



2023 FEDERAL BUDGET HIGHLIGHTS

INDIVIDUALS

- Although no changes were made to personal tax rates, the alternative minimum tax (AMT) regime will be broadened in its application to high-income individuals in 2024 with respect to items such as capital gains, stock option benefits and donations of marketable securities. Accordingly, individuals may wish to consider accelerating certain transactions in 2023 before the new rules take effect.
- The maximum annual amount that can be withdrawn from a Registered Education Savings Plan (RESP) and taxed in a student's income each year will be increased.
- The current temporary measure allowing certain qualifying family members to open a Registered Disability Saving Plan (RDSP) and be the plan holder for a disabled relative will be extended to December 31, 2026. The measure broadens the definition of qualifying family member to include siblings.

BUSINESSES

- No changes to corporate tax rates.
- Introduction and adjustments of various tax credits for the use, production, and storage of clean energy (clean hydrogen; geothermal energy; carbon capture).
- Changes will be made to Employee Ownership Trusts (EOT) starting in 2024 to facilitate acquiring a controlling interest in the shares of a qualifying business for the exclusive benefit of employees.
- Beginning in 2024, a new 2% tax will apply to Canadian public corporations and publicly traded real estate investment trusts (among others) on the net value of share/unit repurchases.
- Subject to public consultation, the General Anti-Avoidance Rule (GAAR) will apply to a wider scope of transactions, extend the reassessment period, and introduce a penalty of 25% of the tax benefit ultimately determined to be subject to GAAR.

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INTERNATIONAL MEASURES

- As a member of the Organization for Economic Co-operation and Development (OECD), Canada is working towards implementing an international tax reform in 2024 to reallocate the profits of the largest multinational enterprises (MNEs) to where their users and customers are located and to ensure that such profits are subject to an effective tax rate of at least 15%.

OTHER

- The Federal government reiterated its intent to proceed with various legislative proposals released previously, including the Excessive Interest and Financing Expenses Limitations (EIFEL) regime, Substantive Canadian-Controlled Private Corporations and the Mandatory Disclosure rules.
- The Budget proposes to renew the General Preferential Tariff (GPT) and Least Developed Country Tariff (LDCT) programs (which are set to expire on December 31, 2024) until the end of 2034. Updates will also be made to these programs which include creating a new GPT + program. Canadian importers should monitor these changes and assess the impact on their importations under these programs, particularly in the apparel sector