To analyze the benefits from federal tax expenditures accruing to Canadians with disabilities, the population of persons with disabilities must first be identified. As noted in the study on the Refundable Medical Expense Supplement (RMES) published in 2020,[16] this could be done by identifying the users of the two tax measures most directly targeted for this group in T1 return data, namely the DSD and the DTC. However, as those measures target specific categories of persons with disabilities—in particular the DTC targets those with certain severe and prolonged mental and physical impairments[17]—using DSD and DTC claims would underestimate the total population of taxfilers with a disability in Canada.

According to Statistics Canada, data on disability have been collected since the early 1980s, following a recommendation by a special Parliamentary Committee on the Disabled and Handicapped,[18] which asked "... that the Federal Government direct Statistics Canada to give a high priority to the development and implementation of a long-term strategy which will generate comprehensive data on disabled persons in Canada...".[19] Since then, several changes have been made regarding the collection of reliable data on the population of persons with disabilities. These changes were made for several reasons, including to comply with certain international agreements concerning the definition and recognition of disability. In particular, Canada ratified the United Nations Convention on the Rights of Persons with Disabilities in 2010. Upon ratification, Employment and Social Development Canada launched a data development strategy to better understand the lives of Canadians with specific difficulties and limitations, and developed a new series of questions to identify persons with disabilities. After undergoing extensive qualitative and quantitative testing, these questions were used for the first time in the 2012 CSD. They were used again in the 2017 CSD, and the 2022 CSD, for which data are forthcoming. The CSD is now considered the most comprehensive source of information on persons with disabilities in Canada.

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16 Department of Finance Canada, *Report on Federal Tax Expenditures—Concepts, Estimates and Evaluations 2020*, "The Refundable Medical Expense Supplement: A Profile of Beneficiaries," p. 307.

17 The eligibility criteria for the DTC are set out in the *Income Tax Act*. To be eligible, an individual must have a severe and prolonged impairment of physical or mental functions, and the effects of that impairment must be such that the individual is blind or markedly restricted in their ability to perform a basic activity of daily living. The DTC is intended to recognize the additional, non-itemizable costs for goods and services that an individual with a severe and prolonged impairment may incur and that can reduce their ability to pay taxes. The DTC is not intended to offset a reduced ability to earn income or to provide tax relief for all costs related to a disability, objectives that are recognized by other government programs and tax system measures. To be eligible for the DSD, a taxpayer must have a mental or physical impairment, and may also be required to be eligible for the DTC if claiming certain expenses.

18 This was the official name of the Committee at the time and may not reflect current understandings or language regarding disability.

19 Statistics Canada, Canadian Survey on Disability Reports, Canadian Survey on Disability, 2017: Concepts and Methods Guide, November 28, 2018.

While the CSD provides more comprehensive information about different forms and intensities of limitations, and enables a better identification of persons identifying themselves as having disabilities, it contains very few details on the income earned and taxes paid by Canadians with disabilities, nor does it contain the tax data needed to examine the extent to which they benefit from existing tax expenditures. The ability to study the impact of federal tax expenditures on persons with disabilities is therefore limited when CSD and tax data remain separate.

To overcome this limitation, the Department of Finance Canada partnered with Statistics Canada to undertake a linkage exercise between the 2017 CSD data and the data from 2017 T1 returns. All CSD respondents who filed an income tax return for 2017 were linked to their respective tax files.[20] For taxfilers identified as being in a couple, the tax characteristics of their spouse were also included in the new database that was made available to the Department of Finance through the Federal Research Data Centre.[21]

Overall, all CSD variables were included in the new linked database, in addition to certain tax variables for the respondent and their spouse (as applicable). Disability status can therefore be determined using the definition of disability from the CSD, i.e., "anyone who reported being 'sometimes,' 'often' or 'always' limited in their daily activities due to a long-term condition or health problem, as well as anyone who reported being 'rarely' limited if they were also unable to do certain tasks or could only do them with a lot of difficulty."[22,23] The tax variables retained include certain demographic characteristics (e.g., province of taxation), various sources of pre-tax income (e.g., employment, investment, capital gains and transfers), various tax measures that allow the calculation of after-tax income for individuals, and claims of tax expenditures designed to offer specific support to persons with disabilities and their caregivers.

2.2 Overview of the number and characteristics of Canadians with disabilities

A study published by Statistics Canada in 2018[24] based on the 2017 CSD found that about one-fifth of all Canadians aged 15 and older (or 6.2 million individuals) reported having a disability that limits their activities. Of these, 43% are categorized as having a severe or very severe disability.

This study also found that the older the individuals, the more likely they are to have at least one disability. While 13% of persons aged 15 to 24 years reported a disability, this percentage rises to 20% among adults aged 25 to 64 and to 38% among those aged 65 and over. The most commonly observed type of disability also varies by age. Among the youngest, disabilities related to mental health and learning are the most common, while those related to pain, mobility and flexibility are dominant among seniors. In all age groups, a slightly higher incidence of disabilities is observed among women.

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20 CSD respondents who did not file income tax returns or for whom a linkage to their tax data could not be completed—notably due to inconsistencies with the linkage variable—were retained in the linked database, but were assigned missing values for the tax variables. These represent about 7% of CSD respondents who agreed that their information be linked to other data sources.

21 For taxfilers identified as not being in a couple, or for whom the spouse's characteristics were not found in the available income tax returns, the spouse's tax variables were assigned missing values.

22 Statistics Canada, Canadian Survey on Disability, 2017, *The Daily*, Wednesday, November 28, 2018, p. 3.

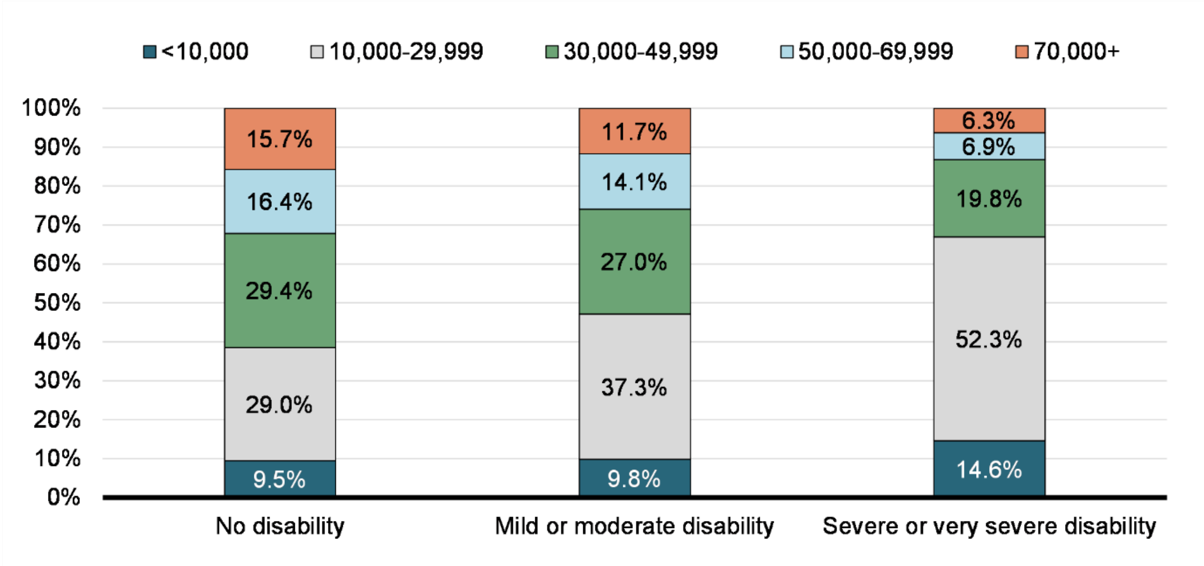
23 The CSD identifies persons with a disability using Disability Screening Questions based on the social model of disability. These questions first seek to determine the extent to which difficulties are experienced in 10 areas of activity, and then ask about the frequency of limitations caused by those difficulties. Only individuals who are limited in their activities by a long-term health condition or problem are identified as having a disability. For more information, see Canadian Survey on Disability, 2017: Concepts and Methods Guide.

24 Stuart Morris, Gail Fawcett, Laurent Brisebois and Jeffrey Hughes, Statistics Canada, Canadian Survey on Disability, *A demographic, employment and income profile of Canadians with disabilities aged 15 years and over, 2017*, Catalogue no. 89-654-X2018002 ISBN 978-0-660-28689-1, November 28, 2018.

It also revealed that the presence of a disability, and particularly a severe or very severe disability, has an adverse impact on the employment status of working-age adults and on their income levels. As indicated in Chart 1, the proportion of adults with personal after-tax income under $30,000 is significantly higher among persons with severe or very severe disabilities (66.9%), or mild and moderate disabilities (47.1%) than among persons without disabilities (38.5%). The presence of a disability also significantly increases the likelihood of being in a low-family-income situation, especially among adults who are unattached.

Chart 1

Distribution by after-tax income for persons aged 25 years and over, by disability status and severity of disability, Canada, 2017



Source: Statistics Canada, Table 13-10-0379-01.

The data from 2017 T1 tax returns combined with data from the CSD reveal new findings concerning taxfilers with disabilities.[25] Table 1 shows that 22.6% of the 25.5 million adult taxfilers in the linked database are identified as having at least one disability. It also shows that nearly 43% of those adults have a severe or very severe disability based on the severity criteria set out in the CSD. These percentages are comparable to those estimated by Statistics Canada among the entire CSD population (i.e., all individuals aged 15 and over, whether taxfilers or not).

[25] To ensure that all results presented in this study are nationally representative, the CSD survey weights were used for producing estimates. All weighted estimates presented in this study respect Statistics Canada's confidentiality criterion (i.e., they are based on at least 15 unweighted observations). Any amounts of income used to calculate estimates also passed the dominance test (i.e., the sum of the 5 largest contributors does not account for more than 95% of the total value). To maximize reliability, only estimates that are statistically different from one group to another, i.e., for which confidence intervals do not overlap, are discussed in the study. Bootstrap weights were used to calculate confidence intervals and determine whether estimates are statistically different.

Table 1
Statistics on the target population, by taxfiler and CSD disability status, 2017

	Target population
Number (#) of adults (i.e., individuals aged 18 or over*)	27,276,000
Number (#) of adult taxfilers**	25,515,700
-Proportion (%) of adult taxfilers who did not report any disability***	77.4
-Proportion (%) of adult taxfilers who reported at least one disability	22.6
-Proportion (%) of taxfilers with a disability, whose disability is categorized as mild or moderate	57.5
-Proportion (%) of taxfilers with a disability, whose disability is categorized as severe or very severe	42.5

Notes: *This includes the number of CSD respondents who were aged 16 and over in May 2016, at the time of the Census. **This refers to CSD respondents who could be matched to their tax file. Matching was not possible for some respondents due to inconsistencies in the matching variable. Although some may have completed an income tax return in 2017, they are excluded from the population of taxfilers. The total number of adult taxfilers may therefore differ from the number of taxfilers aged 18 years or more identified solely based on tax files. This difference can also be explained by the probability-based sample of the CSD which can lead to a certain margin of error around estimates, as well as by the exclusion of certain populations from the CSD sample.[26] ***Identification of disability and disability severity is based on definitions established as part of the CSD, not on eligibility criteria for the DTC.
Source: CSD data combined with T1 tax return data, 2017.

Table 2 profiles taxfilers aged 18 and over, by disability status. In particular, it shows that persons with disabilities, especially those with severe or very severe disabilities, are older on average. It also shows that this population is made up of a slightly higher percentage of women, unattached individuals, and individuals in the first two personal and family income quartiles. The last two lines of the table indicate that the average pre-tax family income of persons with disabilities ($52,600), and particularly those with severe or very severe disabilities ($42,200), is considerably lower than that of persons without disabilities ($72,300).

[26] The 2017 CSD was based on a sample of people who reported a long-term difficulty or health condition that limited their daily activities in the 2016 long-form questionnaire, and who were aged 15 or older on Census Day, i.e., on May 10, 2016. The CSD only covers people living in private dwellings in Canada, i.e., excludes those living in institutions or other collective dwellings, such as Canadian Armed Forces bases. In addition, for operational reasons, First Nations people living on-reserve were also excluded from the CSD sample.

Table 2

Sociodemographic and socioeconomic profile of the CSD target population, by disability status and severity of disability, 2017

	All	No disability	Disability	Mild or moderate disability	Severe or very severe disability
Distribution by sex (%)					
Men	47.9	49.2	43.5	45.3	41.0
Women	52.1	50.8	56.5	54.7	59.0
Average age (yrs.)	49.2	47.1	56.7	53.8	60.5
Distribution by age (%)					
18 to 29	17.1	19.2	9.8	12.5	6.3
30 to 39	16.3	18.0	10.7	13.1	7.6
40 to 49	16.3	17.5	12.5	13.9	10.5
50 to 64	27.3	26.5	29.7	28.2	31.7
65 or over	23.0	18.8	37.3	32.3	44.0
Distribution by family type (%)					
Unattached person (person not in a two-filer couple)*	37.4	35.9	42.6	39.9	46.3
Person in a two-filer couple	62.6	64.1	57.4	60.1	53.7
Distribution by pre-tax personal income quartile (%)					
1st quartile	25.0	22.6	33.2	27.2	41.4
2nd quartile	25.0	23.4	30.4	27.7	34.2
3rd quartile	25.0	26.4	20.3	24.2	15.1
4th quartile	25.0	27.6	16.0	20.9	9.4
Distribution by adjusted family income quartile (%)**					
1st quartile	25.0	22.0	35.2	28.1	44.8
2nd quartile	25.0	24.3	27.5	26.3	29.2
3rd quartile	25.0	25.9	21.8	25.4	17.0
4th quartile	25.0	27.8	15.5	20.2	9.0
Average pre-tax personal income ($)	52,700	56,400	40,300	46,700	31,700
Average pre-tax adjusted family income ($)	67,800	72,300	52,600	60,300	42,200

Notes: *This group refers to taxfilers who are unattached but also those whose partners did not file (or could not be matched). **Income is adjusted for the presence of a partner but ignores the presence of children under 18 in the family, as this number could not be reliably determined based on the available variables. The adjusted family income of an individual in a couple is obtained by dividing the individual's total pre-tax family income by the square root of 2. No adjustment is made for unattached individuals.

Source: CSD data combined with T1 tax return data, 2017.

2.3 Tax expenditures that provide specific support to persons with disabilities or their caregivers

The federal PIT system includes measures designed to increase tax fairness by considering the effect of a severe and prolonged disability on individuals' ability to pay taxes. Persons with these types of disability (or those who care for them) may face expenses related to their disability that reduce their income available to pay taxes. Some of these expenses are related to the purchase of specific goods and services whose costs can easily be detailed using invoices, while others are harder to quantify (e.g., custom-made clothing or more expensive transportation). Currently, three federal tax expenditures recognize some of the easily quantifiable expenses of persons with disabilities: the DSD, the METC and the Home Accessibility Tax Credit (HATC). The DTC and the Canada Caregiver Credit (CCC), meanwhile, recognize expenses that cannot be easily detailed.

Some federal tax measures also have social objectives in relation to disability, such as the HATC, which is designed to promote independence by recognizing the specific impact of costs for improving the safety, accessibility and functionality of a dwelling for persons with disabilities. The PIT system also includes incentives to save by helping individuals with severe disabilities and their family members accumulate savings to ensure their long-term financial security (Registered Disability Savings Plans (RDSP)).

Income support is another objective of some measures in the PIT system, providing income support to low-income families through refundable credits. Some of these measures are specifically targeted at families in which the presence of a disability can impose additional costs when joining the work force (i.e., the Canada Workers Benefit supplement (CWB-sup.) and the RMES).

The Goods and Services Tax (GST) system also includes several measures designed to reduce the additional expenses incurred by persons with disabilities or achieve social objectives, by making certain goods and services exempt from the federal sales tax or imposing a zero taxation rate (e.g., zero-rating of prescription medication or exempting hospital parking fees from the GST). However, the data used in this study do not allow for an analysis of the impact of this latter group of tax expenditures.

Table 3 presents a list of PIT expenditures that provide specific support to persons with disabilities or a supporting person or caregiver, and that are examined in the current study. It also provides an overview of the availability of data for each of these expenditures. Since this study is based on survey data linked to tax data, the unweighted observation counts are sometimes insufficient to meet Statistics Canada's confidentiality criterion.

To overcome this limitation, the DSD and the HATC have been combined. When the counts were still insufficient, the statistics related to these measures have been excluded from the tables. For the same reason, individual statistics on amounts withdrawn from an RDSP also had to be omitted from the tables, and those related to the CWB-sup. were sometimes excluded.

Table 3
Information on selected PIT expenditures for persons with disabilities (i.e., that provide specific support to persons with disabilities or a supporting person or caregiver)

Objectives	Tax expenditures	Type	Availability of data
Recognize ability to pay	Medical Expense Tax Credit (METC)	Non-refundable credit	√
	Disability Tax Credit (DTC)	Non-refundable credit	√
	Canada Caregiver Credit (CCC)	Non-refundable credit	√
	Disability supports deduction (DSD)	Deduction	Often insufficient
Recognize ability to pay and achieve a social objective	Home Accessibility Tax Credit (HATC)	Non-refundable credit	Often insufficient
Provide income support	Canada Workers Benefit supplement (CWB-sup.)	Refundable credit	Sometimes insufficient
	Refundable Medical Expense Supplement (RMES)	Refundable credit	√
Provide income support and tax relief	Non-taxation of workers' compensation (WC) benefits	Exemption	√
	Non-taxation of RCMP pensions and other compensation in respect of injury, disability or death	Exemption	Missing
	Non-taxation of social assistance (SA) benefits	Exemption	√
Encourage savings	Registered Disability Savings Plans (RDSP)	Registered plans	Always insufficient

Table 4 provides a brief description of the ten tax expenditures for which data are available (whether or not they meet Statistics Canada's reliability criterion) and that are examined in this study, in whole or in part.

Table 4

Description of selected PIT expenditures for persons with disabilities (i.e., that provide specific support to persons with disabilities or a supporting person or caregiver)

Tax expenditures	Description
Medical Expense Tax Credit (METC)	The METC provides non-refundable tax relief to taxfilers for medical expenses and disability expenses incurred on their behalf, on their spouse or common-law partner's behalf or on behalf of a dependant. These expenses must be supported by receipts.
Disability Tax Credit (DTC)	The DTC provides non-refundable tax relief to individuals with a severe and prolonged disability in recognition of expenses related to that disability that cannot be detailed. The person with the disability may claim the entire DTC or, if they do not need the full amount to reduce their income tax to zero, they may transfer the remaining amount to a supporting family member (including a spouse or common-law partner).
Canada Caregiver Credit (CCC)	The CCC provides non-refundable tax relief to taxfilers who care for an infirm family member (a spouse or common-law partner, child or certain relatives).
Disability supports deduction (DSD)	The DSD allows taxfilers with a mental or physical impairment to deduct from their total income certain expenses (such as attendant care expenses) incurred to carry on a business or pursue education.
Home Accessibility Tax Credit (HATC)	The HATC provides non-refundable tax relief in recognition of expenses related to the renovation or modification of a dwelling incurred in order to improve the accessibility and functionality of a dwelling for seniors and individuals eligible for the DTC. The individual, their spouse or common-law partner, or certain supporting relatives may claim the credit.
Canada Workers Benefit supplement (CWB-sup.)	The CWB is a refundable tax credit that supplements the earnings of low- and modest-income workers and aims to improve their work incentives. It includes a basic amount and a supplement for eligible persons with disabilities (CWB-sup.). The supplement is provided to persons eligible for both the CWB and the DTC.
Refundable Medical Expense Supplement (RMES)	The RMES is a refundable credit that provides low-income working Canadians with assistance for medical and disability-related expenses. Only the worker who claims the METC and/or the DSD can claim the RMES.
Non-taxation of workers' compensation (WC) benefits	The non-taxation of WC benefits ensures that the compensation received by workers who were injured at work[27] are usually included in the taxfiler's total income, but are deducted for the calculation of taxable income.
Non-taxation of social assistance (SA) benefits	The non-taxation of SA benefits ensures that SA benefits are included in the taxfiler's total income and taken into account in determining income-tested credits and benefits, but exempted from the calculation of taxable income, recognizing the nature of this income source as a payment of last resort.[28]
Registered Disability Savings Plans (RDSP)	An 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 DTC. Contributions to an RDSP are not deductible from income and the amounts withdrawn from it are not included in income for tax purposes. However, investment income accumulated in an RDSP is included in the calculation of the beneficiary's taxable income when it is withdrawn from the plan.

[27] These workers must be recognized under Canadian or provincial workers compensation legislation in relation to an injury, disability or death.

[28] In Canada, each jurisdiction (i.e., provinces and territories) has its own social assistance program which may include particular benefits for persons with disabilities.

3. Use of the selected tax expenditures for persons with disabilities

Table 5 summarizes the usage of the tax expenditures of interest among all individual taxfilers aged 18 and over, by their personal disability status. Regardless of the individuals' family situation (in a couple or not), the usage of a tax expenditure is determined by claims on their personal income tax returns. It first shows that, among the 5.8 million persons with disabilities, the most commonly claimed tax expenditure is the METC. The proportion of persons claiming the METC is only slightly lower among persons without a disability because this measure is available to all taxfilers with eligible medical expenses in a year, regardless of disability status. This is also true for the RMES, for which the eligibility criteria are based on the level of eligible medical expenses, the individuals' family income level and their participation in the labour market, not on their personal disability status.

The second most common tax expenditures claimed by persons with disabilities are the DTC and the non-taxation of SA benefits.[29] Unlike the METC, RMES or non-taxation of SA benefits, the DTC directly targets persons with disabilities, which is why we see only a small proportion of persons without a disability claiming the credit. The main reason that proportion is not nil among this last group is because this credit can be claimed by a supporting person without a disability on behalf of a partner or another dependant who is unable to use the full amount.

For the DTC, the claim rate observed in the linked database understates the measure's usage. Indeed, it captures the claim rate for the 2017 tax year as the T1 data as of January 29, 2019 (those where the tax data linked to the CSD data). However, at that date, the DTC claims reassessment process had not yet been completed by the Canada Revenue Agency. This process usually results in an increase in the number of claimants by about 20% annually.

Among the ten selected tax expenditures, the CCC is the most likely to be claimed by persons without a disability, as that measure is intended to provide tax relief for individuals who care for persons with disabilities. Family status plays a role in access to the CCC by persons with disabilities, as 4% of those who are in a couple have a partner who claims it, while unattached individuals do not have this option. It is interesting to note that, contrary to what may be expected, the CCC claim rate among persons with disabilities is slightly higher than among persons without disabilities. This suggests that a significant proportion of persons with disabilities themselves provide support to other persons with disabilities.

Table 5 confirms that, in the vast majority of cases, tax expenditures that have components that more specifically target persons with disabilities are actually much more likely to be claimed by individuals identified as having a disability in the CSD. This is particularly the case for the CWB-sup., the DTC, and the non-taxation of WC benefits and SA benefits. Some claimants of these tax expenditures are persons without a disability, largely because the questions on the disability survey and the eligibility criteria for these measures do not necessarily perfectly overlap. In particular, the evaluation report on the DTC (2004) noted that responses in surveys on disability may fail to cover everyone eligible for the DTC and may, on the other hand, include some individuals who should not be considered eligible.[30] This is also the case for the CWB-sup., and the non-taxation of WC benefits and SA benefits.

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[29] The prevalence of claims for the non-taxation of SA benefits observed in the linked database is slightly lower than that observed in tax data exclusively, probably due to an underrepresentation of SA recipients among CSD respondents.

[30] Department of Finance Canada, *Tax Expenditures and Evaluations 2004*, "The Disability Tax Credit: Evaluation Report," p. 50.

More generally, the results show that 45.8% of all persons with disabilities claimed at least one of the ten tax expenditures studied. As expected, this proportion is higher than for persons without a disability (23.6%), and increases with the severity of the disability, from 35.6% among persons with a mild or moderate disability to 59.6% among those with a severe or very severe disability (not reported).

Table 5
Proportion (%) of claimants of the ten selected PIT expenditures for persons with disabilities, among adult taxfilers, by presence of disability, 2017

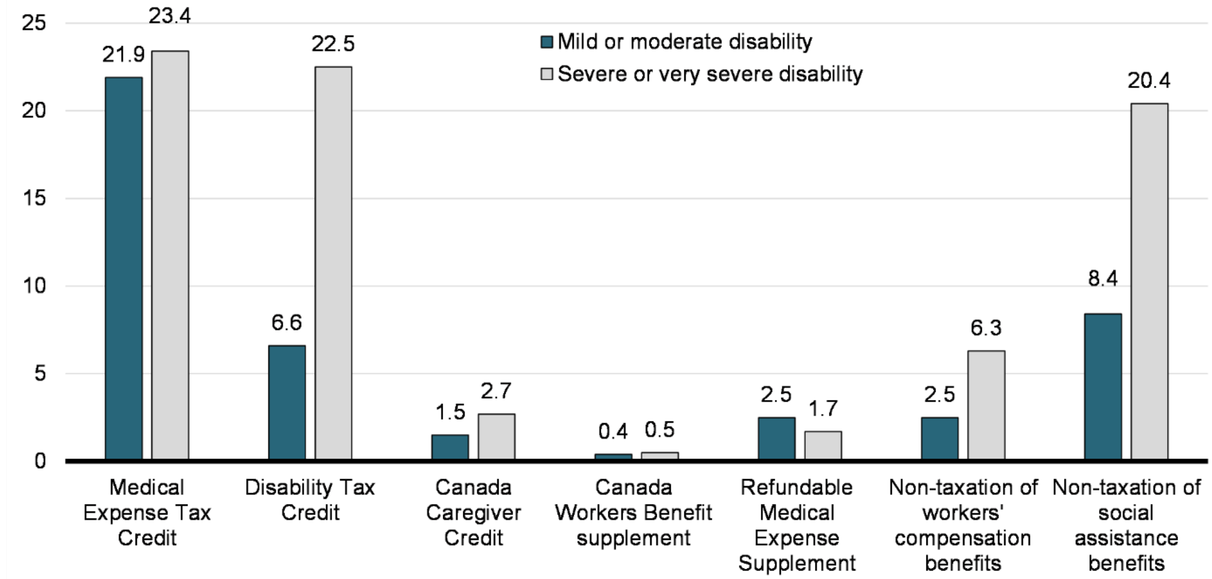
	No disability	Disability
Total number of adult taxfilers (#)	19,746,700	5,769,000
Medical Expense Tax Credit	18.4	22.5
Disability Tax Credit (for self or transferred from a dependant, including partners)	2.0	13.5
Canada Caregiver Credit	1.4	2.0
Total deduction for disability supports deduction and Home Accessibility Tax Credit*	0.1	0.2
Canada Workers Benefit supplement	0.0	0.5
Refundable Medical Expense Supplement	2.0	2.2
Non-taxation of workers' compensation benefits	1.6	4.1
Non-taxation of social assistance benefits	2.4	13.5
Any of the ten selected tax expenditures	23.6	45.8

Notes: *The results for the DSD and HATC had to be combined to obtain counts high enough to meet the confidentiality test for the database consisting of the CSD and T1 tax return data.
Source: CSD data combined with T1 tax return data, 2017.

Furthermore, when we look at the claim rate for these tax expenditures based on the severity of the disability (Chart 2), we see that it is DTC usage that varies the most according to this criterion. This observation is consistent with the nature of the credit, which targets persons with severe and prolonged impairment in specific areas of daily living.[31] There is also a statistically significant difference between the claim rate of the non-taxation of WC benefits and SA benefits among persons with a mild or moderate disability and those with a severe or very severe disability. However, the difference observed between these two groups is small or not statistically significant for all other measures studied. The proportion of RMES claimants is even slightly higher among persons with mild or moderate disabilities. This result is probably explained by the RMES eligibility condition that taxfilers must report a certain amount of employment income.

[31] A brief comparison of DTC eligibility criteria and criteria for identifying persons with disabilities in the CSD is provided in Appendix A.

Chart 2
Proportion (%) of claimants of selected PIT expenditures for persons with disabilities, among adult taxfilers, by severity of disability, 2017



Note: Claimants of the DTC include claimants for self or transferred from a dependant, including partners.
Source: CSD combined with T1 tax return data, 2017.

4. Benefits from the selected tax expenditures for persons with disabilities

This section shifts the focus from individuals who claim the ten selected tax expenditures to those who actually benefit from them, i.e., those who realize personal federal tax savings as a result of claiming. The GBA Plus studies published in recent years have mostly focused on analyzing the impacts and distribution of such benefits.

4.1 Number of beneficiaries, benefit amounts and distribution of benefits

Not all claimants of a tax expenditure obtain tax savings as a result of claiming. They must meet all eligibility criteria for the measure and, with the exception of refundable credits, have enough taxable income to be able to benefit from a reduction in tax payable. To assess whether claimants benefit directly from a tax expenditure, it must be determined whether they would have had more net federal tax payable without that tax expenditure, all else being equal. When this occurs, the "total direct benefits amount" will be equivalent to the amount of net federal tax saved as a result of claiming the tax expenditure.

Table 6 suggests that 36.9% of individual taxfilers with disabilities would have had no federal tax payable even in the absence of the tax expenditures under consideration, given their already low level of taxable income. By comparison, these proportions are 24.9% for taxfilers without disabilities and 45.5% for those with severe or very severe disabilities. Table 6 also shows that the existence of these ten tax expenditures increases the proportion of taxfilers with disabilities who have no federal tax payable by 9.5 percentage points (46.4% minus 36.9%). The greater proportion of taxfilers with no federal income tax payable among persons with disabilities means that this population is somewhat less likely to benefit from the tax expenditures under review when claiming.

Table 6

Proportion of adult taxfilers who pay no net federal tax in the presence and absence of all selected tax expenditures—except refundable credits*—and proportion of beneficiaries among claimants of the ten selected tax expenditures for persons with disabilities, by presence and severity of disability, 2017

	No disability	Disability	Mild or moderate disability	Severe or very severe disability
Proportion (%) of adult taxfilers who would pay no net federal tax if all the selected tax expenditures were not available**	24.9	36.9	30.6	45.5
Proportion (%) of adult taxfilers who paid no net federal tax in the presence of all selected tax expenditures	26.5	46.4	35.8	60.8
Proportion (%) of beneficiaries relative to claimants	82.2	67.9	74.8	62.2

Notes: *The RMES and the CWB-sup. are not considered for the production of these estimates since they are applied after the calculation of net federal tax paid.
**Assuming no behavioural change in the use of other existing tax measures in the absence of the selected group of tax expenditures.
Source: CSD data combined with T1 tax return data, 2017.

On the other hand, Table 7 shows that 31.1% of taxfilers with disabilities benefited from at least one of the ten tax expenditures, compared to 19.4% of those without disabilities. That proportion increases to 37.1% among persons with severe or very severe disabilities. This table also suggests that the METC, the DTC, and the non-taxation of SA benefits and WC benefits are not only the most claimed federal tax expenditures among taxfilers with disabilities, but are also the most likely to result in tax savings.

Further, Table 7 indicates that, among beneficiaries of any of the ten tax expenditures, the total benefit received is higher on average among persons with disabilities, and particularly those with severe or very severe disabilities. Among persons with disabilities, those who benefit from the DTC and the non-taxation of WC benefits saved the largest average amount of taxes. For some tax expenditures, beneficiaries without disabilities tended to benefit from slightly higher tax savings on average because their level of income is generally higher, often allowing them to save more or use more of the non-refundable credits.

Table 7

Proportion (%) of beneficiaries and average amount ($) of benefits received by beneficiaries of the ten selected tax expenditures for persons with disabilities, by presence and severity of disability, 2017

	No disability		Disability		Mild or moderate disability		Severe or very severe disability	
	%	$	%	$	%	$	%	$
Medical Expense Tax Credit	15.3	350	16.4	380	17.3	360	15.1	420
Disability Tax Credit (for self or transferred from a dependant, including partners)	1.5	1,170	8.1	1,050	4.5	1,070	12.9	1,040
Canada Caregiver Credit	1.1	680	1.0	570	1.0	590	1.1	540
Total deduction for the disability supports deduction and Home Accessibility Tax Credit	0.1	910	0.1	740	X	X	X	X
Canada Workers Benefit supplement	0.0	460	0.5	430	0.4	420	0.5	440
Refundable Medical Expense Supplement	2.0	280	2.2	350	2.5	320	1.7	400
Non-taxation of workers' compensation benefits	1.4	1,120	3.3	1,750	2.1	1,320	4.9	2,010
Non-taxation of social assistance benefits	0.6	610	4.4	550	2.9	630	6.5	500
Any of the ten selected tax expenditures	19.4	550	31.1	840	26.7	680	37.1	1,000

Notes: "X" means that the estimate was suppressed to meet the confidentiality requirements of the *Statistics Act*.
Source: CSD data combined with T1 tax return data, 2017.

Table 8 shows that more than 40% of all tax savings from the ten tax expenditures directly benefited persons with disabilities, while that population accounted for 22.6% of adult taxfilers. These measures are not intended solely for persons with disabilities, either because they are designed to provide income support or support for medical care costs for the entire population, or because they are intended for, or transferrable to, supporting persons. For most of these measures, however, the proportion of total benefits that is received by persons with disabilities is above the proportion they represent among all taxfilers. The only exception is the CCC, a measure that aims to provide support to individuals who care for persons with disabilities. Moreover, while the respective shares of benefits received by persons with disabilities from the METC and the RMES are only slightly greater than the proportion this population represents among all taxfilers, the shares of benefits from the DTC, the CWB-sup. and the non-taxation of WC and SA benefits are significantly higher. This overrepresentation of benefits is especially important among persons with severe or very severe disabilities, with the exception of the RMES, probably partly because of its labour force participation requirements.

Table 8

Distribution (%) of benefits received from the ten selected tax expenditures for persons with disabilities, by presence and severity of the disability, 2017

	No disability	Disability	Mild or moderate disability	Severe or very severe disability
Distribution of total 18+ taxfiler population as a %	77.4	22.6	13.0	9.6
Distribution in % of benefits received from each tax expenditure:				
Medical Expense Tax Credit	74.4	25.6	14.6	11.0
Disability Tax Credit (for self or transferred from a dependant, including partners)	41.8	58.2	19.2	39.0
Canada Caregiver Credit	81.1	18.9	10.8	8.2
Total deduction for the disability supports deduction and Home Accessibility Tax Credit	76.2	23.8	X	X
Canada Workers Benefit supplement	18.7	81.3	39.4	41.9
Refundable Medical Expense Supplement	71.9	28.1	17.2	10.9
Non-taxation of workers' compensation benefits	48.7	51.3	14.3	37.0
Non-taxation of social assistance benefits	35.0	65.0	28.3	36.7
Any of the ten selected tax expenditures	58.1	41.9	16.5	25.3

Notes: "X" means that the estimate was suppressed to meet the confidentiality requirements of the *Statistics Act*. Because of the high variability around the 23.8% estimate associated with the deduction for the DSD and HATC, it cannot be concluded that this proportion is statistically higher than the proportion of individuals with disabilities among all taxfilers (22.6%).

Source: CSD data combined T1 tax return data, 2017.

4.2 Main beneficiaries among the entire population

The distribution of benefits between adults with and without disabilities, as compared to the percentage of the overall population these groups represent (first line of Table 9), makes it possible to see the extent to which the ten tax expenditures benefit each group. However, to examine the extent to which these tax expenditures actually play a role in mitigating pre-tax income inequalities between these groups, another indicator is considered more appropriate, namely a ratio that captures the total share of benefits received by each group compared to the share of total pre-tax income reported by those groups (second line of Table 9). Drawing conclusions based on this last ratio allows for a distinction between the impact of the tax system and the impact of pre-existing income differences between the groups studied.[32]

Table 9

Distributions in percentage of the total 18+ taxfiler population and of total pre-tax income, by presence and severity of disability, 2017

	No disability	Disability	Mild or moderate disability	Severe or very severe disability
Distribution of total 18+ taxfiler population as a %	77.4	22.6	13.0	9.6
Distribution of total pre-tax income as a %	82.7	17.3	11.5	5.8

Source: CSD data combined T1 tax return data, 2017.

[32] This ratio is derived based on the assumption that tax expenditures only benefit taxfilers who claim them on their tax returns, as was the case in past GBA Plus studies, with the exception of the 2020 study that tested an assumption of shared benefits in couples, an assumption that cannot be tested based on the data used in the current study.

For each selected tax expenditure, Table 10 shows the ratios calculated for persons with and without disabilities, with a mild or moderate disability, and with a severe or very severe disability. These ratios confirm that, for all the tax expenditures, the proportion of benefits received by taxfilers with disabilities is greater than the proportion of pre-tax income they report. For example, while taxfilers with disabilities reported 17.3% of all pre-tax income, they received 28.1% of RMES benefits, a ratio of 1.62. A ratio over one suggests that a tax expenditure is beneficial for a group, as it redistributes income towards that group, and thus reduces pre-tax income inequalities that exist between it and the rest of the population.

Based on these ratios, Table 10 classifies each tax expenditure of interest as being particularly beneficial for: (1) taxfilers without disabilities; (2) taxfilers with a mild or moderate disability; and (3) taxfilers with a severe or very severe disability. Based on this classification, it is clear that taxfilers with disabilities—whether mild, moderate, severe or very severe—benefited relatively more from the federal tax expenditures providing support to persons with disabilities. The only exceptions are the CCC for taxfilers with a mild or moderate disability, and the DSD combined with the HATC, for which the results cannot be released as there were not enough observations to meet the Statistics Canada reliability criterion.

The same table suggests that, in 2017, the four federal PIT expenditures most beneficial to taxfilers with severe or very severe disabilities were the CWB-sup., the DTC and the non-taxation of WC benefits and SA benefits. The CWB-sup. and the non-taxation of SA benefits were also particularly beneficial for taxfilers with mild or moderate disabilities.

Table 10

Ratio of the share of benefits received from the ten selected tax expenditures for persons with disabilities relative to the share of total pre-tax income reported, by presence and severity of disability, 2017

Tax expenditure	Ratio by disability status				Groups that especially benefit
	No disability (1)	Disability	Mild or moderate disability (2)	Severe or very severe disability (3)	1 -- 2 -- 3
Medical Expense Tax Credit	0.90	1.48	1.27	1.90	
Disability Tax Credit	0.51	3.36	1.67	6.72	
Canada Caregiver Credit	0.98	1.09	0.94	1.41	
Total deduction for the disability supports deduction and Home Accessibility Tax Credit*	0.92	1.38	X	X	X
Canada Workers Benefit supplement	0.23	4.70	3.43	7.22	
Refundable Medical Expense Supplement	0.87	1.62	1.50	1.88	
Non-taxation of workers' compensation benefits	0.59	4.70	1.24	6.38	
Non-taxation of social assistance benefits	0.42	3.76	2.46	6.33	
Any of the ten selected tax expenditures	0.70	2.42	1.44	4.37	

Notes: A threshold of more than 1.05 and less than 0.95 indicates that a group benefits respectively more or less from a tax expenditure than others.

*For these measures, the number of observations is insufficient to calculate separate ratios for those with a mild or moderate disability, and those with a severe or very severe disability. "X" means that the estimate was suppressed to meet the confidentiality requirements of the *Statistics Act*.

Source: CSD data combined with T1 tax return data, 2017.

Moreover, since persons with disabilities generally earn lower incomes than persons without disabilities, some other more general components of the PIT system can contribute to reducing income inequalities between these groups, including the Basic Personal Amount (BPA) and the progressive tax rate structure. In Table 11, the ratios show that the BPA indeed provides a slight advantage to persons with disabilities. Furthermore, Chart 3 indicates that the gap in average income between persons with and without disabilities is also reduced by the application of the progressive tax rate structure. It further indicates that this reduction increases with the severity of the disability. After applying the tax rate structure, the personal income gap decreases by $2,100 for taxfilers with a mild or moderate disability and by $4,900 for taxfilers with a severe or very severe disability. Hence, these two components of the federal tax system also effectively contributed to reducing income inequalities between taxfilers with and without disabilities in 2017, particularly those with severe or very severe disabilities.

Table 11

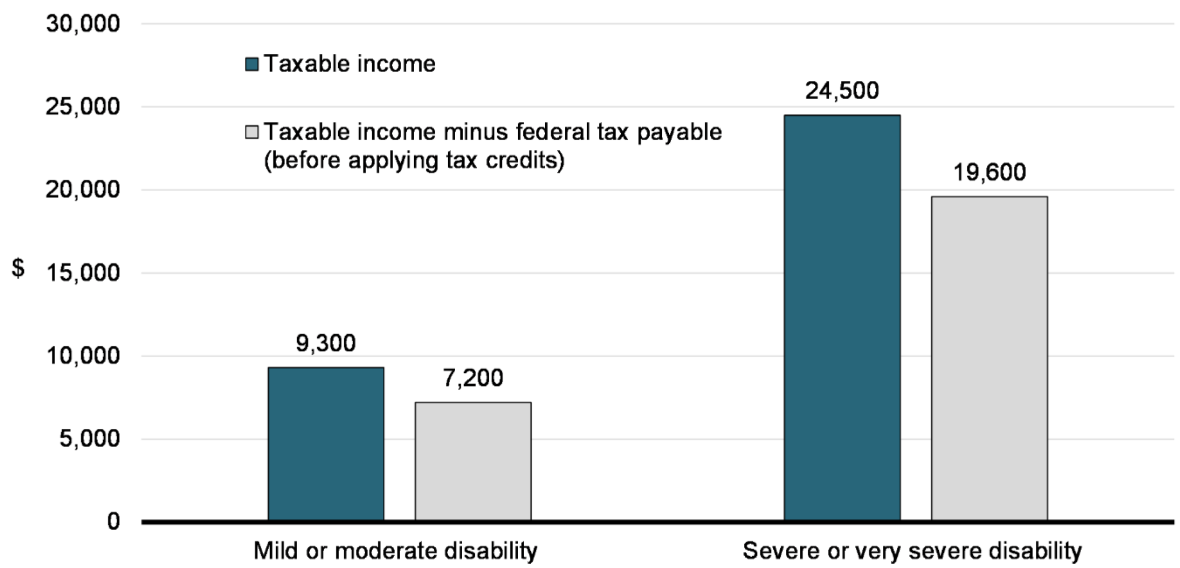
Ratio of the share of benefits received from the credit for the Basic Personal Amount relative to the share of total pre-tax income reported, by presence and severity of disability, 2017

Tax expenditure	Ratio by disability status		
	No disability	Mild or moderate disability	Severe or very severe disability
Credit for the Basic Personal Amount (BPA)	0.98	1.09	1.14

Note: A threshold of more than 1.05 and less than 0.95 indicates that a group benefits respectively more or less from a tax expenditure than others.
Source: CSD data combined with T1 tax return data, 2017.

Chart 3

Average personal income gap (in $) between taxfilers with disabilities (mild or moderate, and severe or very severe) and those without disabilities, before and after the application of the tax rate structure, 2017



Source: CSD data combined with T1 tax return data, 2017.

4.3 Main beneficiaries among the population with disabilities

The benefit generated by the tax expenditures under consideration can vary based on certain characteristics of persons with disabilities. Using the indicator discussed above, which controls for pre-tax income differences between groups, Table 12 identifies the groups among the population of persons with disabilities who benefited relatively more or less from the ten tax expenditures. It indicates that, among taxfilers with disabilities, those who receive Canada Pension Plan/Quebec Pension Plan (CPP/QPP) disability benefits or private insurance plan benefits, who have a severe or very severe disability, who have income below the median, who have multiple disabilities or who are aged 65 and over, benefit relatively more. Taxfilers who report an “other” type of disability (i.e., memory disabilities or unknown disabilities) also appear to be advantaged by these ten tax expenditures.

Table 12

Ratio of the share of benefits received from all ten tax expenditures by various groups of persons with disabilities relative to their share of pre-tax income, 2017

	Any of the ten selected tax expenditures	
	Ratios for persons with disabilities (PWD)	**Groups of PWD who benefit relatively more (>), less (<) or equally (~)**
Gender		
Men	0.99	~
Women	1.02	~
Age group		
Under 65	0.88	<
65 or over	1.15	>
In a couple		
No	1.03	~
Yes	0.98	~
Quartile of pre-tax personal income		
Q1-Q2 (i.e., below median)	1.51	>
Q3-Q4 (i.e., above median)	0.81	<
Quartile of pre-tax family income		
Q1-Q2 (i.e., below median)	1.63	>
Q3-Q4 (i.e., above median)	0.72	<
Severity of the disability		
Mild to moderate	0.60	<
Severe or very severe	1.81	>
Type of disability		
Mental health, learning and development	0.69	<
Pain, mobility and flexibility	0.92	<
Vision, hearing, dexterity	0.95	~
Other*	1.42	>
Number of disabilities		
Just one	0.49	<
Several	1.30	>
Receives CPP/QPP disability benefits or benefits under a private insurance plan (insurance)		
Yes	2.80	>
No	0.82	<

Notes: A threshold of more than 1.05 and less than 0.95 indicates that a group benefits respectively more and less from a tax expenditure than others. *The "other" type of disability includes memory disabilities and unknown disabilities. Appendix B of the document *Canadian Survey on Disability, 2017: Concepts and Methods Guide* specifies that "Persons with an unknown disability are identified as persons whose daily activities are limited because of any long-term health problem or condition other than the 10 specific types of disabilities identified by the survey (seeing, hearing, mobility, flexibility, dexterity, pain, learning, developmental, mental health and memory disabilities). Two questions are used to identify persons with an unknown disability. First, respondents were asked if they have any other health problem or long-term condition (not already reported) that has lasted or is expected to last for six months or more. When the respondent said 'yes' to this question, a subsequent question was asked regarding how often this health problem or condition limited their daily activities."

Source: CSD data combined with T1 tax return data, 2017.

5. Conclusion

Extending the scope of the GBA Plus studies published to date, this study uses a new database that combines 2017 CSD data and data from 2017 T1 returns to profile Canadians with disabilities. It provides, for the first time, an overview of the impact of elements of the federal PIT system on all persons with disabilities in Canada. It focuses in particular on the use and benefits received from ten tax expenditures that recognize the reduced ability of persons with disabilities to pay taxes.

Among other results, the study shows that all of these tax expenditures contribute, in varying degrees, to reducing the pre-tax income inequalities that exist between persons with and without disabilities. The study also notes more significant redistributive effects towards persons with severe or very severe disabilities. It further identifies the most beneficial federal PIT expenditures for taxfilers with severe or very severe disabilities, namely the CWB-sup., the DTC and the non-taxation of WC benefits and SA benefits.

In addition to persons with severe or very severe disabilities, the study identifies other groups of persons with disabilities who especially benefit from the tax expenditures under review, namely those who receive CPP/QPP disability benefits or private insurance plan benefits, those with personal and family income below the median, those with multiple disabilities, those aged 65 and over, and those whose disability is related to memory or of unknown type.

The study also finds that other more general elements of the PIT system play a significant redistributive role towards persons with disabilities, including the progressive tax rate structure and the Basic Personal Amount.

It is important to note that the tax system is only one mechanism used by the federal government to provide support to Canadians with disabilities. Other government programs are also available, including direct income support programs and education and employment assistance programs, as well as indirect transfer programs of financial resources to the provinces and territories.

Appendix A

Table A.1

Summary of the criteria for identifying persons with disabilities in the CSD and individuals eligible for the DTC

	Identification for the CSD	Eligibility for the DTC
Target population	Individuals whose activities are limited due to a condition or health problem that affects their ability to see, hear, move, learn, memorize or focus, an emotional, psychological or mental health disorder, or any other long-term health problem.	Individuals with a severe and prolonged impairment in one of the following or significant limitations in two of the following categories of basic activities of daily living: vision, hearing, speaking, dressing, walking, feeding, eliminating (bowel or bladder functions), or mental functions. Individuals who receive therapy to support a vital function may also be eligible.
Means of identifying the condition	Self-declaration	Self-declaration and certification by a medical practitioner
Duration of the condition	At least 6 months	At least 12 months
Severity of the condition	The severity of the disability is determined based on an overall disability score that considers the intensity of the difficulties (no difficulty, some difficulty, a lot of difficulty, or cannot do) and the frequency of the limitation of activities (never, rarely, sometimes, often or always). A score is assigned for each of the 10 types of disability. This score increases with the level of difficulty and the frequency of the limitation. The overall severity score for an individual is then obtained by calculating the average standardized scores for the 10 types of disability. To be classified as having a severe disability, a person must obtain a maximum score in at least one type of disability, a medium score in a few types or a low score in several types of disabilities.	The disability must significantly limit the person’s ability to carry out one or more basic activities of daily living. They must be unable or require an inordinate amount of time (i.e., take significantly more time than is usually required by persons who do not have the individual's impairment) to do the activity or activities, even with the use of appropriate therapy, medication, and devices. The limitation(s) must also be present all or substantially all of the time (interpreted as generally at least 90% of the time).

Profile of the Northern Residents Deductions[33]

1. Introduction

The Northern Residents Deductions (NRD) is[34] a set of deductions available to those who live in a prescribed zone in the more northerly regions of Canada. The NRD recognizes the increased living costs faced by individuals in these areas and assists in drawing skilled labour to northern and isolated communities. The NRD was introduced in Budget 1986 and its current design was implemented in 1991.

This study presents a profile of the NRD. Section 2 provides historical and other background information on the measure. Section 3 discusses the data used for the analysis. Section 4 looks at usage of the NRD by claimants, with a focus on the different components of the measure. Section 5 examines the benefits received by claimants. Concluding remarks are provided in Section 6.

2. Background and Overview

2.1 Background

In the late 1970s, concerns were raised about the non-reporting of employer-provided taxable housing and other benefits for workers in the north. In considering the matter, the government initially approved a remission order, effectively temporarily rendering some benefits non-taxable, but planned to phase back in their taxation. Ultimately, with a view to encourage development in the north and "achieve equity between employees and the self-employed", Budget 1986 announced a system of tax benefits for housing and travel for "residents of the north and isolated posts", effective January 1, 1987. Eligibility for the NRD was initially on a community-by-community basis, with the criteria similar to rules for northern-and isolated-area pay premiums among federal employees. However, this meant some communities were eligible for the NRD while other adjacent ones were not.

To improve fairness, the government created the Task Force on Tax Benefits for Northern and Isolated Areas. Its report recommended an overhaul of the eligibility criteria as well as the creation of a single Northern Zone (NZ) (Department of Supply and Services Canada, 1989). Drawing on the conclusions of the report and additional consultations, the government established the NZ as well as an Intermediate Zone (IZ), effective January 1, 1991 (Pigeon, 2004). A map of the NZ and IZ boundaries is provided in Appendix A.

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

[34] Despite comprising two deductions, the singular form is adopted in this document for the NRD acronym.

2.2 Deduction Components

The NRD includes a residency deduction and a travel deduction.

The residency component is split between basic and additional residency amounts. The basic residency amount is calculated as the number of days in the year a claimant lived in a prescribed zone (six months, at a minimum) multiplied by the daily rate. The additional residency amount is calculated similarly, but applies only if the claimant maintained and lived in a dwelling in the prescribed zone, and if the claimant was the only person claiming the basic amount for living in that dwelling. Following Budget 2016, the maximum daily residency deduction (i.e., basic and additional amounts) is $22.00 for those residing in an NZ and $11.00 for those residing in an IZ.[35] Claimants who receive special work site non-taxable benefits see their residency deduction reduced accordingly.[36] The total residency claim is also limited to 20% of the claimant's net income.

The travel component of the NRD may be claimed for trips of a medical nature, and up to two of any other nature, that began in a prescribed zone.[37] The trip may be taken by the claimant or by an eligible family member.[38] For the NZ, the maximum deduction is the lowest of:

- the taxable travel benefits received from employment for the trip or, as announced in Budget 2021, for the 2021 and later taxation years, the portion of a standard $1,200 amount allocated to the trip;
- the total travel expenses paid for the trip; or
- the cost of the lowest return airfare available at the time of the trip between the airport closest to the claimant's residence and the nearest designated city to that airport,[39] whether or not travel was made by air or to that city.

Residents of the prescribed NZ may claim 100% of the amounts described above, while residents of the prescribed IZ may claim 50%.[40]

3. Data

The data used in this study covers the 2008-2020 period and draws primarily on T1 returns and the T2222. In particular, the total NRD claim is obtained from the T1 (line 255/25500), while the T2222 is used for the following components:

- NZ residency amount (total, i.e., sum of basic and additional amounts)
- IZ residency amount (total, i.e., sum of basic and additional amounts)
- Travel amount for trips beginning in the NZ
- Travel amount for trips beginning in the IZ (before applying the 50% reduction).

35 The maximum daily residency deduction had previously been raised from $15.00 to $16.50 in Budget 2008.

36 Only 0.1% of claimants in either the NZ or IZ saw their residency deduction reduced by non-taxable benefits for board and lodging at a special work site, and these benefits were of negligible overall value.

37 Before 2021, only claimants with employer-provided taxable travel benefits were eligible to claim the travel deduction.

38 Likewise, before 2021 the trip had to be taken by a member of the claimant's household in respect of whom the claimant received employer-provided taxable travel benefits.

39 The nearest designated cities are: Vancouver, BC; Calgary, AB; Edmonton, AB; Saskatoon, SK; Winnipeg, MB; North Bay, ON; Toronto, ON; Ottawa, ON; Montréal, QC; Québec, QC; Moncton, NB; Halifax, NS; St. John's, NL.

40 Important additional details are provided in the instructions accompanying the T2222 "Northern Residents Deductions".

This study also employs employment slip data (T4), supplemented with information from corporate tax returns (T2), to attribute a 2-digit North American Industry Classification System (NAICS) code to claimants with earnings from employment.

4. Claimants

4.1 Taxfilers and Claimants in Prescribed Zones

The NRD is available to taxfilers residing in a prescribed NZ or IZ, as defined in section 7303.1 of the *Income Tax Act Regulations*, for a continuous period of at least six consecutive months. To assist taxpayers, the Canada Revenue Agency (CRA) maintains a (non-exhaustive) list of 1,329 places located in prescribed zones across Alberta, British Columbia, Manitoba, Newfoundland and Labrador, Nova Scotia, Ontario, Quebec, and Saskatchewan. In addition, all places in the territories (Yukon, Nunavut, and the Northwest Territories) belong to a prescribed NZ.[41] As full addresses are not available in the T1 data, a matching process between T1 postal codes and places in prescribed zones was used to help determine whether a taxfiler resides in the NZ or IZ. Details on this method are provided in Appendix B.

Table 1 presents a breakdown of taxfilers and claimants in 2019 based on the postal code method for identifying their area of residence. Overall, out of nearly 29 million taxfilers, 483,900 (or 1.7%) had a postal code identified as belonging to a prescribed zone, and of these approximately 37% were in the NZ specifically. There were 261,600 NRD claimants, 89.1% of which had a postal code identified as belonging to a prescribed zone, and for these the NZ share was slightly lower (35.6%). 10.9% of claimants were not found to have an NZ/IZ postal code, and this may be the result of:

- claimants residing in a place within a prescribed zone that was not matched to a postal code;
- claimants residing in a prescribed zone but retaining a mailing address in a non-prescribed zone;
- claimants having resided in a prescribed zone, but then returning to a non-prescribed zone before filing their T1 (and using the non-prescribed zone address).

Table 1
Taxfilers and NRD claimants in prescribed zones, 2019

	Total	Postal code in NZ or IZ*			Share in a prescribed zone (NZ or IZ)*	NZ / IZ split
		Total	NZ	IZ		
	Number	Number	Number	Number	%	%
Taxfilers	28,903,800	483,900	178,900	305,000	1.7	37.0 / 63.0
NRD claimants	261,600	233,100	82,900	150,200	89.1	35.6 / 64.4
Claimant share (%)	0.9	48.2	46.3	49.3	N/A	N/A

Notes: *Based on the postal code method for identifying taxfiler or claimant area of residence. All population figures in this table are rounded to the nearest 100.
Source: T1 and T2222 data; Department of Finance calculations.

[41] The list of places in prescribed zones is available at: https://www.canada.ca/en/revenue-agency/services/tax/individuals/topics/about-your-tax-return/tax-return/completing-a-tax-return/deductions-credits-expenses/line-25500-northern-residents-deductions/line-25500-places-located-prescribed-zones.html.

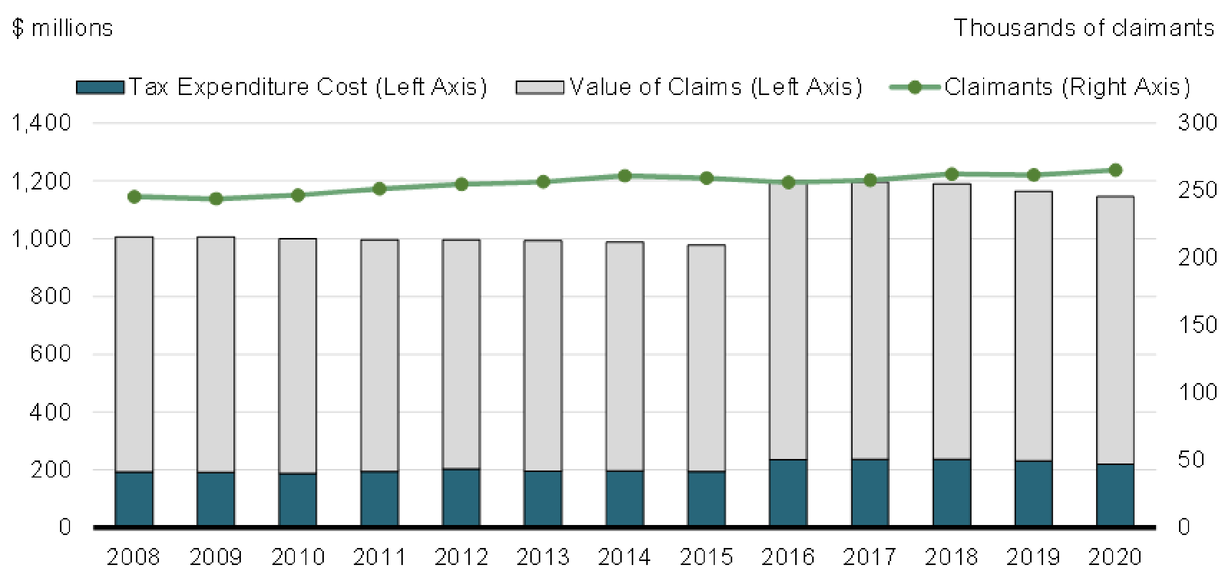
Table 1 also shows that, in 2019, only 48.2% of taxfilers whose postal code was identified as belonging to a prescribed zone claimed the NRD, with only modest differences among those in the NZ (46.3%) compared to the IZ (49.3%). This is lower than the share of NRD claimants among taxfilers who declared they resided in a territory (60.9%), but comparable to the share of taxfilers for whom tax was payable to a territory (46.1%). There are several reasons for the observed claimant proportions. First, some taxfilers located in a prescribed zone may not have enough net income to warrant claiming the NRD.[42] Second, if a taxfiler and their spouse are both eligible for the NRD, it may be easier or optimal for only one claimant to claim both the basic and additional residency amounts. Third, a taxfiler may retain a mailing address in a prescribed zone while living outside of the zone during the year (or some sufficiently long portion thereof).[43] Fourth, for postal codes that straddle the IZ and the non-prescribed zone—but which are assigned to the IZ—taxfilers in the non-prescribed area may be incorrectly assigned to the IZ. However, the claimant proportion of taxfilers in the IZ would then likely be lower than in the NZ, and this is not observed.

Overall, the results suggest broad agreement between the postal code zone and residency component claimed: 91% of claimants whose postal code was in the NZ also claimed the NZ residency component; similarly, 94.4% of claimants with an IZ postal code also claimed the IZ residency component.

4.2 Trends in Claims

Chart 1

Value of NRD claims, associated tax expenditure cost, and number of claimants (2008-2020)



Source: T1 data and Reports on Federal Tax Expenditures; Department of Finance calculations.

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42 63.5% of non-claimants in prescribed zones (as determined by the postal code method) reported no federal income tax payable, compared with 12.8% of claimants.

43 More generally, in some instances the reported postal code may capture a mailing address that differs from claimants' actual residential address.

Chart 1 shows the evolution of the number of NRD claimants, value of claims, and tax expenditure cost over the 2008-2020 period. Claimant numbers have been stable overall: increasing slowly between 2008 and 2014, from 245,500 to 261,000 then decreasing to 256,000 in 2016, and subsequently increasing again to a maximum of 265,100 in 2020. In addition, between 2008 and 2020 the NRD claimant share of taxfilers declined from 1% to 0.9% (not shown). Meanwhile, the value of NRD claims and the estimated tax expenditure costs held steady between 2008 and 2015, averaging $995 million and $195 million, and then increased in 2016 to $1.2 billion and $235 million, respectively (all figures in constant 2020 dollars). This shift largely reflects the impact of the Budget 2016 changes that increased the NRD daily rate from $16.50 to $22.00. In 2020, the tax expenditure cost fell slightly to $220 million, and this may be attributable to the pandemic's impact on travel.

Table 2
Average NRD amount claimed, total and components, by year and zone of residence

	Total,[1] all claimants	NZ resident claimants			IZ resident claimants		
		Total[1]	NZ residency component[2]	NZ travel component[2]	Total[1]	IZ residency component[3]	IZ travel component[2,4]
	$	$	$	$	$	$	$
2008	4,100	6,260	5,325	1,265	3,060	2,850	425
2009	4,125	6,020	5,165	1,125	3,090	2,855	455
2010	4,055	5,950	5,090	1,120	3,040	2,810	460
2011	3,960	5,815	4,935	1,110	2,950	2,730	435
2012	3,910	6,035	5,005	1,260	2,910	2,685	445
2013	3,870	5,815	4,890	1,165	2,875	2,650	440
2014	3,790	5,695	4,800	1,140	2,805	2,590	425
2015	3,775	5,630	4,755	1,120	2,785	2,575	415
2016	4,690	7,615	6,280	1,330	3,580	3,375	405
2017	4,640	7,080	6,150	1,305	3,535	3,215	400
2018	4,530	6,870	6,000	1,230	3,470	3,225	390
2019	4,455	7,000	5,870	1,180	3,405	3,230	380
2020	4,320	6,275	5,835	760	3,345	3,235	285

Notes: All dollar values are rounded to the nearest 5. Claimant location as determined by residency component claimed. Claimant subgroups omit those who had mixed residency components or no residency components. Component values are as reported by the taxfiler, while the values in the total column are system-derived and consider the 20%-of-net-income ceiling on what may be claimed. Thus, the values in the "Total" columns are somewhat lower than the sum of components.

[1] System calculated.

[2] Taxfiler reported.

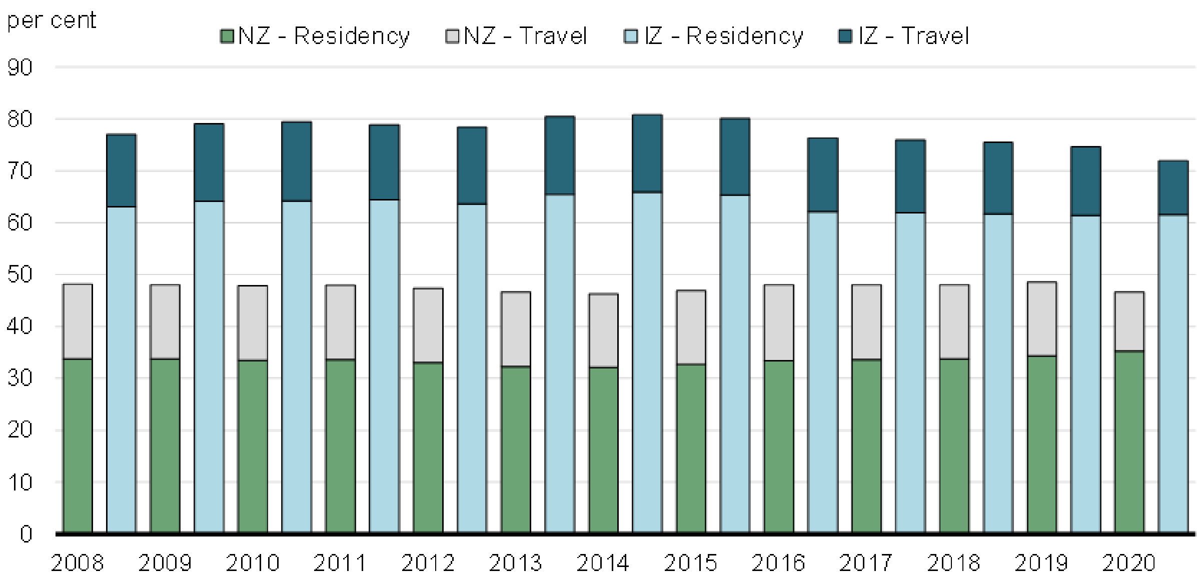
[3] Estimated as a residual between 2008 and 2016. This is an estimate for three reasons: 1) The total deduction is system-calculated by the CRA, while the component values are as reported by taxfilers. It is therefore not possible to recover the Intermediate Zone residency amount (IZRA) the taxfiler may have entered, although the estimated amount will be consistent with the overall deduction as calculated by the system. 2) IZ special work site non-taxable benefit amounts reduce the eligible IZRA that may be claimed. If this difference yields zero (or less), it is not possible to recover the IZRA. 3) The total residency deduction is the lesser of the sum of NZ and IZ residency amounts and 20% of net income. If the 20% net income constraint is binding, it is not possible to determine the IZRA.

[4] Before 50% reduction.

Source: T1 and T2222 data; Department of Finance calculations.

Table 2 shows the average amount claimed by all NRD claimants by year, and provides a breakdown by claimants' zone of residence and component claimed. There was a substantial increase in the total average claim in 2016 ($4,690 compared to $3,775 in 2015), the result of Budget 2016's increase in the daily rate afforded to NRD claimants for 2016 and later taxation years. NZ claimants' average claim was nearly twice as large as that of IZ claimants (e.g., $6,275 compared to $3,345 in 2020), owing to the 50% reduction in what may be claimed for those in the latter group. These subgroup averages can be reconciled with the overall average by noting there were far more IZ claimants than NZ claimants (approximately 78% more in 2019, as shown in Table 1). For either subgroup of claimants, the residency component was by far the most important. However, the average travel deduction of NZ claimants was three times larger than that of IZ claimants—even prior to the 50% reduction—likely reflecting increased costs of travel from more remote regions.

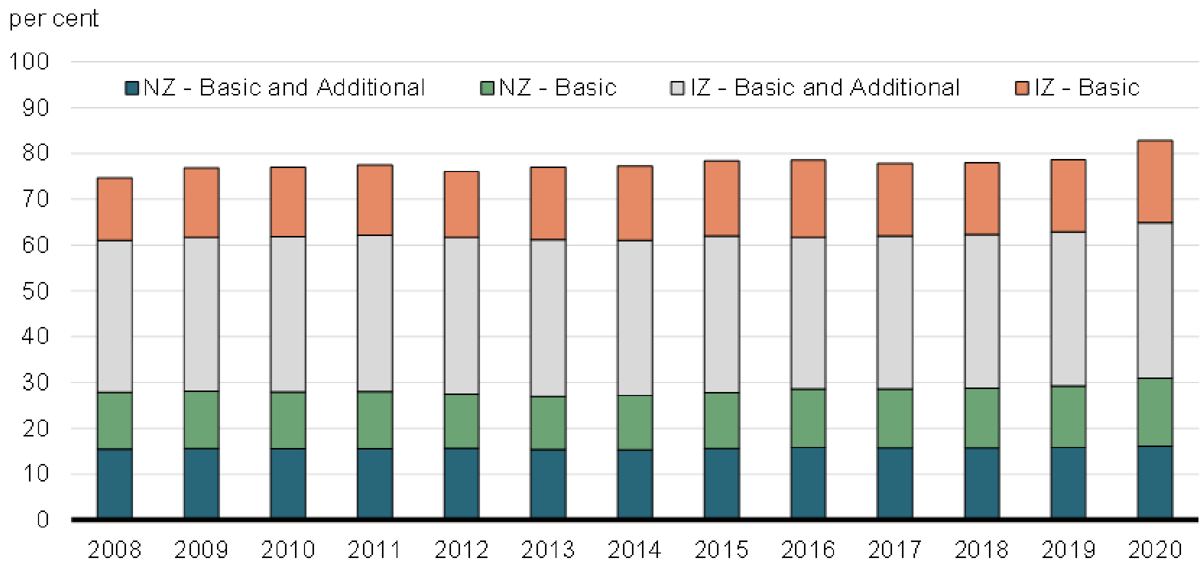
Chart 2
Proportion of claimants reporting different components of the measure



Source: T1 and T2222 data; Department of Finance calculations.

Chart 2 shows the proportion of claimants reporting different components of the NRD. Over three-fifths claimed the residency component in the IZ, while one-third claimed the NZ residency component. The travel deduction was claimed by 14-15% of claimants for journeys beginning in either the NZ or IZ. Given there are approximately half as many claimants in the NZ compared to the IZ, this suggests the former group was twice as likely to travel and claim this component of the NRD. A decrease in usage of the travel component was also observed in 2020, again likely as a result of the pandemic.

Chart 3
Proportion of claimants reporting maximum residency amounts, by year



Source: T1 and T222 data; Department of Finance calculations.

Chart 3 shows the proportion of claimants requesting the maximum residency amount, divided between the NZ and IZ as well as between those claiming the maximum basic amount and maximum basic and additional amounts.[44] The overall proportion of claimants reporting the maximum residency amount—i.e., who resided in a prescribed zone for the entire calendar year, and who claimed either the basic or basic and additional residency amounts—increased from 74.7% to 82.8% between 2008 and 2020. Moreover, on average over the period, approximately 34% of claimants in the IZ claimed the maximum basic and additional residency amounts, compared to 16% in the NZ. In other words, claimants in the IZ were twice as likely to be the only taxfiler claiming the residency deduction for a given dwelling, while staying in the zone for the whole year.

4.3 Demographic and Industrial Characteristics of Claimants

Table 3 provides a breakdown of selected components of the NRD claimed in 2019, by sex, age, and total income group. There were roughly three male claimants for every two female claimants, and men claimed 9% more on average than women ($4,605 vs. $4,230). Women were slightly more likely to claim the NZ residency component (36.5% vs 32.4%) and the NZ travel component (17.1% vs 12.4%). Men were more likely to claim the IZ residency component (65.6% vs 54.5%) and more likely to be the only resident of a dwelling claiming the basic amount in the IZ for the year (39.5% vs. 24.5%).

[44] These figures are based on the number of claimants reporting an amount equal to the daily rate multiplied by 365 days (or 366 days during leap years). For instance, in 2019 the maximum residency amount for a claimant in the NZ was $22 * 365 = $8,030 if eligible for both the basic and additional residency subcomponents, and $11 * 365 = $4,015 if only eligible for the basic component. Basic and additional components are not observed separately, but rather as a total, so it is assumed in this example that a claimant reporting $4,015 is only eligible to the basic amount (i.e., is not reporting a mix of basic and additional amounts for less than the full year). Moreover, in leap years, a number of claimants report an amount corresponding to 365 days; as this may be in error, these claimants are included in the proportions shown in the chart.

Table 3
Usage of select components of the NRD, by demographic characteristics, 2019

	Gender*			
	Male			Female
	Number (% of column total)			
NZ Residency	50,700 (32.4)			38,300 (36.5)
Maximum (basic & additional)	24,800 (15.8)			16,500 (15.7)
IZ Residency	102,700 (65.6)			57,200 (54.5)
Maximum (basic & additional)	61,800 (39.5)			26,200 (24.5)
NZ Travel	19,400 (12.4)			17,900 (17.1)
IZ Travel	20,700 (13.2)			13,900 (13.3)
Total	156,600			104,900
Average claim (2020 dollars)	$4,605			$4,230
	Total income group			
	<$50,000	**$50-$100,000**	**$100-$150,000**	**>$150,000**
NZ Residency	31,100 (35.3)	31,400 (33.4)	18,300 (37.3)	8,200 (27)
Maximum (basic & additional)	10,700 (12.1)	15,200 (16.2)	10,300 (21)	5,200 (17.1)
IZ Residency	52,600 (59.7)	57,000 (60.7)	28,800 (58.7)	21,600 (71.1)
Maximum (basic & additional)	21,600 (24.5)	33,000 (35.1)	18,700 (38.1)	14,600 (48)
NZ Travel	4,700 (5.3)	15,100 (16.1)	12,200 (24.8)	5,300 (17.4)
IZ Travel	5,100 (5.8)	11,900 (12.7)	8,100 (16.5)	9,500 (31.2)
Total	88,100	93,900	49,100	30,400
Average claim (2020 dollars)	$3,395	$4,540	$5,525	$5,545
	Age group			
	Under 25	**25-44**	**45-64**	**65 and above**
NZ Residency	7,000 (38.5)	37,500 (33.8)	32,800 (34.2)	11,700 (32)
Maximum (basic & additional)	1,400 (7.7)	16,300 (14.7)	17,300 (18)	6,400 (17.5)
IZ Residency	10,100 (55.5)	66,600 (60.1)	58,600 (61)	24,600 (67.2)
Maximum (basic & additional)	2,400 (13.2)	35,700 (32.2)	34,400 (35.8)	15,500 (42.3)
NZ Travel	2,200 (12.1)	18,300 (16.5)	15,300 (15.9)	1,500 (4.1)
IZ Travel	1,600 (8.8)	17,000 (15.3)	14,700 (15.3)	1,300 (3.6)
Total	18,200	110,800	96,000	36,600
Average claim (2020 dollars)	$3,230	$4,515	$4,705	$4,225

Notes: All population figures in this table are rounded to the nearest 100. All dollar values are rounded to the nearest 5. As only select components are displayed, and since multiple components can be reported by a claimant, the sum of components will not equal the column total, and column percentages will not add up to 100.
*Excludes five observations coded as "Other".
Source: T1 and T2222 data; Department of Finance calculations.

Table 3 also shows that, while not directly dependent on income,[45] average claim amounts are increasing with total income: claimants with less than $50,000 claimed an average of $3,395 compared to $5,545 among those in the $150,000 or more group. This may be explained by those in the latter group being more likely to claim the maximum basic and additional residency amount in the NZ and IZ (17.1% and 48% vs. 12.1% and 24.5%, respectively), and being far more likely to claim either travel component. Finally, Table 3 shows that average claim amounts are also increasing with age, up to the 45-64 group: young claimants (under 25) claimed $3,230 on average compared to $4,705 among the 45-64. Those 65 and above, meanwhile, claimed slightly less at $4,225. Young claimants were somewhat more likely to be in the NZ but far less likely to be the only resident in a dwelling to claim, irrespective of zone. Travel deductions were also less likely to be claimed by young claimants and, in particular, by claimants 65 and above.

Table 4
Distribution of claimants and non-claimants by 2-digit NAICS code, 2019

	Claimants		Non-claimants
	NZ residency	IZ residency	
	% of column total		
Agriculture, forestry, fishing and hunting	1.3	2.5	1.6
Mining, quarrying, and oil and gas extraction	8	17.2	1.1
Utilities	1.3	1.1	0.7
Construction	7.8	9.4	6.2
Manufacturing	2.3	6.3	9.2
Wholesale trade	2.1	3.5	4.5
Retail trade	7.2	7.5	10.9
Transportation and warehousing	4.3	6.5	4.3
Information and cultural industries	1	0.5	1.8
Finance and insurance	0.8	1.3	4
Real estate and rental and leasing	1.3	2.4	1.6
Professional, scientific and technical services	2.2	3.3	6.2
Management of companies and enterprises	1.2	1.6	1.1
Administrative and support, waste management and remediation services	2.7	3.2	4.6
Educational services	3.7	4.7	5
Health care and social assistance	4.8	3.5	8
Arts, entertainment and recreation	0.3	0.5	1.3
Accommodation and food services	4.1	4.2	6.7
Other services (except public administration)	2.4	3.5	3.1
Public administration	33.1	13	12

Note: Limited to claimants and non-claimants with a known NAICS code who reported positive T4 earnings. Claimants assigned to IZ or NZ based on residency component claimed. A NAICS code could not be assigned to the remaining 8.2%, 4.4% and 6.4% of claimants in the NZ, IZ and non-claimants, respectively.
Source: T1, T2, T4 and T2222 data; Department of Finance calculations.

[45] The total residency claim is limited, however, to 20% of net income.

Table 4 looks at the distribution of claimants with T4 earnings in terms of their 2-digit NAICS code and compares them with non-claimants. If claimants had more than one T4 slip, the NAICS code was chosen based on the job with the most earnings. Claimants in the NZ were much more likely than non-claimants to work in public administration (33.1% vs. 12%) or mining, quarrying, and oil and gas extraction (8% vs. 1.1%), but less likely to work in manufacturing (2.3% vs. 9.2%), retail trade (7.2% vs. 10.9%), and health care and social assistance (4.8% vs. 8%), among others. Similar differences were observed between claimants in the IZ and non-claimants, although the former were even more likely to work in mining, quarrying, and oil and gas extraction (17.2%) than their NZ counterparts. The share of IZ claimants working in public administration was roughly comparable to that of non-claimants (13% vs. 12%).

Table 5
Average residency and travel claims, by 2-digit NAICS code, 2019

	NZ		IZ	
	Average residency claim	**Average travel claim**	**Average residency claim**	**Average travel claim**
	$	$	$	$
Agriculture, forestry, fishing and hunting	6,045	1,405	3,120	225
Mining, quarrying, and oil and gas extraction	6,375	1,895	3,445	885
Utilities	6,335	3,045	3.415	715
Construction	5,470	535	3,305	220
Manufacturing	6,010	1,240	3,415	685
Wholesale trade	6,135	1,770	3,390	435
Retail trade	5,535	525	3,060	215
Transportation and warehousing	5,900	935	3,340	265
Information and cultural industries	6,130	1,170	3,170	280
Finance and insurance	5,730	875	3,185	300
Real estate and rental and leasing	5,870	750	3,255	185
Professional, scientific and technical services	5,655	975	3,135	330
Management of companies and enterprises	5,895	1,450	3,330	795
Administrative and support, waste management and remediation services	5,685	510	3,070	95
Educational services	5,615	2,030	3,120	950
Health care and social assistance	5,525	1,225	3,065	200
Arts, entertainment and recreation	5,420	370	2,905	80
Accommodation and food services	5,055	185	2,755	25
Other services (except public administration)	6,005	1,915	3,250	230
Public administration	5,970	1,870	3,215	595
Total	5,835	1,355	3,240	460

Notes: All dollar values are rounded to the nearest 5. Data in this table limited to claimants who had positive T4 earnings. NAICS code assigned according based on employer for the T4 slip with highest employment income.
Source: T1, T2, T4 and T2222 data; Department of Finance calculations.

Table 5 provides a further breakdown of average residency and travel claims by 2-digit NAICS codes, for claimants with employment income in the NZ and IZ, respectively. Consistent with Table 3, claim amounts are much lower in the IZ, reflecting the halved daily rate and less expensive travel. Within each zone, there is relatively little variation across industries in the average residency claim, but considerably more in the average travel claim. For example, in the NZ, average travel claims ranged from a low of $185 in accommodation and food services to a high of $3,045 in the utilities sector. Likewise, in the IZ, average travel claims ranged from $25 in accommodation and food services to $950 in educational services. This variation may to some extent owe to differences in employer-provided taxable travel benefits across industries.

5. Beneficiaries

An NRD claimant is considered a beneficiary if their net federal income tax payable is decreased as a result of claiming, relative to a scenario where the NRD is not claimed (but holding all other factors constant). The amount by which net federal tax payable decreases is termed the direct benefit. The NRD reduces taxable income, but does not reduce net income. As such, no indirect benefits arise from impacts on the entitlement to existing refundable credits.

Table 6
Average claim and benefit, and benefit-to-claim ratio, by demographic characteristics, 2019

	Claimants		Beneficiaries		
	Number	Claim (average)	Number	Benefit (average)	Benefit as % of claim
Gender[1]					
Male	156,600	$4,605	146,900	$1,055	22.9%
Female	104,900	$4,230	93,100	$875	20.7%
Total income group					
<$50,000	88,100	$3,395	66,800	$520	15.3%
$50,000 - $100,000	93,900	$4,540	93,700	$910	20%
$100,000 - $150,000	49,100	$5,525	49,100	$1,370	24.8%
>$150,000	30,400	$5,545	30,400	$1,615	29.1%
Age group					
Under 25	18,200	$3,230	15,800	$615	19%
25-44	110,800	$4,515	105,100	$1,010	22.4%
45-64	96,000	$4,705	91,300	$1,065	22.6%
65 and above	36,600	$4,225	27,800	$835	19.8%
Total	261,600	$4,455	240,000	$985[2]	22.1%

Notes: All population figures in this table are rounded to the nearest 100. All dollar values are rounded to the nearest 5.
[1] Excludes five observations coded as “Other”.
[2] The implied total benefit—or cost of the measure—is $236 million in 2019. This differs slightly from the $230 million figure for 2019 shown in Part 3 of the Report, and is due to: 1) the use of 2020 dollars in this study, and 2) the use of a T1 microsimulation model to derive the Part 3 estimates and projections.
Source: T1 and T2222 data; Department of Finance calculations.

Table 6 compares NRD claimants and beneficiaries. Overall, 91.7% of claimants are estimated to have derived a benefit from the NRD. Among beneficiaries, the average benefit was $985, or 22.1% of the average claim value. Benefit-to-claim ratios varied modestly by sex and age group, but ranged from 15.3% for claimants with less than $50,000 in total income to 29.1% for claimants with total income in excess of $150,000.

Finally, Table 7 looks at the average claim and benefit by 2-digit NAICS code. Average claims were highest in utilities, public administration, and information and cultural industries, and lowest in accommodation and food services, and arts, entertainment and recreation. Average benefits among beneficiaries also generally tracked average claim amounts, but the benefit-to-claim ratios ranged from a low of 17.6% in accommodation and food services to a high of 26.1% in mining, quarrying, and oil and gas extraction, likely reflecting differences in average employment income across industries.

Table 7
Average claim and benefit, and benefit-to-claim ratio, by 2-digit NAICS code, 2019

	Claimants	**Beneficiaries**	
	Claim (average)	**Benefit (average)**	**Benefit as % of claim**
Agriculture, forestry, fishing and hunting	$4,120	$845	20.5%
Mining, quarrying, and oil and gas extraction	$4,690	$1,225	26.1%
Utilities	$5,975	$1,490	24.9%
Construction	$4,130	$905	21.9%
Manufacturing	$4,260	$945	22.2%
Wholesale trade	$4,540	$1,060	23.3%
Retail trade	$3,900	$755	19.4%
Transportation and warehousing	$4,270	$915	21.4%
Information and cultural industries	$5,155	$1,105	21.4%
Finance and insurance	$4,015	$850	21.2%
Real estate and rental and leasing	$3,965	$870	21.9%
Professional, scientific and technical services	$4,005	$880	22%
Management of companies and enterprises	$4,570	$1,070	23.4%
Administrative and support, waste management and remediation services	$3,985	$825	20.7%
Educational services	$4,310	$885	20.5%
Health care and social assistance	$4,440	$935	21.1%
Arts, entertainment and recreation	$3,440	$660	19.2%
Accommodation and food services	$3,405	$600	17.6%
Other services (except public administration)	$4,455	$960	21.5%
Public administration	$5,650	$1,270	22.5%
Total	$4,455	$985	22.1%

Source: T1, T2, T4 and T2222 data.
Notes: All claimants with known NAICS code, whether or not they reported positive T4 earnings. For claimants and beneficiaries of unknown NAICS, the average claim amount was $3,920, the average benefit was $770, yielding a benefit-to-claim ratio of 19.6%.

6. Conclusion

The NRD recognizes the increased living costs faced by individuals in northern and isolated areas and assists in drawing skilled labour to such communities. This study has presented a profile of the NRD for the period spanning 2008 to 2020. Claimant numbers have generally been steady over this period, although the estimated tax expenditure cost increased following Budget 2016's increase in the daily rate for the residency component. The residency component accounts for the majority of the value of claims on average, while only a minority of claimants (15%) claim the travel deduction. Claimants were generally found to stay in a prescribed zone for the entire year. They were more often men, individuals with total income under $100,000, and of core working age (25-64). Compared to other taxfilers, claimants were more likely to work in public administration or in mining, quarrying, and oil and gas extraction, but less likely to work in manufacturing, retail trade, or health care and social assistance. Travel claim amounts were also found to vary with claimants' industry of work.

References

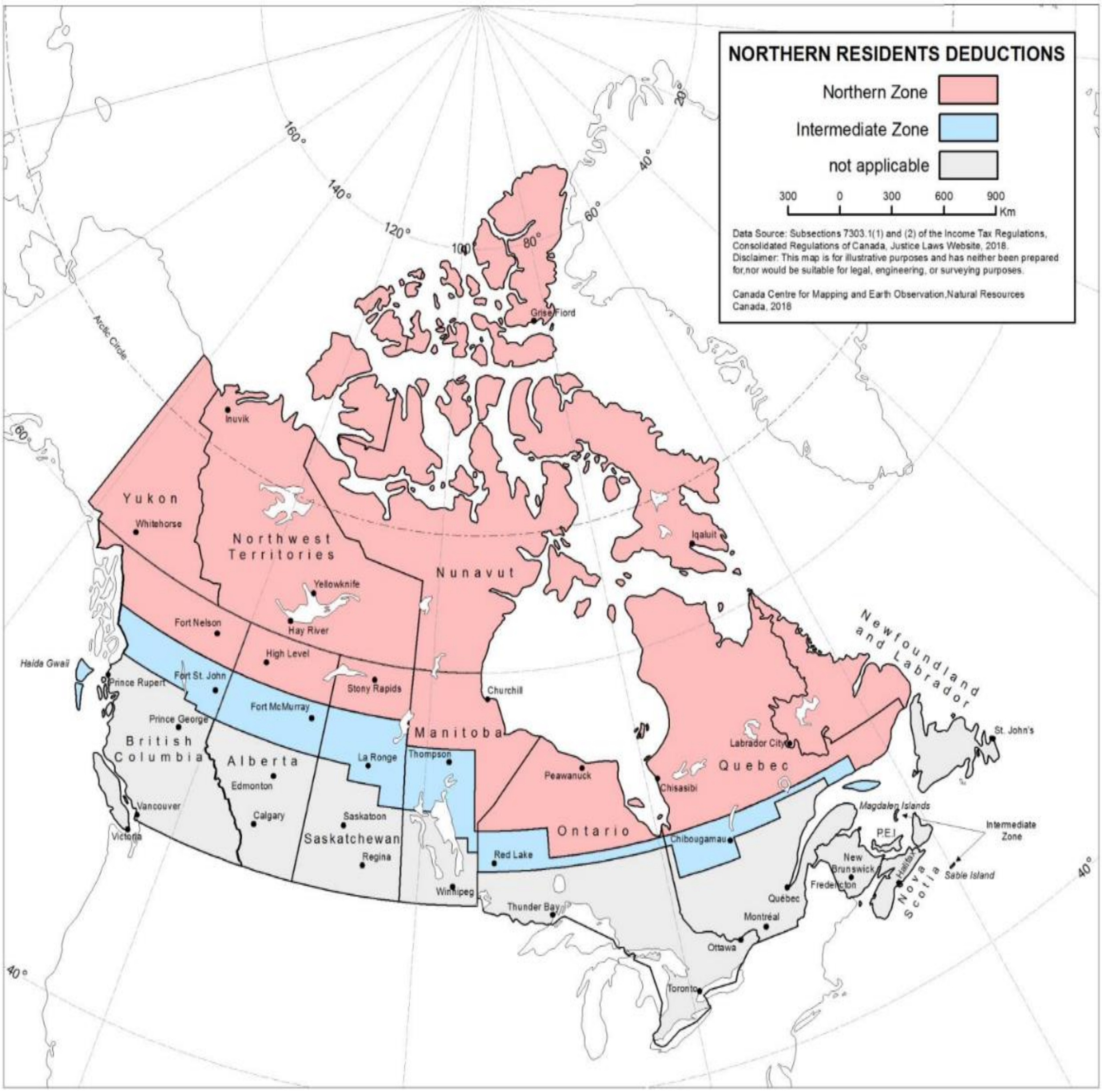
Pigeon, M.A. (2004). “Federal Northern Residents Deduction”, Library of Parliament, PRB 03-52E.

Department of Supply and Services Canada (1989). *Report of the Task Force on Tax Benefits for Northern and Isolated Areas*.

Appendix A

Chart A1

Northern Residents Deductions: NZ and IZ boundaries



Source: Canada Revenue Agency.

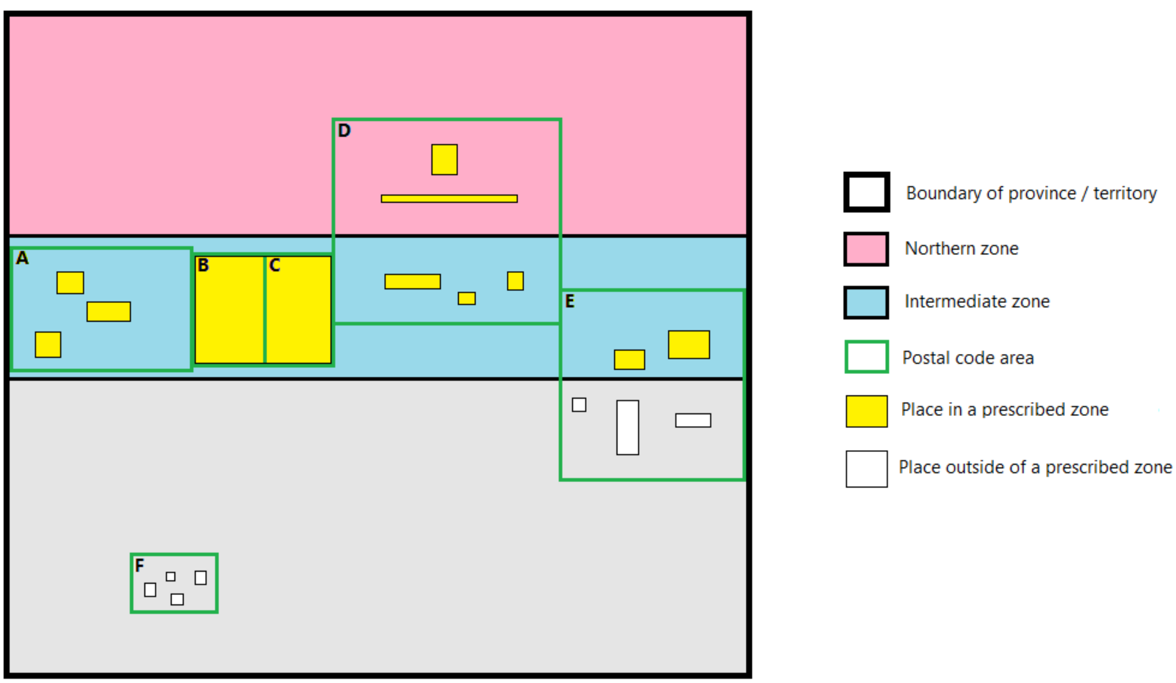
Appendix B: Postal Codes and Places in Prescribed Zones

T1 postal code data is used to help determine whether a taxfiler resides in a prescribed northern or intermediate zone (NZ/IZ) at the end of the taxation year. A preliminary match between places in prescribed zones and postal codes was made using Statistics Canada's Postal Code Conversion File. Places in prescribed zones were matched with the "Community name" variable, and the associated postal code was retained. However, a match was found for only 20.6% of places, likely due to the "Community" concept not always lining up with places as defined by the CRA. Therefore, to complete the matching process, the remaining places in prescribed zones were manually associated to postal codes using Google Maps. Overall, there was a postal code match for 94.1% of places in prescribed zones within the provinces, and 9,974 postal codes associated with prescribed zones.

It should be noted that in Canada's north, postal codes are relatively few and span large areas. As such, a postal code can encompass more than one place in a prescribed zone, and straddle the NZ and the IZ, or the IZ and the non-prescribed zone. Chart B1 is a Venn diagram showing how places, postal codes, and prescribed and non-prescribed zones may interact. Postal code areas A, B, and C represent "ideal" situations: all are completely inscribed in one zone, and may contain one or multiple places (area A) or one place may span multiple postal codes (areas B and C). Areas D and E represent scenarios where the postal code area straddles the NZ and IZ, and the IZ and non-prescribed zone, respectively. (Area F, meanwhile, illustrates a postal code whose area is completely inscribed in the non-prescribed zone.)

Chart B1

Provinces/territories, places, postal code areas, and prescribed zones



While almost all postal codes associated with a prescribed zone exclusively contain places in the NZ or IZ, 18 included places in both zones (as in area D of the diagram). These postal codes were assigned to either the NZ or IZ according to where most of the places lie.[46,47] If a postal code contained any place belonging to the IZ (and none in the NZ), it was considered to belong to the IZ, even if its area extends into the non-prescribed zone, as in area E. This rule could lead to an overestimation of the number of taxfilers who are in a prescribed zone, but was deemed preferable to arriving at an underestimate by assigning these postal codes to the non-prescribed zone.

[46] For example, the postal code spanning area D in the diagram would be assigned to the IZ.
[47] In three instances where there were an equal number of places in the NZ and IZ, assignment was random.

Tuition Tax Credit: A Profile of Claimants and Beneficiaries[48]

1. Introduction

The federal government plays a critical role in facilitating access to education through a number of policies and programs, which include tax credits. One such measure is the Tuition Tax Credit (TTC), a non-refundable credit that provides tax relief to students and supporting individuals for eligible tuition expenses. In doing so, the TTC lowers the after-tax cost of investing in education.

This study has two main objectives. First, it presents a portrait of TTC claimants in 2019, analyzing the characteristics of eligible taxfilers and claimants, as well as the patterns in their eligible tuition expenses, TTC claims, and corresponding benefits. Second, it presents a longitudinal analysis of TTC claimants between 2014 and 2019, using a sample of taxfilers who reported eligible tuition fees prior to 2014, but not in that year. This longitudinal analysis provides a better view of how claimants use the TTC over multiple years after they leave education.

The remainder of the study is organized as follows. Section 2 provides background information and a description of the measure. Section 3 presents statistics on amounts reported in Schedule 11, the tax form through which students detail their eligible expenses. It also contains an analysis of the transfer and carry-forward behaviour of Schedule 11 filers. Section 4 presents statistics on TTC claimants and beneficiaries in 2019. Section 5 presents the longitudinal analysis that examines the long-term usage of the TTC among a cohort of taxfilers. Finally, the last section concludes.

2. Background Information

Introduced in 1960, the objective of the TTC is to recognize the costs of enrolling in qualifying educational programs and occupational training courses or examinations at designated educational institutions. These institutions include Canadian universities, colleges, and educational institutions certified by the Minister of Employment and Social Development Canada, as well as educational institutions outside of Canada that meet certain conditions. The TTC promotes horizontal equity by recognizing that an individual who incurs tuition expenses would have a reduced ability to pay tax relative to someone with similar income who does not incur such expenses.

[48] The analysis presented in this paper was prepared by Amnit Litt and Simon Lapointe, Economists, Tax Policy Branch, Department of Finance Canada. Enquiries regarding Department of Finance Canada publications can be sent to finpub@canada.ca.

As the TTC is a non-refundable tax credit, to benefit from it in a given year, taxfilers must have positive federal taxes payable.[49] Those who enroll in an educational program[50] must first claim their tuition amounts[51] (i.e., TTC amounts) on their own T1 return to reduce federal taxes payable. The value of the credit is equal to the total tuition amount claimed (together with education and textbook amounts claimed, if applicable) multiplied by the lowest personal income tax rate.[52] If individuals cannot use all of their TTC amounts, the unused amounts may be transferred to a supporting individual or carried forward to a subsequent taxation year. Taxfilers have two options:

1. **Transfer** up to $5,000 (less the amount already claimed by the student) to a spouse or common-law partner, a parent or grandparent.[53] Only tuition expenses paid in the current taxation year may be transferred, and only to one supporting individual.

2. **Carry forward** unused tuition amounts to claim in a subsequent taxation year. Any amount that is not claimed or transferred will be carried forward. However, carry-forward amounts may not be transferred to a supporting individual in subsequent years. The carry-forward mechanism is designed to address situations in which students do not have sufficient tax owing to benefit from the TTC in the given taxation year.

The TTC can be claimed by filing a tax return with the Canada Revenue Agency. Students must first complete Schedule 11 to report any unused tuition, education, and textbook amounts carried forward from prior taxation years (i.e., “starting balance”), as well as any eligible tuition fees incurred in the current taxation year.[54] Amounts carried forward can be claimed or carried forward again, whereas eligible fees incurred in the current year can be claimed, carried forward, or transferred to another individual. In all cases, taxfilers indicate the amounts claimed, carried forward, and transferred on Schedule 11. Individuals who complete Schedule 11 and are able to claim the credit can do so by entering an amount on Line 32300 of the T1 Income Tax and Benefit Return.[55] With respect to supporting individuals, a parent or grandparent can claim the credit by completing Line 32400, whereas a spouse or common-law partner can claim the TTC by completing Line 32600.[56] The latter group must also report tuition amounts that were transferred to them on Schedule 2.[57] Chart 1 summarizes the flow of information in Schedule 11 and highlights the points at which students may claim, transfer, or carry forward TTC amounts.

[49] See Guide P105 from the Canada Revenue Agency for a description of the measure.

[50] This includes students who reported tuition expenses in the current taxation year and/or are carrying forward unused TTC amounts from prior years.

[51] Before 2017, students could also claim education and textbook amounts. Since these amounts reported in earlier years can still be claimed as carry-forward amounts, they will still appear in the data for carry-forward amounts in 2019, and TTC amounts prior to 2017.

[52] The lowest personal income tax rate is currently 15%.

[53] If a spouse or common-law partner claims the spouse or common-law partner amount (Line 30300) or any amounts transferred from a spouse or common-law partner (Line 32600), then the student cannot transfer any TTC amounts to a parent or grandparent (Canada Revenue Agency, Guide P105).

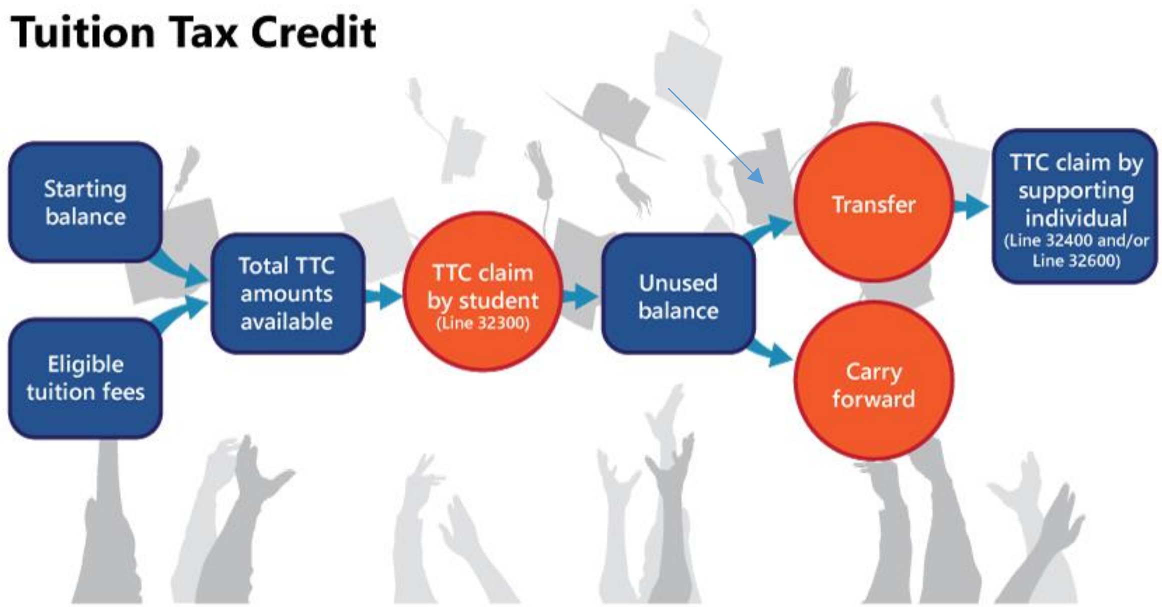
[54] Eligible tuition fees are reported based on the calendar year the course was taken and not on the year the fees were paid. Examples of eligible tuition fees include expenses for applications, admission, examinations, academic fees, use of facilities, etc. Fees paid to designated educational institutions must exceed $100 per institution attended to be eligible for the TTC.

[55] Although not required in order to claim the TTC, claimants must retain a copy of the certification issued by educational institutions detailing the tuition fees paid. Educational institutions and bodies will issue one of the following forms: the T2202, the TL11A, the TL11C, and TL11D. Form T2202 replaced Forms T2202A and TL11B as of the 2019 taxation year.

[56] Line 32600 is an aggregate of all amounts transferred from a spouse or common-law partner. On Schedule 2, individuals report transfer amounts they receive from a spouse or common-law partner for: age, pension income, disability, tuition, and the Canada caregiver credit for infirm children under age 18. The tuition amounts reported in Schedule 2 were used to determine the proportion of the total on Line 326 that was associated with the TTC.

[57] Prior to the 2019 taxation year, Line 32300 was Line 323, Line 32400 was Line 324, and Line 32600 was Line 326.

Chart 1
Sequence of key TTC variables, as reported on Schedule 11



Note: Starting balances can be used or carried forward by the student, but cannot be transferred to a supporting individual.
Source: Department of Finance Canada.

There have been several changes to the TTC since its inception. Budget 1960 announced the measure as a deduction, and it came into effect in 1961. As part of the 1987 Tax Reform, a non-refundable tax credit replaced the original deduction and was made transferable to spouses, parents, or grandparents. Budget 1997 introduced a provision allowing unused tuition amounts to be carried forward for use in subsequent years. Further, changes to minimum duration requirements for courses, along with expansions to the types of courses and programs eligible for the TTC, were announced in Budget 2011 and Budget 2017.[58,59]

3. Analysis of Schedule 11 Filers in 2019

As explained above, to claim the TTC, taxfilers must complete Schedule 11 by reporting a starting balance carried forward from prior years and/or reporting eligible tuition fees incurred in the current year. This section provides statistical information on taxfilers who fill out Schedule 11 and the amounts they report. It also describes whether these filers claim the TTC themselves, transfer amounts to supporting individuals, or carry forward these amounts for use in later years. It uses personal income tax return data from the T1 income tax returns. The analysis is done at the individual level, as the credit is claimed at this level.[60]

[58] Government of Canada, Budget 2011, *A Low-Tax Plan for Jobs and Growth*, pp. 270-271, (2011).

[59] Government of Canada, Budget 2017, *Building a Strong Middle Class*, p. 206, (2017).

[60] Although students may transfer a portion of their TTC amounts to a supporting individual, linkages between students and their parents or grandparents are not possible, due to the structure of the data. While it is possible to identify transfers to a spouse or common-law partner by matching couples, such cases accounted for only 3.9% of all claims, and were thus not analyzed in depth.

In the remainder of the text, the study refers to the group of individuals who completed Schedule 11 as "Schedule 11 filers". The population of individuals who could potentially claim the TTC themselves (i.e., they could report amounts on Line 32300) are referred to as "students." Distinctions between current students and past students (those who did not report tuition, but have a starting balance on Schedule 11) are made where necessary.[61] Individuals who may claim the credit after receiving transfers from a Schedule 11 filer (i.e., via Lines 32400 and/or 32600) are referred to as "supporting individuals". The claimant population is defined as all taxfilers who reported an amount to claim the TTC on at least one of Lines 32300, 32400, or 32600, unless noted otherwise.[62] The beneficiary population includes all filers who claimed the TTC and benefitted from a reduction in federal income tax payable due to the measure.

3.1 Statistical profile of Schedule 11 filers

This section provides a profile of Schedule 11 filers in 2019. Table 1 shows the total number of Schedule 11 filers and the breakdown by various categories.

In 2019, 3,852,600 individuals filled out Schedule 11 (which corresponds to 13.3% of total filers in that year). Of that number, 37.8% reported eligible tuition fees only, 33.1% reported only a starting balance, and 29.1% reported both. Women were most likely to fill a Schedule 11. Indeed, that group made up 58.1% of all Schedule 11 filers, a share similar to the share of female post-secondary students in Canada.[63] Most Schedule 11 filers were current students, with 52.9% of filers being full-time students and 18.6% being part-time students.[64] Almost all Schedule 11 filers reported some labour income (85.3%).[65] This may include income earned concurrently during the school year, during gap periods, such as the summer months, or after leaving post-secondary study. More than a quarter of Schedule 11 filers reported receiving scholarship, research grant, or apprenticeship grant income (28.2%).[66]

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[61] Notably, this definition of past students could include a few current students. These exceptions would happen when, for example, an employer pays the tuition for a current student (who paid tuition directly in the past).

[62] There are sections of the paper that focus on a sub-group of claimants (i.e., claimants who are students). These filers would claim the TTC on Line 32300, but not necessarily Lines 32400 and/or 32600. The distinction as to which group of filers is being referred to is made clear in situations where the definition of "claimant" differs from the one stated here.

[63] For the 2018-2019 year, Statistics Canada estimates that there were 2,155,425 individuals studying in Canada at the post-secondary level, of which 1,204,728 were women (Statistics Canada, Table 37-10-0018-01).

[64] Full-time and part-time status are determined by each educational institute and indicated on Forms T2202, TL11A, and TL11C. Students would then report this information on Schedule 11. Both categories include only qualifying students with respect to the *Income Tax Act*. For that reason, about 5% of Schedule 11 filers reported a positive tuition amount, but since they did not meet all conditions to be a qualifying student, they were not classified as either full-time or part-time. Full-time students are those who report at least one month of full-time status in the year, while part-time students are those who report at least one month of part-time status. Some students report some months in both statuses, and are included in both categories.

[65] Employment income is the sum of employment income (Line 10100) and other employment income (Line 10400). Self-employment income is the sum of business income (Line 13500), professional income (Line 13700), commission income (Line 13900), farming income (Line 14100), and fishing income (Line 14300).

[66] The T4A slip contains information on scholarships, bursaries, fellowships, and study grants (Box 105), research grants (Box 104), and apprenticeship grants (Box 130). Scholarship and research income is the sum of Box 104 and Box 105. Apprenticeship grant income refers to income from the Apprenticeship Incentive Grant or the Apprenticeship Completion Grant, for professions designated as Red Seal trades. According to Statistics Canada, there were 392,202 registered apprentices in Canada in 2018 (Statistics Canada, Table 37-10-0118-01).

Table 1
Summary statistics for Schedule 11 filers, 2019

	Number of filers in 2019 (#)	Share of total Schedule 11 filers in 2019 (%)
Filers who completed Schedule 11	3,852,600	100.0
Reported eligible tuition fees only	1,455,100	37.8
Reported a starting balance only	1,275,000	33.1
Reported both eligible tuition fees and a starting balance	1,122,500	29.1
By Use of TTC Amounts		
Claimed the TTC	1,925,100	50.0
Transferred an amount to a supporting individual*	711,900	18.5
Carried forward unused amounts	2,423,300	62.9
By Gender		
Male	1,612,600	41.9
Female	2,240,000	58.1
By Student Status		
Full-time	2,039,600	52.9
Part-time	714,800	18.6
By Employment and Income Status		
Reporting labour income	3,286,200	85.3
Reporting scholarship, research grant, or apprenticeship grant income	1,086,300	28.2

Notes: The sum of men and women filers does not necessarily correspond to the total number of filers, since there are some filers whose gender could not be identified. All population figures in this table are rounded to the nearest 100.
* Individuals who may claim the credit on Lines 32400 and/or 32600 are referred to as "supporting individuals".
Source: 2019 T1 tax returns.

Schedule 11 filers use the amounts they report in different ways. About half of them claim the TTC for themselves in the year they file. Almost two thirds of them carry some amounts forward (62.9%). Finally, about a fifth of Schedule 11 filers transfer some amounts to a supporting individual (18.5%).

Table 2 shows summary statistics for the amounts reported on Schedule 11. In total, Schedule 11 filers reported $47.2 billion in eligible tuition fees in 2019. That amount corresponds to an average of $12,255 per filer or a median of $5,435. Since the average is approximately double the median, this suggests that a relatively small number of filers report a large amount compared to the typical filer. The results also suggest that most of the amounts claimed on Schedule 11 were unused balances, and that the distribution is skewed towards individuals with large unused balances.

Total TTC claims equalled $11.5 billion. The total consisted of $8.4 billion worth of starting balance amounts (73.2%) and $3.1 billion worth of eligible tuition fees incurred in 2019 (26.9%). The remainder of the amounts reported on Schedule 11 that were not claimed in the year are either transferred to a supporting individual or carried forward. As Table 2 shows, most of the amounts were carried forward, with an average per filer of $13,765 in 2019. Again, this average is skewed by some individuals carrying forward large amounts, since the median amount carried forward is much lower at $6,520.

Table 2

Summary statistics for amounts reported on Schedule 11, 2019

	Total amount reported ($ million)	Average amount per filer ($)	Median amount per filer ($)
Amounts reported on Schedule 11	47,215	12,255	5,435
Unused balances	32,240	13,450	6,490
Eligible tuition fees for 2019	14,975	5,810	3,555
TTC amounts claimed*	11,485	5,965	3,085
Transfers to a supporting individual	2,365	3,325	3,650
Unused amounts carried forward	33,360	13,765	6,520

Notes: Dollar amounts are rounded to the nearest 5.

* This row refers to the TTC amounts students intend to claim on Line 32300, as reported on Schedule 11, Line 11.

Source: 2019 T1 tax returns.

Table 3 provides more details on the characteristics of Schedule 11 filers. Looking at the gender distribution, 58.2% of Schedule 11 filers were women, a proportion that is larger than this group's representation in the overall population of taxfilers (51.5%) but, as noted earlier, similar to the share of women in post-secondary education. However, male Schedule 11 filers reported higher tuition fees on average. Male Schedule 11 filers were also more likely to claim the TTC (rather than transfer or carry forward their full balance).

Looking at age groups, the population of Schedule 11 filers is unsurprisingly younger than the overall taxfiler population. Indeed, most of them were under the age of 35 (77.2%). The proportion of Schedule 11 filers who reported eligible tuition expenses decreased with age, with the highest rates among those who were under 25. Older filers reported tuition at lower rates, probably because they were completing Schedule 11 to report and make use of amounts they carried forward in the past.

Sole filers without children are greatly overrepresented among Schedule 11 filers, making up 69.8% of that population, compared to 41.8% of all taxfilers. In contrast, only 11.4% of Schedule 11 filers are in a couple without children, compared to 35.3% of all taxfilers. These proportions reflect the fact that many Schedule 11 filers are younger, and possibly still post-secondary students.

Similarly, Schedule 11 filers are more likely to be among lower-income groups. For example, approximately 69.5% of them reported total income under $30,000. In fact, nearly one-third of Schedule 11 filers had income under $10,000—the greatest representation among all income groups. Schedule 11 filers in the two lowest income brackets were also most likely to report eligible tuition expenses, with 73.8% and 71.5% of individuals in both groups reporting tuition, respectively.[67] Unsurprisingly, however, the claim rate increased with income as individuals start earning enough to pay income tax and claim the TTC.

[67] Notably, since scholarship income received by students is not taxable, it would not be included in these total income numbers.

Table 3

Statistics on Schedule 11 Filers, 2019

	Distribution of all taxfilers (%)	Distribution of Schedule 11 filers (%)	Share of filers who completed Schedule 11 (%)	Share of Schedule 11 filers who reported eligible tuition fees (%)	Average tuition fees reported ($)	Claim rate (%)	Transfer rate (%)	Carry-forward rate (%)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
GENDER								
Female	51.5	58.2	16	65.4	5,540	48.5	43.3	91
Male	48.5	41.8	10.9	69	6,155	52.0	40	90.8
AGE GROUP								
Under 18	1.5	0.8	7.4	99.2	1,475	8.9	74.2	32.7
18-24	10	43.6	58.3	85	6,700	44.8	47.3	85.7
25-34	16.8	32.9	26.1	54	5,780	58.1	26.8	97.9
35-44	16.1	13.1	10.8	52.1	3,565	50.8	33	95.9
45-54	15.4	6.1	5.3	51.3	3,035	52.2	32.1	96.5
55+	40.3	3.6	1.2	38.1	2,150	40.8	28.3	98.4
FAMILY TYPE								
Sole filers without children	41.8	69.8	22.3	73.4	6,445	49.4	42.1	89.3
Sole filers with children	3.6	4.9	18	37.5	3,595	31.9	3.8	99.6
Filers in a couple with children	19.3	13.9	9.6	52.5	3,280	50.9	51.1	93.3
Filers in a couple without children	35.3	11.4	4.3	57.4	4,290	59.9	46.3	95.8
PERSONAL INCOME GROUP								
<$10,000	14.3	30.2	28.1	73.8	7,935	0.1	45.7	86.4
$10,000-$20,000	15.2	24.6	21.6	71.5	5,975	45.5	45.8	90.7
$20,000-$30,000	13.6	14.7	14.4	62.1	5,180	84.5	19.8	99
$30,000-$40,000	10.8	9.3	11.5	52.6	4,160	88.4	15.6	99.6
$40,000 - $50,000	10.1	6.4	8.5	51.4	3,280	85.7	12.7	99.8
$50,000+	36	14.7	5.5	65.8	2,905	85.3	10.7	99.8
ALL FILERS	**100**	**100**	**100**	**66.9**	**5,810**	**50**	**41.9**	**91**

Notes: Column (1) refers to the entire population of taxfilers, while the remainder refers to the population of filers who completed Schedule 11. Column (6) presents the claim rate, which is the share of Schedule 11 filers who claim the TTC. Column (7) presents the transfer rate, which is the share of Schedule 11 filers that reported eligible tuition fees and had an unused balance who also transferred to a supporting individual. Column (8) presents the carry-forward rate, which is the share of Schedule 11 filers with an unused balance available to transfer or carry forward after their own 2019 claim who carried forward unused TTC amounts. All dollar values are rounded to the nearest 5.

Source: 2019 T1 tax returns.

3.2 Analysis of transfer and carry-forward behaviour

Table 3 above also presents information on the transfer and carry-forward rates by gender, age, family type, and income. Looking at gender first, the table shows that a slightly higher proportion of women transferred balances to a supporting individual, while both groups carried forward unused TTC amounts in similar proportions.

The transfer and carry-forward rates follow opposing trends with age. As Schedule 11 filers get older and are more independent, they are less likely to transfer to a supporting individual, and more likely to carry forward balances for later years. For example, Schedule 11 filers under the age of 18 had a high transfer rate (74.2%) and a low carry-forward rate (32.7%). In contrast, those between the ages of 35 and 44 years old had rates of 33% and 95.9%, respectively.

Looking at family types, transfer rates were the lowest for sole filers with children. Schedule 11 filers in other family types all had similar transfer rates at around 40% and 50%. Carry-forward rates did not differ much between family types, with all of them having rates around 90%.

Transfer rates were the highest among lower-income filers. The high transfer rates among lower-income filers is explained by the fact that they were less likely to claim the TTC themselves, since they were less likely to be taxable and more likely to have required assistance in paying for their education. In contrast, the carry-forward rate increased with income level, although the differences between the groups were not as pronounced. The next two tables provide greater detail on how Schedule 11 filers transfer amounts to supporting individuals. While nearly one fifth of all Schedule 11 filers transfer some amount, the figure is larger among some sub-groups. For example, Table 4 shows that among filers with an unused balance who also reported eligible tuition fees (i.e., the group who can transfer), 41.9% transferred TTC amounts to a supporting individual. Among individuals who transferred some amount, the majority (66.1%) also had TTC amounts remaining that they carried forward for use in subsequent years.

Table 4
Statistics on transfer and carry-forward behaviour among Schedule 11 filers, 2019

	All Schedule 11 filers (%)	Filers with an unused balance (%)	Filers with an unused balance who reported eligible tuition fees (%)	Filers who transferred (%)
Number of filers (#)	3,852,600	2,664,900	1,700,400	711,900
Transfer to a supporting individual	18.5	26.7	41.9	100.0
Transfer and carry forward	12.2	17.7	27.7	66.1
Transfer, but do not carry forward	6.3	9.0	14.2	33.9
Do not transfer to a supporting individual	81.5	73.3	58.1	0.0

Notes: All population figures in this table are rounded to the nearest 100.
Source: 2019 T1 tax returns.

Table 5 presents further analysis of transfer and carry-forward patterns, distinguishing between Schedule 11 filers who claim the TTC and those who do not. As expected, non-claimants were much more likely to transfer to a supporting individual than claimants (29.0% vs. 7.9%).[68] Furthermore, non-claimants are more likely to have no amount available to carry forward after transferring, compared to claimants (11.6% versus 0.9%). However, as seen in Table 4 above, the majority of individuals do not transfer any amounts.

Table 5
Transfer and carry-forward behaviour among Schedule 11 filers, by claimants and non-claimants, 2019

	Claimants (%)	Non-claimants (%)
Number of filers (#)	1,925,100	1,927,400
Transfer to a supporting individual	7.9	29.0
Transfer and carry forward	7.1	17.4
Transfer, but do not carry forward	0.9	11.6
Do not transfer to a supporting individual	92.1	71.0
Carry forward	37.4	88.3
Carry forward and do not transfer	30.4	71.0

Notes: All population figures in this table are rounded to the nearest 100.
Claimants refer to individuals who completed Schedule 11 and entered a positive TTC amount on Line 32300. Non-claimants are individuals who completed Schedule 11, but did not claim the TTC.
Source: 2019 T1 tax returns.

4. Analysis of TTC Claims and Benefits

The previous section provided information on filers who reported tuition amounts using Schedule 11. The study now turns to how these amounts were claimed under the TTC. This section starts by providing statistics on the tax credit and the amount of benefits it translates into, and then provides a statistical profile of the claimants and beneficiaries.

Table 6 presents information on TTC claims and benefits. In 2019, the majority of claimants were current or past students (75.9%), with 82.9% of total claims. The remaining claimants were supporting individuals, who accounted for 17.1% of total claims. The average amount claimed by supporting individuals was also lower than students ($3,905 vs $6,015). These TTC claims resulted in a total of $2.1 billion in benefits, distributed similarly to claims.[69] Current or past students saved $900 on average in federal taxes payable, whereas supporting individuals derived an average of $585 of benefits.

[68] Note that all non-claimants have an unused balance that is available to transfer and/or carry forward. This is not the case among claimants, since 61.7% of them did not have any unused amounts left over after claiming.

[69] The methodology used to determine benefits involves calculating the amount of federal tax payable in the presence and absence of the TTC, all else equal. Filers who experience a reduction in federal tax payable due to the measure are defined as beneficiaries. The design of the TTC requires that students may only claim the credit if they have federal taxes payable, which would then be reduced through a claim. This implies that, among the student population, the number of claimants should equal the number of beneficiaries. There were 10,500 claimants who were not captured as beneficiaries, which may be due to a difference in methodology used by the Canada Revenue Agency (CRA). Another reason for the difference could be due to errors or inconsistencies in filling out Schedule 11, which may have resulted in reassessments by the CRA which would not be captured in the dataset used for this study.

Table 6
TTC claims and benefits, 2019

	Filers (#)	Distribution of filers (%)	Total amount ($ millions)	Average amount ($)	Distribution of amounts (%)
Claimants					
Students	1,925,100*	75.9	11,590	6,020	82.9
Supporting individuals	610,400	24.1	2,385	3,905	17.1
Parents & grandparents	528,400	20.8	2,140	4,050	15.3
Spouses & common-law partners	82,000	3.2	245	2,970	1.7
Total	**2,535,500**	**100.0**	**13,975**	**5,510**	**100.0**
Beneficiaries					
Students	1,914,600	76.0	1,725	900	82.9
Supporting individuals	606,600	24.0	355	585	17.1
Parents & grandparents	526,200	20.9	320	605	15.3
Spouses & common-law partners	80,400	3.2	35	445	1.7
Total	**2,521,200**	**100.0**	**2,080**	**825**	**100.0**

Notes: All population figures in this table are rounded to the nearest 100. All dollar values are rounded to the nearest 5.
TTC claims and benefits presented in this table refer to the total TTC amount (i.e., the sum of Lines 32300, 32400, and 32600) for each filer.
It is possible for filers to claim the TTC as both a student and a supporting individual, which creates overlap between the three groups (i.e., students; parents and grandparents; and spouses and common-law partners). Therefore, the figures presented in this table are based on mutually exclusive groups of filers, which were created by imposing an order of importance: (1) students, (2) parents and grandparents, (3) spouses and common-law partners. For example, if individuals claimed the credit as a student (Line 32300) and as a parent (Line 32600), they would be placed in the first group and excluded from the second group. Among claimants, the overlap between Groups 1 and 2 is 16,600 individuals, and the overlap between Groups 2 and 3 is 2,700 individuals. 31,700 individuals claimed the credit as both a student and supporting individual. Among beneficiaries, the overlap between Groups 1 and 2 is 16,300 individuals, and the overlap between Groups 2 and 3 is 2,700 individuals. 30,800 individuals claimed and benefitted from the credit as both a student and supporting individual.
* This figure excludes approximately 1,700 filers who claimed the TTC on Line 32300 (i.e., as a student) without completing Schedule 11.
Source: 2019 T1 tax returns.

It can be useful to disaggregate claimants who are students in smaller categories. Indeed, some are current students, while others are working and claiming the TTC from unused balances carried forward (i.e., past students). Table 7 shows that 44.6% of all student claimants reported eligible tuition fees only and 26.1% reported both a starting balance and eligible tuition fees. These two groups make up the group of claimants who are currently studying. Meanwhile, the remaining 29.3% reported only a starting balance, indicating that they are no longer in education (i.e., they are past students).

The group of past students accounted for the most TTC amounts claimed (46.4%), claiming an average of $9,535 per claimant. In contrast, current students claim much lower average amounts. Indeed, filers reporting both a starting balance and eligible tuition fees claimed an average of $7,610 each, and those with eligible tuition fees only claimed $2,785, on average. This result is likely due to the fact that current students (i.e., individuals who are enrolled in classes and incur tuition expenses) have lower incomes and less federal tax payable, and would therefore be less likely to claim the TTC. Past students likely have higher incomes and thus face a greater tax liability, which allows them to make use of their accumulated TTC balances.

Table 7
TTC claims and benefits among filers who completed Schedule 11, by type of student, 2019

	All Schedule 11 filers who claimed the TTC	Starting balance only*	Starting balance & eligible tuition fees**	Eligible tuition fees only**
Claimants				
Filers (#)	1,925,100	563,700	502,500	859,000
Distribution of filers (%)	100.0	29.3	26.1	44.6
Total TTC claim ($ millions)	11,590	5,375	3,825	2,390
Distribution of claims (%)	100.0	46.4	33.0	20.6
Average TTC claim ($)	6,020	9,535	7,610	2,785
Beneficiaries				
Filers (#)	1,914,600	559,600	499,500	855,500
Distribution of filers (%)	100.0	29.2	26.1	44.7
Total tax savings realized by TTC beneficiaries ($ millions)	1,725	800	570	355
Distribution of benefits (%)	100.0	46.3	33.0	20.7
Average tax savings ($)	900	1,430	1,140	420

Notes: All population figures in this table are rounded to the nearest 100. All dollar values are rounded to the nearest 5.
TTC claims and benefits presented in this table refer to the total TTC amount (i.e., the sum of Lines 32300, 32400, and 32600) for each filer.
* These individuals are past students.
** These individuals are current students.
Source: 2019 T1 tax returns.

4.1 Characteristics of TTC claimants

The remainder of this section presents a profile of the characteristics of TTC claimants and beneficiaries, focusing on the student population (both past and current), while excluding supporting individuals.[70]

The first rows of Table 8 show the breakdown of claimants by gender. Women made up the majority of claimants but claimed lower amounts on average. Indeed, women claimed an average of $5,710 per claimant, while men claimed $6,425 per claimant.

The next rows show the breakdown by age category. Most claimants are between the ages of 18 and 34 (77.3%), which is expected since they are either students or recently graduated. Similarly, this age group is responsible for almost all amounts claimed (85.1%). They also claim the highest average amount. Amounts claimed gradually decrease among older claimants. Among these older filers, many probably only have smaller amounts carried over left to claim, or have returned to education for shorter or part-time training, which is generally less expensive.

Table 8 also shows the breakdown by family type. Sole filers without children made up the vast majority of claimants (69.0%). Filers in a couple without children represented another 13.7% of claimants. In total, filers without children represented almost all claimants. The group that was least likely to claim the TTC was sole filers with children, who made up only 3.1% of claimants. Filers who were in a couple with children made up the remaining 14.2% of claimants.

[70] The Gender-based Analysis Plus published as part of the 2021 edition of the *Report on Federal Tax Expenditures* found that the benefits from the TTC accruing to supporting individuals were equally distributed between men and women, but were relatively larger for middle-age groups, those in couples, and those with an adjusted family income in the fifth quintile.

Finally, Table 8 provides a breakdown of claimants by income group. Virtually all claimants had an income of at least $10,000. The largest group among claimants consisted of those with incomes above $50,000, representing 25.2% of all claimants. The distribution of claims is slightly more skewed towards higher-income earners, since claimants with incomes above $50,000 account for 31.6% of all TTC claims. Similarly, average claims are generally increasing with income. These patterns are likely explained by the fact that claimants with higher incomes are more likely to be paying income tax, and have income tax otherwise payable against which they can claim the credit. Benefits followed a pattern similar to claims.

Table 8
Statistical profile of student (current and past) claimants

	Distribution of all taxfilers (%)	Distribution of claimants (%)	Distribution of claims (%)	Average TTC claim ($)	Average tax savings from TTC ($)
	(1)	(2)	(4)	(5)	(6)
GENDER					
Female	51.5	56.5	53.6	5,710	855
Male	48.5	43.5	46.4	6,425	960
AGE GROUP					
Under 18	1.5	0.1	0.0	950	145
18-24	10.0	39.1	35.5	5,470	820
25-34	16.8	38.2	49.6	7,815	1,170
35-44	16.1	13.3	9.8	4,445	665
45-54	15.4	6.3	3.8	3,635	540
55+	40.3	2.9	1.3	2,585	385
FAMILY TYPE					
Sole filers without children	41.8	69.0	73.9	6,445	965
Sole filers with children	3.6	3.1	2.2	4,310	645
Filers in a couple with children	19.3	14.2	10.0	4,240	635
Filers in a couple without children	35.3	13.7	13.9	6,115	915
PERSONAL INCOME GROUP					
<$10,000	14.3	0.1	0.0	1,925	285
$10,000-$20,000	15.2	22.4	8.2	2,205	330
$20,000-$30,000	13.6	24.9	23.8	5,755	860
$30,000-$40,000	10.8	16.5	21.2	7,755	1,160
$40,000 - $50,000	10.1	11.0	15.1	8,295	1,240
$50,000+	36.0	25.2	31.6	7,565	1,135
ALL FILERS	100	100	100	5,965	900

Notes: This table presents results for claimants who also fill a Schedule 11, and thus does not include supporting individuals. Column (6) presents results among the population of beneficiaries.
All dollar values are rounded to the nearest 5.
Source: 2019 T1 tax returns.

5. Longitudinal Analysis of TTC Claimants

The final section of the paper presents a longitudinal analysis of the TTC[71] that follows a cohort of students across several years. Due to the carry-forward provision in the design of the measure, a longitudinal analysis allows for a more complete understanding of TTC claiming patterns and the ways in which students benefit from the credit over an extended period, especially after they leave post-secondary education (i.e., they cease to report eligible tuition expenses). The section includes a description of the criteria used to construct the longitudinal dataset, characteristics of taxfilers in the sample, and a discussion of the evolution of TTC claims among the sample.

5.1 Selection criteria used to determine the longitudinal sample

Using data from 2013 to 2019, the analysis tracks individuals over a period of six years, from 2014 to 2019. The initial longitudinal sample was constructed based on the following criteria: first, all taxfilers who completed a Schedule 11 in 2013 and reported eligible tuition fees were selected. Next, among these filers, those who filled out Schedule 11 in 2014 but did not report any eligible tuition fees were chosen. In other words, the analysis focused on filers who were in education in 2013, but not in 2014.

This resulted in a dataset of 736,900 individuals, on which we introduce a number of additional restrictions to create a sample that captures the characteristics and TTC claiming patterns of graduates (i.e., individuals who finished their education in 2013 and did not pursue further schooling for the following six years).

First, we restrict the sample to individuals observed over the whole period. Second, taxfilers who had a starting balance of zero in 2014 were removed from the sample. Third, individuals who reported additional eligible tuition fees in later years were eliminated, in order to limit the sample to filers who did not return to education during the period.[72] Finally, the fourth restriction addresses data issues caused by discrepancies in the reporting of carry-forward balances. There were instances where, due to misreporting, carry-forward balances were inconsistent from year to year. Therefore, all taxfilers who had cumulative claims from 2014 to 2019 that were larger than their starting balance in 2014 were removed.[73] After imposing these four conditions, the final longitudinal sample consists of 174,800 taxfilers.

5.2 Summary statistics on the longitudinal sample

Table 9 presents summary statistics on the demographic characteristics in 2014 of filers in the longitudinal sample (i.e., with all restrictions). In 2014, the majority of these filers (79.2%) were between 18 and 34 years of age. Male filers were more likely to be younger, with 82.7% under the age of 35, compared to 76.9% of women. Women made up 67.7% of filers aged 35 and older.

[71] Because this section uses data from years 2014 to 2019, it is effectively an analysis of the tuition, education, and textbook credits since carry-forward amounts from 2014 would include all three amounts. Since the education and textbook credits were cancelled in 2017, newer graduates would use their carry-forward amounts quicker.

[72] Because of the restriction that no additional tuition fees are reported, individuals who graduated and later completed courses for purposes such as general interest or professional development would also be excluded from the sample.

[73] After imposing the first condition, there were 620,600 filers in the sample. The addition of the second restriction left 283,300 individuals. After imposing the third restriction 183,600 individuals remained. Once the fourth restriction was added, 174,800 filers remained in the sample. In imposing the fourth restriction, cumulative claims slightly larger than the starting balance (1.0%) were allowed, in order to account for rounding error.

Table 9

Characteristics of filers in the longitudinal sample, by age group and gender

	Proportion of filers (%)			Distribution by gender (%)	
	All	**Women**	**Men**	**Women**	**Men**
ALL TAXFILERS in longitudinal sample (#)	174,800	106,600	68,100	61.0	39.0
AGE GROUP in 2014					
18 to 24	37.5	35.1	41.3	57.1	42.9
25 to 34	41.7	41.8	41.4	61.2	38.8
35 to 44	12.3	13.8	9.8	68.9	31.1
45 to 54	6.2	6.8	5.2	67.2	32.8
55 and over	2.4	2.5	2.3	62.9	37.1

Note: All population figures are rounded to the nearest 100.
Source: 2014 to 2019 T1 tax returns.

Table 10 provides additional descriptive statistics in 2014 and 2019. The average total income of in-sample individuals grew by 62.8% from $30,450 in 2014 to $49,580 in 2019, with average earnings following a similar trajectory (61.4% increase).[74] In both years, women had lower average earnings and average total income compared to men. Both quantities also grew at a faster rate for men relative to women (earnings: 82.9% versus 45.6%, total income: 81.5% versus 49.5%).

Table 10

Summary statistics in 2014 and 2019 for taxfilers in the longitudinal sample (2019 dollars)

	All	**Women**	**Men**
Average total income in 2014*	30,450	29,120	32,540
Average total income in 2019*	49,580	43,520	59,065
Average earnings in 2014**	26,285	24,985	28,320
Average earnings in 2019**	42,425	36,445	51,785
Average starting balance at the beginning of 2014	13,920	13,595	14,425
Average amount claimed in 2014***	6,210	5,290	6,665
Average carry-forward balance remaining at the end of 2019†	1,790	1,970	1,510
Average amount claimed in 2019***	275	275	275
Average total TTC claim, 2014-2019	11,830	11,315	12,635

Note: All figures are reported in 2019 dollars and are rounded to the nearest 5.
*Total income refers to income reported on Line 150/15000.
**Earnings refers to T4 earnings reported on Line 101/10100.
***This row refers to the TTC amount students intend to claim on Line 323/32300, as reported on Schedule 11.
† This row is calculated as the average by individual of the difference between the initial balance in 2014 in current dollars, and the total claims over the 6-year period, also in current dollars. The numbers in this row are not equal to the difference between the average starting balance in 2014 and the average total TTC claim reported in the table, since these numbers were adjusted for inflation.
Source: 2014 to 2019 T1 tax returns.

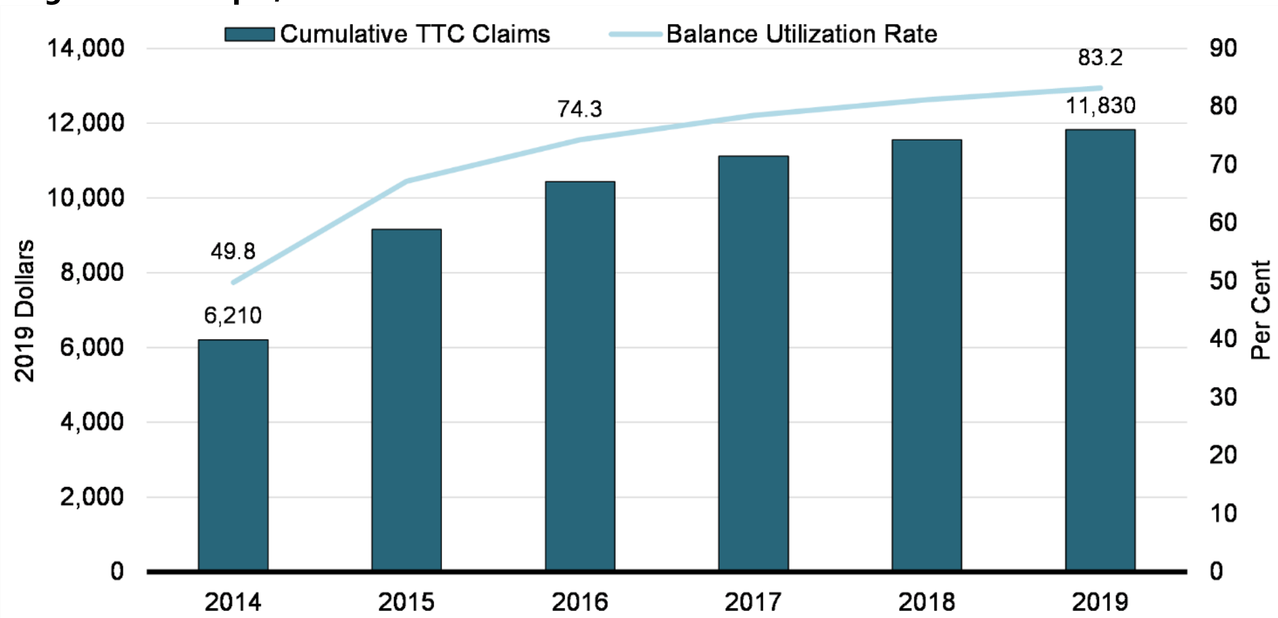
[74] Earnings represent employment income. Total income includes earnings, but also additional income sources such as government transfers, dividend income, and investment income.

In 2014, filers had an average starting balance of $13,920, and claimed an average of $6,210 in TTC amounts. At the end of 2019, these filers had a remaining carry-forward balance of $1,790 per person. Over the duration of the entire period, filers in the longitudinal sample claimed an average of $11,830 per person in TTC amounts. On average, men had a slightly greater starting balance at the beginning of the period, and claimed larger TTC amounts.

Chart 2 provides a different look at the data on amounts claimed shown in Table 11. It shows the average cumulative claim from 2014 to 2019, as well as the balance utilization rate, which is defined as the cumulative TTC claim since 2014 as a proportion of the initial starting balance in 2014. On average, in the first year of the period, individuals in the longitudinal sample claimed approximately half of their starting balance (49.8%). By 2016, they had claimed, on average, 74.3% of their balance, and by 2019 the balance utilization rate was 83.2%. These results show that on average, filers claimed a significant proportion of their starting balance in the year after they left post-secondary education and lesser amounts in the following years. Moreover, balance utilization rates were slightly higher among men relative to women. By the end of 2019, men had claimed 86.2% of their 2014 starting balance compared to 81.3% for women.[75]

Chart 2

Cumulative TTC claims and proportion of 2014 starting balance claimed among filers in the longitudinal sample, 2014-2019



Source: 2014 to 2019 T1 tax returns.

Finally, Table 11 shows the distribution of taxfilers in the longitudinal sample according to the year in which they fully claimed their starting balance from 2014. From the 174,800 individuals in the sample, 33.2% claimed their balance completely in the first year of the period. Another 37.7% of filers claimed their balance completely between 2015 and 2019, while 29.1% still had remaining TTC amounts left to carry forward in 2019. A larger share of women, relative to men, still had a portion of their 2014 balances remaining in 2019 (31.2% versus 25.6%).

[75] Figures not reported.

Table 11

Distribution of filers in the longitudinal sample by year that starting balance from 2014 was fully claimed, by gender (%)

	All	Women	Men
Taxfilers in longitudinal sample (#)	174,800	106,600	68,100
2014	33.2	31.5	35.9
2015	17.6	17.2	18.2
2016	8.6	8.5	8.9
2017	5.3	5.2	5.4
2018	3.6	3.7	3.6
2019	2.6	2.7	2.5
Carry-forward balance remaining at the end of 2019	29.1	31.2	25.6

Note: All population figures are rounded to the nearest 100.
Source: 2014 to 2019 T1 tax returns.

6. Conclusion

A number of federal measures deliver support for students through the tax system. These include the Student Loan Interest Credit; the deduction for tuition assistance for adult basic education; and the exemption of scholarship, fellowship and bursary income. The Government of Canada provides further assistance for students through direct spending programs, which include the Canada Student Loans, Canada Student Grants, Canada Apprentice Loans, Canada Graduate Scholarships, and Canada Education Savings Grant programs. The federal government also provides funding to provinces and territories for post-secondary education through the Canada Social Transfer.

This study presents a comprehensive analysis of another measure: the Tuition Tax Credit, a non-refundable credit that provides tax relief to students and supporting individuals for eligible tuition expenses. The TTC promotes horizontal equity, while also lowering the after-tax cost of investing in education.

The study shows that in 2019, about three quarters of TTC claimants were students (past and current), who claimed $11.6 billion, whereas supporting individuals such as parents and spouses made up the remaining quarter of claimants and accounted for $2.4 billion of claims. On average, students saved $900 per filer in federal taxes payable, compared to an average of $585 per filer for supporting individuals.

To claim the TTC, individuals must first report eligible tuition fees and carry-forward amounts on Schedule 11. Among the filers who completed Schedule 11 in 2019, two-thirds reported eligible tuition fees. Because a large proportion of students did not have sufficient federal tax payable to claim their full TTC balances, the majority of filers who completed Schedule 11 carried forward unused TTC amounts to subsequent years. The study also shows that students made use of the transfer provision; around two-fifths of eligible students transferred TTC amounts to a supporting individual. Students (past and current) who claimed the TTC in 2019 tended to be women, under the age of 35, and sole filers.

The findings from the longitudinal analysis indicate that over a period of six years, from 2014 to 2019, a significant portion of filers in the sample (about 70%) fully claimed their TTC balance from 2014. On average, filers in the sample claimed roughly half of their starting balances in 2014, their first year out of education. By 2019, cumulative claims as a proportion of starting balances rose to an average of more than 80%.

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List of Tax Expenditures