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Report on Federal Tax Expenditures

Concepts, Estimates
and Evaluations

2016

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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 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.

Many improvements to the design and contents of this report have been made to this year's edition. The presentation of the tax expenditures has been changed to facilitate analysis of the tax expenditures and better indicate their role in the tax system. Also, this year's report provides cost estimates for two additional years and now covers eight years in total (2010 to 2017). Finally, the methodological and reference information that was previously published periodically in the companion document *Tax Expenditures: Notes to the Estimates/Projections* has been integrated into this report and complemented with additional information on each tax expenditure. In addition to a brief description of each measure and of its objectives, information now being provided includes legal references, historical information, as well as references to key federal government spending programs that are relevant to the policy area of the tax expenditure to better inform Canadians and Parliamentarians about related programs. This information will be updated every year and will provide 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 will continue to be published every year as part of this report. This year's edition includes a profile of claimants of the Working Income Tax Benefit as well as an evaluation of the response of individuals to changes in the price of charitable donations.

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, which must take place no later than March 1 of each year.

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 some 208 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 2010 to 2017 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 tax evaluation and research reports.

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, while the benchmark unit of taxation for the corporate income tax is the single corporation as a separate legal entity.

Taxation Period

- The benchmark taxation period is the calendar year for individuals and the fiscal period for corporations.² Income is taxed as earned, on an accrual basis.
- 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.³ 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.

² A corporation's fiscal period is any period of 53 weeks or less.

³ 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.



- 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.

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 benchmark corporate income tax rate is the statutory general corporate income tax rate in effect at any given time.⁴

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.⁵

⁴ It represents the statutory rate after the federal abatement and general rate reduction. As such, over the period covered by this report, the benchmark corporate income tax rate was 18% in 2010, 16.5% in 2011, and has been 15% since 2012.

⁵ 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.



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.

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.⁶
- 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.⁷

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.

⁶ 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.

⁷ 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.



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 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 can subsequently claim a rebate in respect of the GST paid. In certain situations, as described below, such a rebate is also considered part of the GST benchmark system.

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. GST rebates that provincial and territorial governments and their agents can claim as per these agreements are also viewed as part of the GST benchmark system.
- Public sector bodies (universities, public colleges, schools, public hospitals and municipalities) are treated like a business.



Main Types of Tax Expenditures

On the basis of the benchmark tax system so defined, it is possible to identify seven 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, or the exemption from GST or zero-rating of certain supplies of goods or services. ⁸	Capital gains realized on certain donated assets are not subject to income tax. GST is not charged on basic groceries, health services and financial services.
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.	Employed artists can deduct certain costs related to their employment. Charitable donations made by corporations are deductible in determining taxable income.

⁸ 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 estimated by calculating the revenues that the federal government forgoes as a result of the measure. Forgone revenues are estimated by 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 2017; however, delays in the availability of data also mean that some of the values developed for the historical period are in fact 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 at issue 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's personal income tax micro-simulation model (known as the T1 micro-simulation model), which relies on a stratified sample of approximately 700,000 individual tax returns provided by the Canada Revenue Agency. 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 this 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 two-year 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 2013. Projections of personal income tax expenditures for subsequent years are calculated using the T1 model, which grows 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's 2015 *Update of Economic and Fiscal Projections*. 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 Department of Finance's *Update of Economic and Fiscal Projections*. In many cases, projections derived using the T1 model are also complemented by comprehensive aggregate statistics for the most recent taxation year available.

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.

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's corporate income tax micro-simulation model (the T2 micro-simulation 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 2013. Projections are not derived from the T2 model, but rather are mainly based on the Department of Finance's forecast of total corporate taxable income in the 2015 *Update of Economic and Fiscal Projections* and on legislative changes to corporate tax parameters. In many cases, preliminary aggregate 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 *Update of Economic and Fiscal Projections*) or on historical trends. The years of the projections are indicated in the descriptions of the tax expenditures found in Part 3.

GST Expenditures

The value of GST expenditures cannot be estimated using a tax micro-simulation model, as sufficient micro-data on the amounts of GST paid on most transactions are unavailable. Rather, the value of most GST rebates is estimated using administrative data obtained from the Canada Revenue Agency, and the value of GST exemptions and zero-rating provisions is estimated using the Department of Finance'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 Input-Output 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 2013 are derived from the most recent complete administrative data and forecasts of related economic variables provided in the Department of Finance's 2015 *Update of Economic and Fiscal Projections* or by third parties. As for GST expenditures estimated using the Goods and Services Tax Model, the values shown for 2010 and 2011 for these tax expenditures are based on the most recent Input-Output 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 Department of Finance's *Update of Economic and Fiscal Projections* or by third parties. In many cases, preliminary aggregate data for 2013 and 2014 are also used to inform the projections.

Interpretation of the Estimates and Projections

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

Federal-Provincial Interaction

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

Static Estimates and Projections

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

Absence of Behavioural Responses

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



The effects of this assumption can be illustrated for the income tax by considering the taxation of capital gains. The cost of the partial inclusion of capital gains is estimated on the basis of the amount of capital gains realized by taxpayers. However, should the inclusion rate for capital gains be increased, it is likely that taxpayers would react by postponing certain transactions on capital assets in order to reduce the impact 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 why the estimates of forgone revenues may differ from 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.

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, but 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 not provide an accurate 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 illustration, 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 pension income splitting that interacts with the Pension Income Credit to potentially allow 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 would, by splitting income equally between the two spouses, make it possible for 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.



A similar 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 one of these exemptions 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 rebates since the GST paid on their purchases would be relieved by the input tax credits, effectively repealing the related rebate as well. 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, the value of GST exemptions does not account for the portion of the GST paid by the providers that would be received as input tax credits should the services become taxable, but that are currently claimed as rebates. The value of GST rebates is presented separately, and should be netted out of the value of GST exemptions in order to get a closer approximation of the revenue impact of eliminating these measures.

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. Announced changes that have a coming-into-force date in the 2016 taxation year or earlier, even if the enacting legislation has not received Royal Assent by the time of production of this report, are taken into account for the purpose of estimating the cost of a measure. Information on legislative 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 that are non-taxable. 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, during the period covered by this publication, reductions in the general corporate income tax rate (from 18% to 16.5% on January 1, 2011, and to 15% on January 1, 2012) had the effect of reducing the estimates and projections for most corporate income tax expenditures. Also, many personal income tax expenditures are 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 were announced on December 7, 2015 and that are to be effective for 2016 and subsequent taxation years.



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 end up differing 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.



Additional Resources

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

Department of Finance website:	www.fin.gc.ca
Taxes and Tariffs section:	www.fin.gc.ca/access/tax-eng.asp
Budgets:	www.fin.gc.ca/access/budinfo-eng.asp
Fiscal Reference Tables:	www.fin.gc.ca/pub/frt-trf/index-eng.asp
Canada Revenue Agency website:	www.cra-arc.gc.ca
Tax statistics:	www.cra-arc.gc.ca/gncy/stts/menu-eng.html
Tax rates and parameters:	www.cra-arc.gc.ca/tx/llrts/menu-eng.html
Statistics Canada website:	www.statcan.gc.ca

Provincial tax expenditure reports:

Newfoundland and Labrador—*2015-2016 Estimates*, appendix 1
www.budget.gov.nl.ca/budget2015/estimates

Nova Scotia—*Budget 2015-2016—Assumptions and Schedule*, schedule 1E
www.novascotia.ca/finance/en/home/budget/budgetdocuments/2014-2016.aspx

Quebec—*Tax Expenditures*, 2014 edition (available in French only)
www.finances.gouv.qc.ca/fr/pub.asp

Ontario—*Transparency in Taxation*, 2015 edition
www.fin.gov.on.ca/en/budget/fallstatement/2015/transparency.html

Manitoba—*Budget 2015*, Budget Paper C, “Manitoba Tax Expenditures”
www.gov.mb.ca/finance/budget15/papers

Saskatchewan—*Budget 15-16*, Technical Papers, “Saskatchewan’s Tax Expenditures”
www.finance.gov.sk.ca/budget2015-16

Alberta—*Budget 2015—Tax Plan*, “2015 Tax Expenditure Estimates”
www.finance.alberta.ca/publications/budget/budget2015

British Columbia—*Budget and Fiscal Plan 2016/17 - 2018/19*, Appendix A1 “Tax Expenditures”
www.bcbudget.gov.bc.ca/2016/



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

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

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

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

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

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



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

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

Accelerated Capital Cost Allowance

Where a tax deduction is allowed for the cost of capital investments, the deduction is normally required to be spread over a number of years. This is based on the principle that capital assets are not consumed in the period in which they are acquired, but instead contribute to earnings over several years. Therefore, the deduction is normally allowed at a rate which allocates the cost of the asset over the period that the asset contributes to earnings—the asset's useful life. Allocating the deduction for capital costs over the useful life of assets ensures that the tax system is neutral in its treatment of assets with different useful lives.⁹

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 for certain tangible capital assets (e.g., machinery and equipment used in manufacturing and processing, 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.

⁹ 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.



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.

Notwithstanding the different methodologies available, annual tax expenditure estimates are not 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. 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.

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.¹⁰ 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.¹¹ 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.

¹⁰ For additional information on flow-through shares, see the study “Flow-Through Shares: A Statistical Perspective” published in the 2013 edition of this report.

¹¹ 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.



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.¹²

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.

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).

¹² 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.

Part 2

Tax Expenditure Estimates and Projections



Introduction

Part 2 presents the estimates of the fiscal cost of federal tax expenditures for the years 2010 to 2017. 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. The estimates are followed by a second table that presents 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.

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
CIT	Corporate income tax
GST	Goods and Services Tax



Table
Estimates and Projections
millions of dollars

		Estimates				Projections			
		2010	2011	2012	2013	2014	2015	2016	2017
TAX EXPENDITURES									
ARTS AND CULTURE									
Structural									
Deduction for self-employed artists	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Non-structural									
Children's Arts Tax Credit	PIT	–	30	35	40	40	45	45	45
BUSINESS – FARMING AND FISHING									
Structural									
Cash basis accounting	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Deferral of income from destruction of livestock	PIT	-1	\$	\$	\$	\$	n.a.	n.a.	n.a.
	CIT	\$	\$	\$	\$	\$	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.
Flexibility in inventory 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.
Non-structural									
Deferral of capital gains through intergenerational rollovers of family farms or fishing businesses	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Deferral of income from grain sold through cash purchase tickets	PIT	-10	70	30	-15	-40	5	n.a.	n.a.
	CIT	-10	40	15	-5	-20	4	n.a.	n.a.
Exemption for insurers of farming and fishing property	CIT	5	5	10	10	10	10	10	10
Patronage dividends paid as shares by agricultural cooperatives	PIT	2	2	2	2	1	2	2	2
	CIT	4	5	4	4	3	4	4	4
Tax treatment of farm savings accounts (AgriInvest and Agri-Québec)	PIT	20	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	3	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 mining and oil sands assets	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	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.
Corporate Mineral Exploration and Development Tax Credit	CIT	15	75	60	15	25	25	25	25
Earned depletion	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	1	\$	\$	\$	3	\$	\$	\$
Flow-through share deductions	PIT	285	345	200	110	115	100	100	100
	CIT	70	85	55	35	30	25	25	25
Mineral Exploration Tax Credit for flow-through share investors	PIT	110	100	45	20	30	30	-10	–
Reclassification of expenses under flow-through shares	PIT	-2	-5	-10	-10	-5	-10	-5	-5
	CIT	-1	-2	-2	-1	-1	-1	-1	-1



Table
Estimates and Projections
millions of dollars

		Estimates				Projections			
		2010	2011	2012	2013	2014	2015	2016	2017
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.
Expensing of purchases of capital equipment used for 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	3	4	4	3	\$	3	3	3
	CIT	1,565	1,605	1,815	1,895	1,510	1,525	1,585	1,665
BUSINESS – SMALL BUSINESSES									
Structural									
Small suppliers' threshold	GST	200	205	210	215	220	225	235	245
Non-structural									
Deduction of allowable business investment losses	PIT	35	30	35	25	30	30	30	30
	CIT	15	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	4,225	3,870	3,260	3,065	3,225	3,095	3,615	4,120
Rollovers of investments in small businesses	PIT	3	4	X	5	5	5	10	10
BUSINESS – OTHER									
Structural									
Deductibility of costs of capital assets and eligibility for investment tax credits before asset is put in use	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Deductibility of earthquake reserves	CIT	1	1	1	\$	\$	1	1	1
Deferral through five-year capital gain reserve	PIT	5	5	10	10	10	10	10	10
	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 for domestic financial services	GST	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	45	40	10	20	4	25	25	25
	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Expensing of advertising costs	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	PIT	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	30	45	45	60	85	85	85	90
Tax status of certain federal Crown corporations	CIT	X	X	X	X	X	X	X	X
Non-structural									
Accelerated capital cost allowance for computer equipment	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 liquefied natural gas facilities	PIT	–	–	–	–	–	n.a.	n.a.	n.a.
	CIT	–	–	–	–	–	n.a.	n.a.	n.a.



Table
Estimates and Projections
millions of dollars

		Estimates				Projections			
		2010	2011	2012	2013	2014	2015	2016	2017
BUSINESS – OTHER (CONT'D)									
Accelerated capital cost allowance for manufacturing or processing machinery and equipment	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.
Atlantic Investment Tax Credit (non-refundable portion for CIT)	PIT	5	10	10	5	10	10	10	10
	CIT	140	120	305	355	225	180	160	165
Deferral for asset transfers to a corporation and corporate reorganizations	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Deferral through 10-year capital gain reserve	PIT	25	15	30	25	25	25	25	25
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.
Exemption from tax for international banking centres	CIT	X	X	X	X	–	–	–	–
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	10	15	15	10	10	15	15	15
Lifetime Capital Gains Exemption	PIT	865	990	1,090	1,100	1,300	1,265	1,430	1,535
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	-1	-1	-1	\$	\$	\$	\$	\$
Special tax rate for credit unions	CIT	80	55	40	25	20	20	10	\$
DONATIONS, GIFTS, CHARITIES AND NON-PROFIT ORGANIZATIONS									
Non-structural									
Additional deduction for gifts of medicine	CIT	\$	\$	\$	\$	\$	\$	\$	\$
Charitable Donation Tax Credit	PIT	2,345	2,365	2,350	2,530	2,605	2,675	2,880	2,905
Deductibility of charitable donations	CIT	405	405	420	310	510	435	475	485
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 for certain supplies made by charities and non-profit organizations	GST	865	955	865	890	945	1,005	1,065	1,130
First-Time Donor's Super Credit	PIT	–	–	–	5	5	5	5	5
Non-taxation of capital gains on donations of cultural property	PIT	5	10	10	25	10	10	10	10
	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	2	2	2	2	1	2	2
	CIT	1	1	1	\$	3	1	2	2
Non-taxation of capital gains on donations of publicly listed securities	PIT	40	45	40	45	70	45	50	50
	CIT	60	65	55	70	100	80	85	85
Non-taxation of non-profit organizations	PIT	125	125	70	90	90	65	90	130
	CIT								



Table
Estimates and Projections
millions of dollars

		Estimates				Projections			
		2010	2011	2012	2013	2014	2015	2016	2017
DONATIONS, GIFTS, CHARITIES AND NON-PROFIT ORGANIZATIONS (CONT'D)									
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	70	65	65	65	65	70	75
Rebate for registered charities	GST	270	285	290	285	295	300	315	330
EDUCATION									
Structural									
Deduction for tuition assistance for adult basic education	PIT	3	3	3	3	3	2	2	2
Education Tax Credit	PIT	630	655	685	705	725	750	770	795
Textbook Tax Credit	PIT	100	105	110	115	115	120	125	130
Tuition Tax Credit	PIT	850	935	995	1,040	1,105	1,135	1,165	1,195
Non-structural									
Exemption for tuition and educational services	GST	615	665	725	780	815	850	885	915
Exemption of scholarship, fellowship and bursary income	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Rebate for book purchases made by certain organizations	GST	20	20	20	20	20	20	20	20
Rebate for schools, colleges and universities	GST	720	735	700	695	715	735	745	760
Registered Education Savings Plans	PIT	160	170	160	170	160	130	125	140
Student Loan Interest Credit	PIT	40	40	45	45	40	45	45	45
EMPLOYMENT									
Structural									
Apprentice vehicle mechanics' tools deduction	PIT	4	4	4	4	4	4	4	5
Canada Employment Credit	PIT	1,935	1,995	2,040	2,110	2,190	2,280	2,335	2,400
Child care expense deduction	PIT	850	900	960	960	985	1,070	1,080	1,120
Deductibility of certain costs incurred by musicians	PIT	1	1	1	1	1	1	1	1
Deductibility of expenses by employed artists	PIT	\$	\$	\$	\$	\$	\$	\$	\$
Deduction for tradespeople's tool expenses	PIT	3	3	2	2	2	2	2	2
Deduction of other employment expenses	PIT	945	985	1,000	980	960	995	1,030	1,095
Deduction of union and professional dues	PIT	785	825	860	890	905	950	965	1,020
Moving expense deduction	PIT	100	100	100	95	100	105	105	115
Non-taxation of allowances for diplomats and other government employees posted abroad	PIT	40	45	25	25	25	20	n.a.	n.a.
Non-taxation of benefits in respect of home relocation loans	PIT	\$	\$	\$	\$	\$	\$	\$	\$
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	75	70	65	65	65	70	70	75



Table
Estimates and Projections
millions of dollars

		Estimates				Projections			
		2010	2011	2012	2013	2014	2015	2016	2017
EMPLOYMENT (CONT'D)									
Non-structural									
Apprenticeship Job Creation Tax Credit	PIT	2	2	2	2	2	2	2	2
	CIT	65	70	85	95	105	105	110	115
Deferral of salary through leave of absence or sabbatical plan	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
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	690	740	590	630	760	695	800	840
Non-taxation of income earned by military and police deployed to high- and moderate-risk international missions	PIT	35	35	15	15	4	5	n.a.	n.a.
Northern Residents Deductions	PIT	160	170	180	175	175	185	185	195
Overseas Employment Tax Credit	PIT	75	75	70	55	40	20	–	–
ENVIRONMENT									
Structural									
Deductibility of contributions to a qualifying environmental trust	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	\$	5	-2	\$	-3	55	55	55
Non-structural									
Accelerated capital cost allowance for clean energy generation equipment	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 Canadian Renewable and Conservation Expenses	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Public Transit Tax Credit	PIT	150	160	170	180	190	200	205	210
FAMILIES AND HOUSEHOLDS									
Structural									
Adoption Expense Tax Credit	PIT	3	3	3	2	2	2	2	2
Caregiver Credit	PIT	100	110	120	125	130	135	140	145
Child Tax Credit	PIT	1,480	1,510	1,560	1,590	1,615	–	–	–
Eligible Dependant Credit	PIT	770	770	775	770	790	895	920	950
Family Caregiver Tax Credit	PIT	–	–	55	65	65	70	75	75
Goods and Services Tax/Harmonized Sales Tax Credit	GST	3,760	3,870	3,995	4,090	4,175	4,265	4,360	4,455
Infirm Dependant Credit	PIT	5	5	5	5	5	5	10	10
Spouse or Common-Law Partner Credit	PIT	1,410	1,425	1,495	1,530	1,570	1,640	1,680	1,730
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 for child care	GST	120	120	130	135	140	150	155	160
Exemption for personal care services	GST	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Family Tax Cut	PIT	–	–	–	–	1,900	1,930	1,905	1,970
Inclusion of the Universal Child Care Benefit in the income of an eligible dependant	PIT	2	2	2	2	2	5	5	5
Investment Tax Credit for Child Care Spaces	PIT	\$	\$	\$	\$	\$	\$	\$	\$
	CIT	\$	\$	\$	\$	\$	\$	\$	\$
Non-taxation of up to \$10,000 of death benefits	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Tax treatment of alimony and maintenance payments	PIT	60	60	60	65	70	70	75	75
Zero-rating of feminine hygiene products	GST	–	–	–	–	–	15	35	35



Table
Estimates and Projections
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		Estimates				Projections			
		2010	2011	2012	2013	2014	2015	2016	2017
HEALTH									
Structural									
Disability supports deduction	PIT	1	2	2	1	1	1	1	1
Disability Tax Credit	PIT	650	675	720	770	825	860	895	930
Medical Expense Tax Credit	PIT	1,080	1,135	1,260	1,310	1,370	1,450	1,535	1,630
Non-structural									
Children's Fitness Tax Credit (before 2015)	PIT	110	110	115	120	180	–	–	–
Exemption for health care services	GST	585	585	610	640	680	720	750	775
Exemption for hospital parking	GST	–	–	–	–	35	40	40	40
Home Accessibility Tax Credit	PIT	–	–	–	–	–	–	40	40
Non-taxation of benefits from private health and dental plans	PIT	2,225	2,315	2,420	2,520	2,590	2,730	2,735	2,890
Rebate for hospitals, facility operators and external suppliers	GST	560	620	590	630	650	665	675	685
Rebate for specially equipped motor vehicles	GST	\$	\$	\$	\$	\$	\$	\$	\$
Registered Disability Savings Plans	PIT	10	15	25	25	35	40	45	55
Surtax on the profits of tobacco manufacturers	CIT	X	X	X	X	X	X	X	X
Zero-rating of medical and assistive devices	GST	310	320	325	335	350	360	370	380
Zero-rating of prescription drugs	GST	695	720	730	750	785	795	830	865
HOUSING									
Structural									
Exemption 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 for certain residential rent	GST	1,520	1,455	1,485	1,515	1,585	1,685	1,765	1,850
Exemption 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	105	110	110	105	115	120	120	120
Non-taxation of capital gains on principal residences	PIT	4,105	4,700	3,900	4,160	5,100	5,920	5,320	4,975
Rebate for new housing	GST	585	575	580	600	575	555	535	545
Rebate for new residential rental property	GST	65	65	85	105	105	100	95	100
INCOME SUPPORT									
Non-structural									
Non-taxation of certain veterans' benefits	PIT	275	270	265	255	240	230	220	215
Non-taxation of Guaranteed Income Supplement and Allowance benefits	PIT	100	115	130	135	135	140	145	150
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	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Non-taxation of social assistance benefits	PIT	155	160	170	175	180	190	200	210
Non-taxation of workers' compensation benefits	PIT	625	625	625	610	610	620	625	635



Table
Estimates and Projections
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		Estimates				Projections			
		2010	2011	2012	2013	2014	2015	2016	2017
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	1,975	2,070	2,010	1,990	2,035	2,030	2,010	2,040
Refunds for aboriginal self-governments	GST	5	5	5	5	5	5	5	5
Non-structural									
Logging Tax Credit	PIT	\$	1	1	1	1	1	1	1
	CIT	10	10	10	20	25	25	25	30
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	170	195	210	235	265	265	275	285
Non-structural									
Exemptions from non-resident withholding tax	PIT CIT	3,680	4,075	4,475	5,500	5,290	5,335	5,555	5,815
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	1,010	1,035	1,065	1,100	1,135	1,165	1,205	1,250
Pension income splitting	PIT	895	975	1,040	1,075	1,110	1,180	1,205	1,285
Pooled Registered Pension Plans	PIT	–	–	–	–	–	n.a.	n.a.	n.a.
Registered Pension Plans	PIT	15,985	16,085	19,680	21,520	23,415	23,820	25,745	27,455
Registered Retirement Savings Plans	PIT	9,995	9,955	12,740	13,900	14,700	14,670	15,475	16,260
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	260	285	275	270	280	275	265	280
Taxation of capital gains upon realization	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.



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Estimates and Projections
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		Estimates				Projections			
		2010	2011	2012	2013	2014	2015	2016	2017
SAVINGS AND INVESTMENT (CONT'D)									
Non-structural									
Labour-Sponsored Venture Capital Corporations Credit	PIT	130	140	150	145	125	95	50	–
Non-taxation of capital dividends	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Partial inclusion of capital gains	PIT	3,630	3,800	3,330	4,135	5,650	5,250	5,830	6,330
	CIT	3,330	3,865	3,880	4,505	5,460	5,715	6,280	6,675
Tax-Free Savings Account	PIT	165	160	300	430	485	555	750	855
SOCIAL									
Non-structural									
Age Credit	PIT	2,410	2,530	2,700	2,885	3,010	3,160	3,310	3,475
Deduction for clergy residence	PIT	85	85	90	85	85	85	85	85
Exemption and rebate for legal aid services	GST	30	30	30	30	35	35	35	40
Exemption for ferry, road and bridge tolls	GST	15	15	10	10	10	15	15	15
Exemption for municipal transit	GST	170	175	180	185	195	205	215	220
Exemption for water, sewage and basic garbage collection services	GST	190	200	205	220	230	245	250	260
Political Contribution Tax Credit	PIT	20	25	25	25	25	35	25	30
Search and Rescue Volunteers Tax Credit	PIT	–	–	–	–	2	2	2	2
Tax-free amount for emergency service volunteers	PIT	n.a.	3	4	4	3	3	3	3
Volunteer Firefighters Tax Credit	PIT	–	15	15	15	15	15	15	15
Zero-rating of basic groceries	GST	3,570	3,640	3,730	3,840	4,020	4,075	4,255	4,420
OTHER									
Structural									
Non-taxation of income from the Office of the Governor General of Canada	PIT	\$	\$	\$	–	–	–	–	–
Non-structural									
Non-taxation of personal property of status Indians and Indian bands situated on reserve	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	GST	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
TAX MEASURES OTHER THAN TAX EXPENDITURES									
BUSINESS – OTHER									
Structural									
Deduction for intangible assets (eligible capital expenditures)	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.
Deduction of carrying charges incurred to earn income	PIT	1,005	1,085	1,080	1,180	1,265	1,310	1,430	1,535
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Non-capital loss carry-overs	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	6,775	6,280	6,295	7,140	6,935	8,625	8,380	8,640
Partial deduction of and partial input tax credits for meals and entertainment	PIT	185	185	200	200	200	205	205	205
	CIT	270	280	275	265	295	280	300	300
	GST	145	150	155	160	155	155	160	170
Patronage dividend deduction	CIT	280	335	240	220	230	220	235	240



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Estimates and Projections
millions of dollars

		Estimates				Projections			
		2010	2011	2012	2013	2014	2015	2016	2017
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	7,530	8,015	8,630	8,875	9,205	9,595	9,850	10,315
Tax treatment of Employment Insurance and Quebec Parental Insurance Plan premiums and benefits	PIT	2,900	3,140	3,410	3,640	3,755	3,895	3,960	3,355
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	3,665	3,885	4,040	4,130	4,390	4,630	4,900	5,175
Transfer of income tax points to provinces	PIT	17,385	18,340	19,115	20,155	21,415	22,600	23,900	25,245
	CIT	2,050	2,440	2,515	2,655	2,905	2,875	3,035	3,085
INTERNATIONAL									
Structural									
Foreign tax credit for individuals	PIT	670	740	860	970	980	995	1,005	1,020
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.
	CIT	730	550	540	565	835	870	895	930
Dividend gross-up and tax credit	PIT	3,780	4,145	4,415	5,025	4,560	4,840	4,595	4,640
Investment corporation deduction	CIT	\$	\$	\$	\$	\$	\$	\$	\$
Refundable capital gains tax for investment and mutual fund corporations	CIT	195	205	110	225	515	295	305	320
OTHER									
Structural									
Credit for the Basic Personal Amount	PIT	28,350	29,020	30,405	31,520	32,420	33,825	34,790	35,930
Non-taxation of veterans' Disability Awards and Critical Injury Benefits	PIT	95	95	105	115	115	160	175	150
Refundable taxes on investment income of private corporations	CIT	785	235	45	-15	-740	-725	-285	125
Special tax computation for certain retroactive lump-sum payments	PIT	\$	\$	\$	4	\$	\$	\$	\$



Table

Estimates and Projections

millions of dollars

		Estimates				Projections			
		2010	2011	2012	2013	2014	2015	2016	2017
REFUNDABLE TAX CREDITS CLASSIFIED AS TRANSFER PAYMENTS									
Atlantic Investment Tax Credit (refundable portion)	CIT	15	15	15	15	20	15	20	20
Canada Child Tax Benefit	PIT	10,015	10,050	10,265	10,400	10,370	10,540	10,675	10,815
Canadian Film or Video Production Tax Credit	CIT	200	225	260	250	255	270	280	290
Children's Fitness Tax Credit (after 2014)	PIT	–	–	–	–	–	195	195	200
Film or Video Production Services Tax Credit	CIT	80	90	90	90	135	110	115	120
Refundable Medical Expense Supplement	PIT	135	135	140	140	140	145	145	150
Scientific Research and Experimental Development Investment Tax Credit (refundable portion)	CIT	1,500	1,500	1,455	1,330	1,500	1,515	1,575	1,645
Working Income Tax Benefit	PIT	1,055	1,080	1,100	1,180	1,165	1,150	1,150	1,150



Tables

Background Statistics

Federal Revenues, Fiscal Year 2014–15

	Revenues (billions of dollars)	Share of total revenues (%)	Share of gross domestic product (%)
Personal income taxes	135.7	48.1	6.9
Corporate income taxes	39.4	14.0	2.0
Non-resident withholding taxes	6.2	2.2	0.3
Goods and Services Tax	31.3	11.1	1.6
Other excise duties and taxes	15.9	5.6	0.8
Total tax revenues	228.6	81.0	11.6
Non-tax revenues	53.8	19.1	2.7
Total revenues	282.3	100.0	14.3

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

Source: Department of Finance Canada, *Update of Economic and Fiscal Projections 2015*.

Federal Personal Income Tax Brackets and Rates, Tax Filers and Taxes Paid, 2013

	Tax Brackets		Tax Filers		Taxes Paid	
	Income range	Rate	Number (millions)	Share (%)	Amount (billions of dollars)	Share (%)
First bracket	Under \$43,561	15%	8.6	31	14.8	11
Second bracket	\$43,561 - \$87,123	22%	6.6	24	45.4	36
Third bracket	\$87,123 - \$135,054	26%	1.6	6	24.6	19
Fourth bracket	Over \$135,054	29%	0.7	3	42.4	33
Taxable filers			17.6	63	127.0	100
Non-taxable filers			10.3	37		
All tax filers			27.9	100		

Note: These statistics are presented on a public accounts basis and calculated using the T1 micro-simulation model, which relies on individual tax returns for the 2013 taxation year provided by the Canada Revenue Agency. Taxes paid reflect the total amount of net federal tax reported on line 420 of the Income Tax and Benefit Return. Totals may not add due to rounding.

Source: T1 Income Tax and Benefit Return sample data.

Federal Corporate Taxable Income, Number of Corporations and Taxes Paid (Corporations With Positive Taxable Income), 2013

	Taxable Income		Corporations Reporting Income		Taxes Paid	
	Amount (billions of dollars)	Share (%)	Number (thousands)	Share (%)	Amount (billions of dollars)	Share (%)
Canadian-controlled private corporations	140.0	51	824.4	98	17.4	47
Business income taxed at the preferential tax rate for small business	72.5	26	685.7	81		
Other business income taxed at the general rate	49.9	18	78.1	9		
Other income	17.5	6	250.8	30		
Other corporations	137.2	49	17.4	2	19.8	53
Business income taxed at the general rate	136.2	49	16.9	2		
Other Income	1.0	0	8.7	1		
Total	277.2	100	841.8	100	37.1	100

Note: 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 2014 Edition

New tax measures were introduced and others modified since the last edition of this report. In addition to tax measures for which legislation is already in force, this report also considers announced measures that have a coming-into-force date in the 2016 taxation year or earlier, even if the enacting legislation of the measure has not received Royal Assent by the time of production of this report. Changes affecting estimates and projections of tax expenditures are described below.

Personal Income Tax

Changes to Tax Rates and Tax Brackets

On December 7, 2015, the Government proposed to reduce the 22% personal income tax rate to 20.5%, and to create a new top tax rate of 33% for taxable income above \$200,000, effective for 2016.¹³ These new rates are reflected in the benchmark tax rate structure for 2016 and subsequent years, consequently affecting the estimated value of many personal income tax expenditures for those years.

Charitable Donation Tax Credit

On December 7, 2015, the Government proposed to amend the Charitable Donation Tax Credit to allow donors with taxable income greater than \$200,000 to claim a 33% tax credit on any donations greater than \$200 that are made from income that is subject to the 33% marginal tax rate. Donations that exceed the amount of a donor's taxable income above \$200,000 will be subject to the 29% credit rate. This change will be effective for the 2016 and subsequent taxation years.¹⁴

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. The value of the credit is calculated by applying the lowest personal income tax rate (15% in 2015) to the first \$200 of total donations in a year and the highest personal income tax rate (29% in 2015) to donations in excess of \$200. The credit is available for donations up to 75% of an individual's net income and any unused donations can be carried forward for up to five years.

Home Accessibility Tax Credit

To help seniors and persons with disabilities with the costs of ensuring their homes remain safe, secure and accessible, Budget 2015 introduced a new, permanent Home Accessibility Tax Credit. This credit will allow eligible individuals to claim up to \$10,000 of eligible home renovation expenditures per year, providing up to \$1,500 in tax relief. Eligible expenditures are for improvements that allow a senior or a person who is eligible for the Disability Tax Credit to be more mobile, safe and functional within their home. Examples of eligible expenditures include costs associated with the purchase and installation of wheelchair ramps, walk-in bathtubs, wheel-in showers and grab bars. This measure applies in respect of eligible expenditures for work performed and paid for and/or goods acquired on or after January 1, 2016.

¹³ At the time of production of this report, these changes were still subject to Parliamentary approval.

¹⁴ At the time of production of this report, this change was still subject to Parliamentary approval.



Lifetime Capital Gains Exemption for Qualified Farm or Fishing Property

The Lifetime Capital Gains Exemption (LCGE) for farm or fishing property provides an incentive to invest in the development of productive farm and fishing businesses, and helps farm and fishing business owners to accumulate capital for retirement. Budget 2015 increased the LCGE applicable to capital gains realized on the disposition of qualified farm or fishing property to \$1 million. This measure applies to dispositions of qualified farm or fishing property that occur on or after 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 (\$824,176 in 2016) exceeds \$1 million. At that time, the same LCGE limit, indexed to inflation, will once again apply to the three types of property.

Registered Disability Savings Plans— Legal Representation

Budget 2015 extended, until the end of 2018, the temporary federal measure that allows a qualifying family member to become the plan holder of a Registered Disability Savings Plan (RDSP) for an adult individual who might not be able to enter into a contract.

The RDSP is a tax-assisted savings vehicle introduced in Budget 2007 to help to ensure the long-term financial security of Canadians with severe disabilities. Since becoming available in 2008, some adults with disabilities have experienced difficulties in establishing an RDSP because their capacity to enter into a contract is in doubt. In some provinces and territories, the only way an RDSP can be opened in such cases is for the individual to be declared legally incompetent and to have someone named as their legal guardian—a potentially lengthy and expensive process that could have significant repercussions for the individual.

To address this issue, Budget 2012 allowed—on a temporary basis until the end of 2016—a qualifying family member (i.e., a beneficiary's parent, spouse or common-law partner) to become the plan holder of the RDSP for an adult individual who may lack the capacity to enter into a contract. In recognition of the need for time to develop a solution that is suitable for a jurisdiction's needs, Budget 2015 extended the temporary measure introduced in Budget 2012 by two years, to apply to the end of 2018.

Minimum Withdrawal Factors for Registered Retirement Income Funds

Budget 2015 adjusted the Registered Retirement Income Fund (RRIF) minimum withdrawal factors that apply in respect of ages 71 to 94, on the basis of a 5% nominal rate of return and 2% indexing. These assumptions are more consistent with long-term historical real rates of return on a portfolio of investments and expected inflation. The new, lower RRIF factors will permit holders to preserve more of their RRIF savings in order to provide income at older ages, while continuing to ensure that the tax deferral provided on Registered Retirement Savings Plan/RRIF savings serves a retirement income purpose.



Tax-Free Savings Account

On December 7, 2015, the Government proposed to reduce the Tax-Free Savings Account (TFSA) annual contribution limit to \$5,500 and reinstate indexation effective for 2016.¹⁵ The TFSA is a flexible, registered general-purpose savings vehicle that allows Canadian residents aged 18 or older to earn tax-free investment income. The TFSA was introduced in 2009 with an annual contribution limit of \$5,000, indexed to inflation in \$500 increments. Due to indexation, on January 1, 2013, the TFSA annual contribution limit increased to \$5,500. Budget 2015 increased the TFSA annual contribution limit to \$10,000, with the limit no longer indexed to inflation, effective for 2015 and subsequent years.

Mineral Exploration Tax Credit for Flow-Through Share Investors

The Mineral Exploration Tax Credit is a reduction in tax, available to individuals who invest in flow-through shares, equal to 15% of specified mineral exploration expenses incurred in Canada and transferred to flow-through share investors. The credit was introduced on a temporary basis in 2000 and has generally been extended on an annual basis since then. On March 1, 2015, the Government announced that it would extend eligibility for the credit for an additional year to flow-through share agreements entered into on or before March 31, 2016. Under the one-year “look-back” rule, funds raised with the benefit of the credit in 2016, for example, can be spent on eligible exploration up to the end of 2017.

Non-Taxation of Veterans’ Benefits

In March 2015, two new tax-free benefits for Canada’s veterans and their families were announced:

- The Family Caregiver Relief Benefit provides eligible veterans with an annual tax-free grant of \$7,238. This benefit provides informal caregivers relief while ensuring veterans continue to get the support they need. The tax expenditure associated with the non-taxation of this benefit is included in the measure “Non-taxation of certain veterans’ benefits”.
- The Critical Injury Benefit provides a \$70,000 tax-free award for Canadian Armed Forces members and veterans who, since April 2006, experienced a severe and traumatic injury or developed an acute disease caused by a sudden and single event which resulted in an immediate and severe impairment and interference in quality of life. The tax expenditure associated with the non-taxation of this award is included in the measure “Non-taxation of veterans’ Disability Awards and Critical Injury Benefits”.

Corporate Income Tax

Patronage Dividends Paid as Shares by Agricultural Co-operatives

To support the capitalization of agricultural co-operatives, Budget 2005 introduced a temporary measure to provide a tax deferral that applies to patronage dividends paid to members by an eligible agricultural co-operative in the form of eligible shares. To be eligible for this tax deferral, a share must be issued after 2005 and before 2016. Budget 2015 announced the extension of this measure to eligible shares issued before 2021.

¹⁵ At the time of production of this report, these changes were still subject to Parliamentary approval.



Preferential Tax Rate for Small Businesses

A preferential tax rate for small businesses has been in effect since 1972. It is currently set at 11% and generally applies to the first \$500,000 per year of qualifying active income. The \$500,000 income limit begins to be reduced when a Canadian-controlled private corporation's taxable capital reaches \$10 million, and is eliminated when taxable capital reaches \$15 million. Budget 2015 announced that the preferential small business tax rate will be reduced to 9% by 2019. This 2-percentage-point reduction will be phased in as follows:

- 10.5% effective January 1, 2016;
- 10% effective January 1, 2017;
- 9.5% effective January 1, 2018; and
- 9% effective January 1, 2019.

In conjunction with the reduction in the small business tax rate, Budget 2015 also adjusted the gross-up factor and dividend tax credit rate applicable to non-eligible dividends (generally dividends distributed from corporate income taxed at the small business tax rate) to ensure the appropriate tax treatment of dividend income.

Accelerated Capital Cost Allowance for Manufacturing or Processing Machinery and Equipment

In 2007, the Government introduced an accelerated capital cost allowance to encourage investment in machinery and equipment used in manufacturing and processing. This measure, which provided a 50% straight-line depreciation rate, expired at the end of 2015. Budget 2015 announced the provision of an accelerated capital cost allowance at a rate of 50% on a declining-balance basis for eligible assets acquired after 2015 and before 2026 primarily for use in Canada for the manufacturing and processing of goods for sale or lease.

Accelerated Deductibility of Some Canadian Exploration Expenses

Canadian Exploration Expenses are fully deductible in the year incurred and may be carried forward indefinitely for use in future years. In addition to the expenses associated with the physical exploration for a resource, eligible expenses can include the cost of certain environmental studies and community consultations that are carried out for the purpose of facilitating the physical exploration. In the past, environmental studies and community consultations required to pursue an exploration project were not always eligible for treatment as Canadian Exploration Expenses. On March 1, 2015, the Government announced that it would modify the tax rules to ensure that the costs of environmental studies and community consultations that are required in order to obtain an exploration permit will be eligible for treatment as Canadian Exploration Expenses.¹⁶ The change would apply to expenses incurred after February 2015.

¹⁶ At the time of production of this report, this change was still subject to Parliamentary approval.



Accelerated Capital Cost Allowance for Liquefied Natural Gas Facilities

Equipment and structures used for natural gas liquefaction have generally been eligible for capital cost allowance (CCA) at a rate of 8 % (Class 47). Non-residential buildings, at a facility that liquefies natural gas, have been eligible for a CCA rate of 6% (4% under Class 1 plus an additional 2% allowance for non-residential buildings). On February 19, 2015, the Government announced the provision of accelerated CCA treatment for such assets used in facilities that liquefy natural gas. The accelerated CCA is provided by means of two additional allowances: an additional 22% allowance (that brings the CCA rate up to 30%) for Class 47 property used in Canada in connection with natural gas liquefaction; and an additional allowance that brings the CCA rate up to 10% for buildings that are part of facilities that are used to liquefy natural gas. These changes apply to property acquired after February 19, 2015 and before 2025.

Refundable Taxes on Investment Income of Private Corporations

Given that corporate tax rates are generally lower than personal tax rates, special refundable taxes are imposed on investment income of private corporations in order to limit the ability of individuals to defer taxation by holding investments in a private corporation. On December 7, 2015, the Government proposed to increase these refundable taxes (and the related dividend refund rate) effective January 1, 2016 in order to reflect the new 33% top personal income tax rate applicable as of that date.¹⁷

Goods and Services Tax

Zero-Rating of Feminine Hygiene Products

GST/HST relief for feminine hygiene products was proposed by way of a Notice of Ways and Means Motion tabled in Parliament on May 28, 2015.¹⁸ The Motion proposed that effective July 1, 2015, sanitary napkins, tampons, sanitary belts, menstrual cups and other similar products that are marketed exclusively for feminine hygiene purposes would be zero-rated.

¹⁷ At the time of production of this report, this change was still subject to Parliamentary approval.

¹⁸ At the time of production of this report, this change was still subject to Parliamentary approval.

Part 3

Descriptions of Tax Expenditures



Introduction

This part presents detailed information on the tax expenditures presented in this 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, 2015 (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 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.

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

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

Objectives that are internal to the tax system:

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

Other objectives:

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



Category

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

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

Reason why this measure is not part of benchmark tax system

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

Subject

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

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

Canadian Classification of Functions of Government 2014 code

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



Other relevant government programs

This provides background information on spending programs of the federal government that are relevant to the policy area of the tax expenditure. Additional information on these programs can be found in the table at the end of Part 3 and in the Reports on Plans and Priorities and Departmental Performance Reports of the relevant departments and agencies.¹⁹

Source of data

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

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.

¹⁹ These documents can be accessed on the Government of Canada website (www.canada.ca) under “Transparency—Government-wide reporting”.



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



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\$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	<i>Income Tax Act</i> , subsections 39(1.1) and (2)
Implementation and recent history	<ul style="list-style-type: none">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 equipment that generates electricity and/or heat from renewable energy sources (e.g., wind, solar, small hydro) and from waste (e.g., wood waste, landfill gas) or by making efficient use of fossil fuels (e.g., high efficiency cogeneration) and 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 2020, 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 for Class 43.2 than for Class 43.1. 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 and corporate income tax
Beneficiaries	Businesses using clean or efficient energy generation equipment
Type of measure	Timing preference
Legal reference	<i>Income Tax Regulations</i> , Classes 43.1 and Class 43.2 of Schedule II
Implementation and recent history	<ul style="list-style-type: none">• 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.
Objective – category	To encourage or attract investment
Objective	This measure encourages businesses to invest in specified clean energy generation and energy efficiency equipment (<i>Technical Guide to Class 43.1 and 43.2</i> , 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 mandate of Environment and Climate Change Canada, the Canadian Environmental Assessment Agency, the National Energy Board, Parks Canada and Natural Resources Canada also support environment-related objectives. Programs within the mandates of Innovation, Science and Economic Development Canada, Global Affairs Canada, and Public Services and Procurement Canada (among other departments) 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.
Projection method	No projection is available.
Number of beneficiaries	No data is available.



Accelerated capital cost allowance for computer equipment

Description	Eligible computers and software acquired after January 27, 2009 and before February 2011 could be depreciated at a 100% capital cost allowance (CCA) rate. The half-year rule, which generally allows one half of the CCA write-off otherwise available in the year the asset is first available for use, did not apply to these acquisitions. As a result, a business was able to fully deduct the cost of an eligible computer and software in the first year that CCA deductions were available. If not for this measure, these assets would have been depreciated at a 55% CCA rate on a declining-balance basis, subject to the half-year rule.
Tax	Personal and corporate income tax
Beneficiaries	Businesses
Type of measure	Timing preference
Legal reference	<i>Income Tax Regulations</i> , subparagraph 1100(1)(a)(xxxiii) and Class 52 of Schedule II
Implementation and recent history	<ul style="list-style-type: none">Introduced in Budget 2009. Effective for eligible computers and software acquired after January 27, 2009 and before February 2011.
Objective – category	To encourage or attract investment
Objective	This temporary measure provided stimulus by assisting businesses to increase or accelerate investment in computers (Budget 2009).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure permitted 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 Innovation, Science and Economic Development Canada, Global Affairs Canada, and Public Services and Procurement Canada (among other departments) 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 computer purchases 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	No data is available.



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 and corporate income tax
Beneficiaries	Businesses in the natural gas liquefaction industry
Type of measure	Timing preference
Legal reference	<i>Income Tax Regulations</i> , paragraph 1100(1)(yb), subsection 1101(4i) and paragraph (b) of Class 47 of Schedule II
Implementation and recent history	<ul style="list-style-type: none">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 - other
CCOFOG 2014 code	70455 - Economic affairs - Transport - Pipeline and other transport
Other relevant government programs	Programs within the mandates of Innovation, Science and Economic Development Canada, Global Affairs Canada, and Public Services and Procurement Canada (among other departments) 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 investment in liquefied natural gas facilities 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	No data is available.



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 <i>Income Tax Regulations</i>). Machinery and equipment acquired after 2015 but before 2026 is depreciable on a declining-balance basis at an accelerated CCA rate of 50% (Class 53). 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 and corporate income tax
Beneficiaries	Businesses in the manufacturing and processing industry
Type of measure	Timing preference
Legal reference	<i>Income Tax Regulations</i> , subparagraphs 1100(1)(t) and (ta), subsection 1102(16.1), and Classes 29 and 53 of Schedule II
Implementation and recent history	<ul style="list-style-type: none">• 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.
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 Innovation, Science and Economic Development Canada, Global Affairs Canada, and Public Services and Procurement Canada (among other departments) 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.
Projection method	No projection is available.
Number of beneficiaries	About 13,700 corporations made additions to the relevant CCA class in 2013. 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 is being phased out and will no longer be available after 2020.
Tax	Personal and corporate income tax
Beneficiaries	Businesses in the mining and oil and gas industry
Type of measure	Timing preference
Legal reference	<i>Income Tax Regulations</i> , subsection 1100(1) and Classes 41, 41.1 and 41.2 of Schedule II
Implementation and recent history	<ul style="list-style-type: none">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 phase-out over the 2011-2015 period of the accelerated CCA for oil sands projects.Budget 2013 announced the phase-out over the 2017-2020 period 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 (<i>Proposals for Tax Reform, 1969</i>).
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	No data is available.



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 33½% 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 and corporate income tax
Beneficiaries	Businesses in the water transportation industry
Type of measure	Timing preference
Legal reference	<i>Income Tax Regulations</i> , paragraph 1100(1)(v)
Implementation and recent history	<ul style="list-style-type: none">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 Innovation, Science and Economic Development Canada, Global Affairs Canada, and Public Services and Procurement Canada (among other departments) 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	No data is available.



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 includes 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 and corporate income tax
Beneficiaries	Businesses using clean or efficient energy generation equipment
Type of measure	Timing preference
Legal reference	<i>Income Tax Act</i> , subsection 66.1(6) <i>Income Tax Regulations</i> , section 1219
Implementation and recent history	<ul style="list-style-type: none">Introduced in Budget 1996. Effective for expenditures incurred after December 5, 1996.
Objective – category	To encourage or attract investment
Objective	This measure encourages investments in clean energy generation and energy conservation projects and makes the tax treatment of the renewable and non-renewable energy sectors more similar (Budget 1996; <i>Technical Guide to Canadian Renewable and Conservation Expenses</i> , 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 mandate of Environment and Climate Change Canada, the Canadian Environmental Assessment Agency, the National Energy Board, Parks Canada and Natural Resources Canada also support environment-related objectives. Programs within the mandates of Innovation, Science and Economic Development Canada, Global Affairs Canada, and Public Services and Procurement Canada (among other departments) 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	No data is available.



Accelerated deductibility of some Canadian Exploration Expenses

Description	<p>Canadian Exploration Expenses (CEE) are deductible at a rate of 100% in the year incurred. CEE includes 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 will be phased out by 2018.</p> <p>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. On the other hand, some unsuccessful exploration could be considered part of a more general project and may provide valuable information that can assist future exploration efforts, which may imply amortization.</p>
Tax	Personal and corporate income tax
Beneficiaries	Businesses in the mining and oil and gas industry
Type of measure	Timing preference
Legal reference	<i>Income Tax Act</i> , section 66.1
Implementation and recent history	<ul style="list-style-type: none">• Budget 1974 introduced CEE as a category distinct from Canadian Development Expenses.• 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.
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	No data is available.



Additional deduction for gifts of medicine

Description	<p>Corporations that donate medicines from their inventory to an eligible charity can claim an additional deduction equal to the lesser of:</p> <ul style="list-style-type: none"> • 50% of the amount by which the fair market value of the donated medicine exceeds its cost; and • the cost of the medicine. <p>An eligible charity is a registered charity that meets the conditions prescribed by regulation. In particular, the registered charity must:</p> <ul style="list-style-type: none"> • deliver the medicine received outside Canada; • act in a manner consistent with the principles and objectives of the <i>Guidelines for Drug Donations</i> 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. <p>Unused deductions may be carried forward for up to five years.</p>
Tax	Corporate income tax
Beneficiaries	Corporate donors
Type of measure	Deduction
Legal reference	<i>Income Tax Act</i> , paragraph 110.1(1)(a.1)
Implementation and recent history	<ul style="list-style-type: none"> • 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.
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	A small number of corporations (fewer than 20) claim this deduction each year.

Cost Information:

Millions of dollars	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Corporate income tax	\$	\$	\$	\$	\$	\$	\$	\$



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 \$15,255 per child (2015, 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	<i>Income Tax Act</i> , section 118.01
Implementation and recent history	<ul style="list-style-type: none"> 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 and Northern Affairs Canada also support Canadian families and households. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 2,300 individuals claimed this credit in 2013.

Cost Information:

<i>Millions of dollars</i>	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Personal income tax	3	3	3	2	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 (\$7,033 for 2015). The credit is income-tested—the credit amount is reduced by 15% of net income in excess of an annually indexed threshold amount (\$35,466 for 2015). The credit is completely phased out at an income level of \$82,353 in 2015. 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	<i>Income Tax Act</i> , subsection 118(2)
Implementation and recent history	<ul style="list-style-type: none"> 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 5.2 million individuals claimed this credit in 2013.

Cost Information:

Millions of dollars	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Personal income tax	2,410	2,530	2,700	2,885	3,010	3,160	3,310	3,475



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 (\$1,146 in 2015) or 5% of the taxpayer's income, whichever is greater.
Tax	Personal income tax
Beneficiaries	Apprentice vehicle mechanics
Type of measure	Deduction
Legal reference	<i>Income Tax Act</i> , paragraph 8(1)(r) and subsection 8(6)
Implementation and recent history	<ul style="list-style-type: none">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 and Northern Affairs 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 2012.

Cost Information:

Millions of dollars	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Personal income tax	4	4	4	4	4	4	4	5



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 and corporate income tax
Beneficiaries	Businesses
Type of measure	Credit, non-refundable
Legal reference	<i>Income Tax Act</i> , section 127
Implementation and recent history	<ul style="list-style-type: none"> 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.
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 1,100 individuals and 12,000 corporations claimed this credit in 2013.

Cost Information:

Millions of dollars	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Personal income tax	2	2	2	2	2	2	2	2
Corporate income tax								
Earned and claimed in current year	50	50	60	70	80	80	80	85
Claimed in current year but earned in prior years	10	15	20	20	20	20	25	25
Earned in current year but carried back to prior years	5	5	4	4	5	5	5	5
Total – corporate income tax	65	70	85	95	105	105	110	115
Total	65	70	85	95	105	105	110	115



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 and corporate income tax
Beneficiaries	Businesses in the Atlantic provinces and the Gaspé region
Type of measure	Credit, refundable and non-refundable
Legal reference	<i>Income Tax Act</i> , section 127
Implementation and recent history	<ul style="list-style-type: none"> 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 ceases 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	<p>Tax credits are treated as deviations from the benchmark tax system.</p> <p>The tax benefit from this measure can be obtained in a taxation year other than the year during which it accrues.</p> <p>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.</p>
Subject	Business - other
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandates of Innovation, Science and Economic Development Canada, Global Affairs Canada, and Public Services and Procurement Canada (among other departments) 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	<p>Personal income tax: T1 Income Tax and Benefit Return</p> <p>Corporate income tax: T2 Corporation Income Tax Return</p>
Estimation method	The estimates are based on actual amounts earned and claimed by businesses.
Projection method	<p>Personal income tax: The cost of this measure is projected based on historical growth.</p> <p>Corporate income tax: The cost of this measure is projected to grow in line with nominal gross domestic product.</p>
Number of beneficiaries	About 5,000 individuals and 8,500 corporations claimed this credit in 2013.

Cost Information:

<i>Millions of dollars</i>	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Personal income tax	5	10	10	5	10	10	10	10
Corporate income tax								
Non-refundable portion								
Earned and claimed in current year	95	65	80	85	75	70	45	50
Claimed in current year but earned in prior years	25	40	80	150	135	95	105	105
Earned in current year but carried back to prior years	20	15	145	120	15	15	10	10
Total – non-refundable portion	140	120	305	355	225	180	160	165
Refundable portion	15	15	15	15	20	15	20	20
Total – corporate income tax	155	135	320	370	245	195	180	185
Total	160	145	330	375	255	205	190	195



Canada Child Tax Benefit

Description	<p>The Canada Child Tax Benefit (CCTB) has three components:</p> <ul style="list-style-type: none"> the CCTB base benefit, which is targeted to low- and middle-income families; the National Child Benefit (NCB) supplement, which provides additional assistance to low-income families; and the Child Disability Benefit (CDB) for families caring for a child eligible for the Disability Tax Credit. <p>For the 2015-16 benefit year, the base benefit and NCB together provide up to \$3,750 in benefits in respect of the first child, \$3,487 for the second child and \$3,492 for each additional child. The CDB provides up to \$2,695 in benefits per eligible child. These amounts are indexed to inflation.</p> <p>The CCTB is income-tested based on family net income with the benefit phase-out rate depending on the number of children. The phase-out thresholds are also indexed to inflation. The income level at which maximum NCB benefits are completely phased out and the top of the 15% tax bracket are legislatively linked.</p> <p>CCTB payments are made monthly and are non-taxable. The payment cycle runs from July to June.</p>
Tax	Personal income tax
Beneficiaries	Families with minor children
Type of measure	Credit, refundable
Legal reference	<i>Income Tax Act</i> , section 122.6
Implementation and recent history	<ul style="list-style-type: none"> The Child Tax Benefit (the precursor to the CCTB) was introduced in Budget 1992 and replaced, effective January 1993, the former refundable child tax credit, family allowance and non-refundable tax credit. The NCB was introduced in 1998. The CDB was introduced in 2003. Budget 2009 increased the level at which the base benefit begins to be phased out, and at which the NCB is fully phased out, to \$40,726 for the 2009-10 benefit year. On December 7, 2015, the Government announced that it will introduce proposals to create a new Canada Child Benefit in Budget 2016, with payments of the new benefit beginning in July 2016. The new Canada Child Benefit would replace the existing system of child benefits (CCTB and Universal Child Care Benefit).
Objective – category	To recognize non-discretionary expenses (ability to pay) To achieve a social objective
Objective	This measure is the main federal instrument for the provision of financial assistance for families with children (Budget 1992).
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 and Northern Affairs 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	<i>Public Accounts of Canada</i> T1 Income Tax and Benefit Return
Estimation method	This measure is presented on a fiscal year basis as reported in the <i>Public Accounts of Canada</i> (e.g., the amount for 2010 corresponds to the expenditure reported for the 2010-11 fiscal year).
Projection method	Projections of the value of this measure are calculated based on projected inflation and growth in family income and population. The projections for 2016 and 2017 do not assume any changes to the CCTB as legislation to implement the new system has not yet been introduced.
Number of beneficiaries	About 2.9 million families received this benefit in 2013.

Cost Information:

Millions of dollars	2010	2011	2012	2013	2014	2015	2016 (P)	2017 (P)
Personal income tax	10,015	10,050	10,265	10,400	10,370	10,540	10,675	10,815



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 \$1,146 (in 2015) 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	<i>Income Tax Act</i> , subsection 118(10)
Implementation and recent history	<ul style="list-style-type: none">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 17.3 million individuals claimed this credit in 2013.

Cost Information:

<i>Millions of dollars</i>	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Personal income tax	1,935	1,995	2,040	2,110	2,190	2,280	2,335	2,400



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. 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	<i>Income Tax Act</i> , section 125.4
Implementation and recent history	<ul style="list-style-type: none"> 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.
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 1,500 corporations received this benefit in 2012.

Cost Information:

Millions of dollars	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Corporate income tax	200	225	260	250	255	270	280	290



Capital gains exemption on personal-use property

Description	<p>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.</p> <p>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.</p> <p>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.</p>
Tax	Personal and corporate income tax
Beneficiaries	Individuals and corporations
Type of measure	Exemption
Legal reference	<i>Income Tax Act</i> , section 46
Implementation and recent history	<ul style="list-style-type: none">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 (<i>Summary of 1971 Tax Reform Legislation</i> , 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 and corporate income tax
Beneficiaries	Individual and corporate investors
Type of measure	Timing preference
Legal reference	<i>Income Tax Act</i> , subsections 111(1) and 111(2)
Implementation and recent history	<ul style="list-style-type: none"> 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 Corporate income tax: T2 Corporation Income Tax Return
Estimation method	<p>Personal income tax: T1 micro-simulation model. 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.</p> <p>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.</p>
Projection method	<p>Personal income tax: T1 micro-simulation model</p> <p>Corporate income tax: The value of this measure is projected to grow in line with corporate capital gains.</p>
Number of beneficiaries	About 600,000 individuals and 55,000 corporations made use of this measure in 2013 (not counting individuals that carried back losses only).

Cost Information:

Millions of dollars	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Personal income tax								
Carried back	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Applied to current year	410	345	300	410	535	460	570	625
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	305	105	110	100	130	130	135	135
Applied to current year	425	445	430	465	705	740	760	795
Total – corporate income tax	730	550	540	565	835	870	895	930
Total	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.



Caregiver Credit

Description	The Caregiver Credit provides tax relief to individuals providing in-home care to a parent or grandparent 65 years of age or over or an infirm adult dependent relative, including a child or grandchild, a brother, a sister, an aunt, an uncle, a niece or a nephew. The value of the non-refundable credit is calculated by applying the lowest personal income tax rate to the credit amount per eligible dependant (\$4,608 in 2015). The credit is reduced when the dependant's net income exceeds \$15,735 and is fully phased out when the dependant's income reaches \$20,343. Both the credit amount and the income threshold at which the credit starts to be reduced are indexed to inflation.
Tax	Personal income tax
Beneficiaries	Caregivers
Type of measure	Credit, non-refundable
Legal reference	<i>Income Tax Act</i> , paragraph 118(1)(c.1)
Implementation and recent history	<ul style="list-style-type: none"> Introduced in 1998. Effective for the 1998 and subsequent taxation years.
Objective – category	To recognize non-discretionary expenses (ability to pay)
Objective	This measure recognizes that individuals providing in-home care for elderly or infirm family members have reduced ability to pay tax compared to other taxpayers with similar income (Budget 1998).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system.
Subject	Families and households Health
CCOFOG 2014 code	71049 - Social protection - Family and children 71011 - Social protection - Sickness and disability - Sickness 71012 - Social protection - Sickness and disability - Disability
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada and Indigenous and Northern Affairs 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 230,000 individuals claimed this credit in 2013.

Cost Information:

<i>Millions of dollars</i>	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Personal income tax	100	110	120	125	130	135	140	145



Cash basis accounting

Description	Under the benchmark tax system, income is taxable when it accrues, and expenses are deductible in the period when the related revenue is reported. Individuals and corporations engaged in farming and fishing activities may elect to include revenues when received, rather than when earned, and deduct expenses when paid rather than when the related revenue is reported. This measure allows farmers and fishers to better match cash receipts with cash expenses, and may enable them to defer paying tax on income realized but not yet received.
Tax	Personal and corporate income tax
Beneficiaries	Farming and fishing businesses
Type of measure	Timing preference
Legal reference	<i>Income Tax Act</i> , subsection 28(1)
Implementation and recent history	<ul style="list-style-type: none">• Prior to 1948, cash basis accounting was an acceptable method for determining business income for tax purposes. Amendments to the <i>Income Tax Act</i> 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.• In 1980, cash basis accounting was confirmed for fishers on a retroactive basis to 1972.
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 (<i>Report of the Royal Commission on Taxation</i> , vol. 4, 1966; <i>Proposals for Tax Reform</i> , 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 - 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, Fisheries and Oceans Canada and the Canadian Coast Guard 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	<p>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. The value of the credit is calculated by applying the lowest personal income tax rate (15% in 2015) to the first \$200 of total donations in a year and the highest personal income tax rate (29% in 2015) to donations in excess of \$200. Effective 2016, the Government has proposed to amend the credit to allow higher-income donors to claim a 33% tax credit on the portion of donations made from income that is subject to that tax rate.</p> <p>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).</p>
Tax	Personal income tax
Beneficiaries	Individual donors
Type of measure	Credit, non-refundable
Legal reference	<i>Income Tax Act</i> , section 118.1 and subsections 248(30) to (41)
Implementation and recent history	<ul style="list-style-type: none">• 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.• On December 7, 2015, the Government proposed to amend the Charitable Donation Tax Credit to allow donors with taxable income greater than \$200,000 to claim a 33% tax credit on the portion of donations greater than \$200 made from income that is subject to the 33% marginal tax rate. Any donations that exceed the amount of a donor's taxable income above \$200,000 will be subject to the 29% credit rate. This change will be effective for the 2016 and subsequent taxation years.
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 (<i>Report of the Royal Commission on Taxation</i> , vol. 3, 1966; 1987 Tax Reform).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	<p>Tax credits are treated as deviations from the benchmark tax system.</p> <p>The tax benefit from this measure can be obtained in a taxation year other than the year during which it accrues.</p> <p>The tax benefit from this measure is transferable between spouses or common-law partners.</p>
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 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 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.



Projection method	Projections 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.
Number of beneficiaries	About 5.7 million individuals claimed this credit in 2013.

Cost Information:

<i>Millions of dollars</i>	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
By type of donations								
Publicly listed securities	140	140	125	145	240	150	160	170
Ecologically sensitive land	5	5	5	5	5	2	5	10
Cultural property	20	30	30	75	25	25	25	25
Other	2,180	2,190	2,190	2,305	2,335	2,500	2,690	2,700
Total – personal income tax	2,345	2,365	2,350	2,530	2,605	2,675	2,880	2,905



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	<i>Income Tax Act</i> , section 63
Implementation and recent history	<ul style="list-style-type: none"> 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).
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 and Northern Affairs Canada also support objectives related to education and training. Programs within the mandates of Employment and Social Development Canada and Indigenous and Northern Affairs 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 2013.

Cost Information:

Millions of dollars	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Personal income tax	850	900	960	960	985	1,070	1,080	1,120



Child Tax Credit

Description	The Child Tax Credit was a non-refundable credit that provided tax relief of up to \$338 per child in 2014. The value of the credit was calculated by applying the lowest personal income tax rate to an amount (\$2,255 in 2014) for each child under the age of 18 at the end of the taxation year. This amount was indexed to inflation. Only one parent could claim the credit in a year in respect of a child, but any unused portion of the credit was transferable to a spouse or common-law partner. This credit was repealed as of the 2015 taxation year.
Tax	Personal income tax
Beneficiaries	Families with minor children
Type of measure	Credit, non-refundable
Legal reference	<i>Income Tax Act</i> , formerly under paragraph 118(1)(b.1)
Implementation and recent history	<ul style="list-style-type: none"> Introduced in Budget 2007. Effective for the 2007 to 2014 taxation years. Repealed as of the 2015 taxation year, and replaced by the enhancement to the Universal Child Care Benefit (Prime Minister of Canada news release, October 30, 2014).
Objective – category	To recognize non-discretionary expenses (ability to pay) To achieve a social objective
Objective	This measure was intended to reduce the tax burden on families with children (Budget 2007).
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	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 and Northern Affairs 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 3.7 million individuals claimed this credit in 2013.

Cost Information:

Millions of dollars	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Personal income tax	1,480	1,510	1,560	1,590	1,615	–	–	–



Children's Arts Tax Credit

Description	Parents can claim a non-refundable tax credit at the lowest personal income tax rate on up to \$500 in eligible fees for the enrolment of a child under the age of 16 in an eligible program of artistic, cultural, recreational or developmental activity. The credit may be claimed by either parent. If a child qualifies for the Disability Tax Credit, the age limit is raised to under 18 years of age and an additional \$500 amount can be claimed, subject to the parents spending a minimum of \$100 on registration or membership fees for an eligible program of artistic, cultural, recreational or developmental activity. As well, the requirements for an eligible activity are relaxed to cover a broader range of programs more suited to the challenges experienced by these children.
Tax	Personal income tax
Beneficiaries	Families with minor children
Type of measure	Credit, non-refundable
Legal reference	<i>Income Tax Act</i> , section 118.031 <i>Income Tax Regulations</i> , section 9401
Implementation and recent history	<ul style="list-style-type: none"> Introduced in Budget 2011. Effective for the 2011 and subsequent taxation years.
Objective – category	To achieve a social objective
Objective	This measure better recognizes the costs associated with children's artistic, cultural, recreational and developmental activities (Budget 2011).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system. The tax benefit from this measure is transferable between spouses or common-law partners.
Subject	Arts and culture
CCOFOG 2014 code	70869 - Recreation, culture, and religion - Recreation, culture, and religion not elsewhere classified
Other relevant government programs	Programs within the mandate of Canadian Heritage also support arts and culture. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 600,000 individuals claimed this credit in 2013.

Cost Information:

<i>Millions of dollars</i>	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Personal income tax	–	30	35	40	40	45	45	45



Children's Fitness Tax Credit

Description	Parents can claim a refundable tax credit at the lowest personal income tax rate on up to \$1,000 in eligible fees for the enrolment of a child under the age of 16 years in an eligible program of physical activity. The credit may be claimed by either parent. If a child qualifies for the Disability Tax Credit, the age limit is raised to under 18 years of age and an additional \$500 amount can be claimed, subject to the parents spending a minimum of \$100 on registration or membership fees for an eligible program of physical activity. As well, the requirements for an eligible activity are relaxed to cover a broader range of programs more suited to the challenges experienced by these children.
Tax	Personal income tax
Beneficiaries	Families with minor children
Type of measure	Credit, refundable
Legal reference	<i>Income Tax Act</i> , section 122.8 <i>Income Tax Regulations</i> , section 9400
Implementation and recent history	<ul style="list-style-type: none"> Introduced in Budget 2006 as a non-refundable tax credit. Effective for the 2007 and subsequent taxation years. Guidelines were released in 2006 on the credit and enhancement of the credit for children with disabilities (Department of Finance Canada news release 2006-084, December 19, 2006). The maximum amount of the credit was doubled to \$1,000, effective for the 2014 taxation year, and the credit was made refundable, effective for the 2015 taxation year (Prime Minister of Canada news release, October 9, 2014).
Objective – category	To achieve a social objective
Objective	This measure promotes physical fitness among children (Budget 2006).
Category	Non-structural tax measure and refundable tax credit
Reason why this measure is not part of benchmark tax system	This measure is classified as a transfer payment for government accounting purposes, and therefore is not considered to be a tax expenditure.
Subject	Health
CCOFOG 2014 code	70761 - Health - Health not elsewhere classified - Health prevention programs (collective)
Other relevant government programs	Programs within the mandates of Health Canada, the Canadian Food Inspection Agency, the Canadian Institutes of Health Research, the Public Health Agency of Canada and Veterans Affairs Canada also support health-related objectives. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 1.6 million individuals claimed this credit in 2013.

Cost Information:

Millions of dollars	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Pre-2015 (non-refundable)	110	110	115	120	180	–	–	–
Post-2014 (refundable)	–	–	–	–	–	195	195	200
Total – personal income tax	110	110	115	120	180	195	195	200



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	<i>Income Tax Act</i> , subsection 127(9), paragraph (a.3) of definition of "investment tax credit"
Implementation and recent history	<ul style="list-style-type: none"> 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 (<i>Improving the Income Taxation of the Resource Sector in Canada</i> , 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	About 60 corporations claimed this credit in 2013.

Cost Information:

Millions of dollars	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Corporate income tax	15	75	60	15	25	25	25	25



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 the credit is calculated by applying the lowest personal income tax rate (15% in 2015) to the Basic Personal Amount (\$11,327 in 2015). The credit amount is indexed to inflation.
Tax	Personal income tax
Beneficiaries	Individuals
Type of measure	Credit, non-refundable
Legal reference	<i>Income Tax Act</i> , paragraph 118(1)(c)
Implementation and recent history	<ul style="list-style-type: none"> 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.
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 (<i>Report of the Royal Commission on Taxation</i> , 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 26.4 million individuals claimed this credit in 2013.

Cost Information:

Millions of dollars	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Personal income tax	28,350	29,020	30,405	31,520	32,420	33,825	34,790	35,930



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	<i>Income Tax Act</i> , paragraph 8(1)(p)
Implementation and recent history	<ul style="list-style-type: none"> 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 (<i>Musical Instruments: Income Tax Reform</i> , 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 4,000 individuals claimed this deduction in 2013.

Cost Information:

<i>Millions of dollars</i>	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Personal income tax	1	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	<i>Income Tax Act</i> , section 110.1
Implementation and recent history	<ul style="list-style-type: none"> 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 (<i>Report of the Royal Commission on Taxation</i> , 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 86,500 corporations in 2013.

Cost Information:

Millions of dollars	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
By type of donations								
Ecologically sensitive land	1	5	2	5	1	3	3	3
Cultural property	20	5	35	2	10	15	20	20
Gifts to the Crown	\$	\$	\$	\$	\$	\$	\$	\$
Other	385	395	385	305	500	415	450	460
Total – corporate income tax	405	405	420	310	510	435	475	485



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 and corporate income tax
Beneficiaries	Businesses contributing to a qualifying environmental trust
Type of measure	Timing preference
Legal reference	<i>Income Tax Act</i> , paragraph 20(1)(ss)
Implementation and recent history	<ul style="list-style-type: none"> 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 mandate of Environment and Climate Change Canada, the Canadian Environmental Assessment Agency, the National Energy Board, 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 (fewer than 20) claimed this deduction in 2013. No data is available for unincorporated businesses.

Cost Information:

Millions of dollars	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Personal income tax	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Corporate income tax	\$	5	-2	\$	-3	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 and corporate income tax
Beneficiaries	Businesses
Type of measure	Timing preference
Legal reference	<i>Income Tax Act</i> , subsections 13(27) and 127(11.2)
Implementation and recent history	<ul style="list-style-type: none">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 Innovation, Science and Economic Development Canada, Global Affairs Canada, and Public Services and Procurement Canada (among other departments) 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 and corporate income tax
Beneficiaries	Businesses that pay a countervailing or anti-dumping duty
Type of measure	Timing preference
Legal reference	<i>Income Tax Act</i> , paragraph 20(1)(vv)
Implementation and recent history	<ul style="list-style-type: none">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. Reserves represent a contingent liability, 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	<i>Income Tax Act</i> , paragraph 20(7)(c) <i>Income Tax Regulations</i> , the description of L in subsection 1400(3)
Implementation and recent history	<ul style="list-style-type: none"> 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 Innovation, Science and Economic Development Canada, Global Affairs Canada, and Public Services and Procurement Canada (among other departments) 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 2013.

Cost Information:

Millions of dollars	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Corporate income tax	1	1	1	\$	\$	1	1	1



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	<i>Income Tax Act</i> , paragraph 8(1)(q)
Implementation and recent history	<ul style="list-style-type: none"> Introduced on May 16, 1990 (Government response to the <i>Report of the Standing Committee on Communications and Culture Respecting the Status of the Artist</i>). 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 <i>Report of the Standing Committee on Communications and Culture Respecting the Status of the Artist</i> , 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 500 individuals claimed this deduction in 2013.

Cost Information:

<i>Millions of dollars</i>	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Personal income tax	\$	\$	\$	\$	\$	\$	\$	\$



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	<i>Income Tax Act</i> , subsection 110(2)
Implementation and recent history	<ul style="list-style-type: none">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 reliable data is available for this measure. As such, estimates and projections are no longer presented.
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	<i>Income Tax Act</i> , paragraph 8(1)(c)
Implementation and recent history	<ul style="list-style-type: none"> Introduced in Budget 1949. Effective for the 1948 and subsequent taxation years. In 2001, the amount of the deduction when the living accommodation is rented or owned by the clergy was limited to the least of three amounts: the clergy person's total remuneration from employment for the year; one-third of that remuneration or \$10,000, whichever is greater; and the fair rental value of the residence (reduced by other amounts deducted in connection with the same residence).
Objective – category	To achieve a social objective
Objective	This measure recognizes the special nature of the contributions and circumstances of members of the clergy (Budget, March 1949).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base.
Subject	Social
CCOFOG 2014 code	70849 - Recreation, culture, and religion - Religious and other community services
Other relevant government programs	Programs within the mandates of Canadian Heritage, Immigration, Refugees and Citizenship Canada, Transport Canada and Public Safety Canada (among other departments) also support various other social objectives. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 28,000 individuals claimed this deduction in 2013.

Cost Information:

<i>Millions of dollars</i>	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Personal income tax	85	85	90	85	85	85	85	85



Deduction for intangible assets (eligible capital expenditures)

Description	The cost of tangible capital assets is generally deductible for tax purposes over time and at prescribed rates, in accordance with the capital cost allowance rules. Subject to limited exceptions, the cost of capital assets of an intangible nature (e.g., goodwill, customer lists) is not deductible under the capital cost allowance regime, but under the "eligible capital property" regime. Under that regime, 75% of eligible capital expenditures (capital expenditures of an intangible nature made by a taxpayer in the course of carrying on a business) are added to the taxpayer's cumulative eligible capital account, and the taxpayer is allowed to deduct up to 7% of the account's balance at the end of the year, on a declining-balance basis. This deduction is meant to better match the cost of eligible capital expenditures to the periods during which the expenditures contribute to the earning of income.
Tax	Personal and corporate income tax
Beneficiaries	Businesses
Type of measure	Deduction
Legal reference	<i>Income Tax Act</i> , section 14 and paragraph 20(1)(b)
Implementation and recent history	<ul style="list-style-type: none">Introduced in Budget 1971. Prior to 1972, taxpayers could not deduct eligible capital expenditures in computing income.Budget 2014 announced a public consultation on a proposal to replace the eligible capital property regime by a new capital cost allowance class.
Objective – category	To recognize expenses incurred to earn business or property income
Objective	This measure is intended to help better match the expense relating to intangible assets with the revenue it would help generate (<i>Report of the Royal Commission on Taxation, 1966; Summary of 1971 Tax Reform Legislation</i>).
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 Innovation, Science and Economic Development Canada, Global Affairs Canada, and Public Services and Procurement Canada (among other departments) 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.



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	<i>Income Tax Act</i> , subsection 10(6)
Implementation and recent history	<ul style="list-style-type: none">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 (\$1,146 in 2015). 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	<i>Income Tax Act</i> , paragraph 8(1)(s)
Implementation and recent history	<ul style="list-style-type: none"> Introduced in Budget 2006. Effective in respect of eligible new tools acquired on or after May 2, 2006.
Objective – category	To recognize expenses incurred to earn employment income
Objective	This measure provides tax recognition for the extraordinary cost of tools that tradespeople must provide as a condition of employment (Budget 2006).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure provides tax recognition for an expense that is incurred to earn employment income.
Subject	Employment
CCOFOG 2014 code	70412 - Economic affairs - General economic, commercial, and labor affairs - General labor affairs
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support employment. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T777 Statement of Employment Expenses
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 20,000 individuals claimed this deduction in 2013.

Cost Information:

Millions of dollars	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Personal income tax	3	3	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 <i>Employment Insurance Act</i> , a program established under the authority of the <i>Department of Employment and Social Development Act</i> , a similar program (in certain circumstances) or a prescribed program.
Tax	Personal income tax
Beneficiaries	Students
Type of measure	Deduction
Legal reference	<i>Income Tax Act</i> , paragraph 110(1)(g)
Implementation and recent history	<ul style="list-style-type: none">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 and Northern Affairs 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 3,000 individuals claimed this deduction in 2013.

Cost Information:

Millions of dollars	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Personal income tax	3	3	3	3	3	2	2	2



Deduction of allowable business investment losses

Description	<p>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 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 3 years and forward 10 years. After 10 years, the loss reverts to an ordinary capital loss and may be carried forward indefinitely.</p> <p>Allowable business investment losses must be reduced by the sum of Lifetime Capital Gains Exemptions claimed in prior years divided by the inclusion rate of capital gains applicable to the particular year (to the extent that allowable business investment losses have not already been reduced by those exemptions). 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.</p>
Tax	Personal and corporate income tax
Beneficiaries	Individual and corporate investors
Type of measure	Deduction
Legal reference	<i>Income Tax Act</i> , subsection 38(c) and paragraph 39(1)(c)
Implementation and recent history	<ul style="list-style-type: none"> 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 Corporate income tax: T2 Corporation Income Tax Return
Estimation method	<p>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.</p> <p>Personal income tax: T1 micro-simulation model Corporate income tax: T2 micro-simulation model</p>
Projection method	Personal income tax: T1 micro-simulation model 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 9,400 individuals and 1,700 corporations claimed this deduction in 2013.

Cost Information:

Millions of dollars	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Personal income tax	35	30	35	25	30	30	30	30
Corporate income tax	15	10	10	10	10	10	10	10
Total	50	40	45	35	40	40	40	40



Deduction of carrying charges incurred to earn income

Description	Interest and other carrying charges incurred to earn business or 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 and corporate income tax
Beneficiaries	Individuals and corporations
Type of measure	Deduction
Legal reference	<i>Income Tax Act</i> , paragraphs 20(1)(c) and (bb)
Implementation and recent history	<ul style="list-style-type: none"> 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	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 Innovation, Science and Economic Development Canada, Global Affairs Canada, and Public Services and Procurement Canada (among other departments) 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: 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 2.3 million individuals claimed this deduction in 2013. No data is available for corporations.

Cost Information:

<i>Millions of dollars</i>	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Personal income tax	1,005	1,085	1,080	1,180	1,265	1,310	1,430	1,535
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	<i>Income Tax Act</i> , section 8
Implementation and recent history	<ul style="list-style-type: none">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 810,000 individuals claimed this deduction in 2013.

Cost Information:

Millions of dollars	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Personal income tax	945	985	1,000	980	960	995	1,030	1,095



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	<i>Income Tax Act</i> , subparagraphs 8(1)(i)(i) and (iv)-(vii)
Implementation and recent history	<ul style="list-style-type: none">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 5.7 million individuals claimed this deduction in 2013.

Cost Information:

<i>Millions of dollars</i>	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Personal income tax	785	825	860	890	905	950	965	1,020



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 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 and corporate income tax
Beneficiaries	Individuals and corporations
Type of measure	Timing preference
Legal reference	<i>Income Tax Act</i> , sections 55, 85, 87 and 88 and subsection 84(2)
Implementation and recent history	<ul style="list-style-type: none">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). The winding-up rule in subsection 84(2) dates back to the 1920s.
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 Innovation, Science and Economic Development Canada, Global Affairs Canada, and Public Services and Procurement Canada (among other departments) 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, depreciable property including buildings, and eligible capital property such as quotas) 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	<i>Income Tax Act</i> , subsections 70(9) to (9.31) and 73(3) to (4.1)
Implementation and recent history	<ul style="list-style-type: none">• 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, Fisheries and Oceans Canada and the Canadian Coast Guard 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	<i>Income Tax Act</i> , subsection 70(6) and section 73
Implementation and recent history	<ul style="list-style-type: none">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 and Northern Affairs 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 and corporate income tax
Beneficiaries	Farming businesses
Type of measure	Timing preference
Legal reference	<i>Income Tax Act</i> , section 80.3
Implementation and recent history	<ul style="list-style-type: none"> 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, Fisheries and Oceans Canada and the Canadian Coast Guard 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, Direct Payments to Agriculture Producers, Table 1-33
Estimation method	<p>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.</p> <p>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.</p>
Projection method	Projections for 2015 through 2017 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:

<i>Millions of dollars</i>	2010	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)
Personal income tax	-1	\$	\$	\$	\$	n.a.	n.a.	n.a.
Corporate income tax	\$	\$	\$	\$	\$	n.a.	n.a.	n.a.
Total	\$	\$	\$	\$	\$	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 and corporate income tax
Beneficiaries	Farming businesses
Type of measure	Timing preference
Legal reference	<i>Income Tax Act</i> , subsections 76(4) and (5)
Implementation and recent history	<ul style="list-style-type: none"> 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.
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, Fisheries and Oceans Canada and the Canadian Coast Guard 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, CANSIM table 002-0001
Estimation method	<p>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.</p> <p>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.</p>
Projection method	The projection for 2015 uses data available for the first three quarters of the calendar year. Projections for 2016 and 2017 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	2010	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)
Personal income tax	-10	70	30	-15	-40	5	n.a.	n.a.
Corporate income tax	-10	40	15	-5	-20	4	n.a.	n.a.
Total	-20	110	45	-20	-60	10	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 and corporate income tax
Beneficiaries	Farming businesses
Type of measure	Timing preference
Legal reference	<i>Income Tax Act</i> , section 80.3 <i>Income Tax Regulations</i> , sections 7305 and 7305.02
Implementation and recent history	<ul style="list-style-type: none">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, Fisheries and Oceans Canada and the Canadian Coast Guard 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 salary through leave of absence or sabbatical plan

Description	The deferred amount under a "salary deferral arrangement" is generally included in computing an employee's income on an accrual basis. Under the income tax rules, a salary deferral arrangement is generally defined as a plan or arrangement one of the main purposes of which is to permit a taxpayer to postpone tax in a taxation year in respect of salary or wages, the receipt of which has been deferred to a subsequent year. A number of plans or arrangements are specifically excluded from the definition, such as certain leave of absence or sabbatical plans under which employees may be entitled to defer salaries. Provided certain conditions are met by the plans or arrangements, these amounts are not subject to tax until received.
Tax	Personal income tax
Beneficiaries	Employees on leave of absence or sabbatical plan
Type of measure	Timing preference
Legal reference	<i>Income Tax Act</i> , subsection 248(1), definition of "salary deferral arrangement" <i>Income Tax Regulations</i> , section 6801
Implementation and recent history	<ul style="list-style-type: none">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 accommodates extended leaves of a sabbatical nature within the employment relationship (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.



Deferral through 10-year capital gain reserve

Description	If the proceeds derived from the sale of a farm or fishing property or small business shares to a child, grandchild or great-grandchild are not all receivable in the year of sale, recognition of a portion of the capital gain realized may be deferred until the year in which the proceeds become receivable. However, a minimum of 10% of the gain must be brought into income each year, creating a maximum 10-year reserve period. This contrasts with the treatment of capital property generally, where the maximum reserve period is five years (see measure "Deferral through five-year capital gain reserve").
Tax	Personal income tax
Beneficiaries	Farming and fishing businesses, individual investors
Type of measure	Timing preference
Legal reference	<i>Income Tax Act</i> , subsection 40(1.1)
Implementation and recent history	<ul style="list-style-type: none"> Budget 1981 proposed the elimination capital gain reserves; however this original proposal was later modified to allow a five-year reserve generally and introduced the 10-year capital gain reserve for a transfer to a child (Department of Finance Canada news release 81-126). Effective for dispositions of property occurring after November 12, 1981. Budget 2006 extended the scope of the measure to include fishing property. Budget 2014 introduced simplifying rules for farmers carrying on farming and fishing businesses in combination.
Objective – category	To achieve an economic objective - other
Objective	This measure eases the intergenerational transfer of farm or fishing property sold to a child (Explanatory Notes for <i>Act to Amend the Income Tax Act</i> , 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, Fisheries and Oceans Canada and the Canadian Coast Guard 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 11,000 individuals claimed a new 10-year capital gain reserve in 2013.

Cost Information:

Millions of dollars	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (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	25	15	30	25	25	25	25	25



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 each year, creating a maximum five-year deferral period.
Tax	Personal and corporate income tax
Beneficiaries	Individuals and corporations
Type of measure	Timing preference
Legal reference	<i>Income Tax Act</i> , subsection 40(1)
Implementation and recent history	<ul style="list-style-type: none"> 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 <i>Act to Amend the Income Tax Act</i> , 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 Innovation, Science and Economic Development Canada, Global Affairs Canada, and Public Services and Procurement Canada (among other departments) 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: 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 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 8,400 individuals claimed a new five-year capital gain reserve in 2013. No data is available for corporations.

Cost Information:

Millions of dollars	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Personal income tax	5	5	10	10	10	10	10	10
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 and corporate income tax
Beneficiaries	Businesses
Type of measure	Timing preference
Legal reference	<i>Income Tax Act</i> , subsections 13(4) and 44(1)
Implementation and recent history	<ul style="list-style-type: none">• 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 Innovation, Science and Economic Development Canada, Global Affairs Canada, and Public Services and Procurement Canada (among other departments) 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 and corporate income tax
Beneficiaries	Individuals and corporations
Type of measure	Timing preference
Legal reference	<i>Income Tax Act</i> , subsections 13(4) and 44(1)
Implementation and recent history	<ul style="list-style-type: none">• 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 (<i>Proposals for Tax Reform</i> , 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 Innovation, Science and Economic Development Canada, Global Affairs Canada, and Public Services and Procurement Canada (among other departments) 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 (e.g., accounting, legal, medical doctor, dental, chiropractic or veterinary professional practice) can either use an accrual accounting method by default, or elect to use a billed-basis accounting method. Under the default accrual method, expenses must be matched with their associated revenues. Under the elective billed-basis method, the expenses relating to work in progress can be deducted as incurred even though the associated revenues are not brought into income until either the revenues are billed and become receivable or are paid. This treatment gives rise to a deferral of tax.
Tax	Personal and corporate income tax
Beneficiaries	Individuals and corporations carrying on certain professional practices
Type of measure	Timing preference
Legal reference	<i>Income Tax Act</i> , section 34
Implementation and recent history	<ul style="list-style-type: none">Introduced in Budget 1971. Effective for fiscal years ending after December 31, 1971.
Objective – category	To reduce administration or compliance costs
Objective	This measure recognizes the inherent difficulty in valuing unbilled time and work in progress (<i>Summary of 1971 Tax Reform Legislation</i> , 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 Innovation, Science and Economic Development Canada, Global Affairs Canada, and Public Services and Procurement Canada (among other departments) 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 (\$12,685 for 2015). 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 (\$25,370 for 2015).
Tax	Personal income tax
Beneficiaries	Employees with a Deferred Profit-Sharing Plan
Type of measure	Timing preference
Legal reference	<i>Income Tax Act</i> , section 147
Implementation and recent history	<ul style="list-style-type: none">• 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 (<i>Saving for Retirement: A Guide to the Tax Legislation and Regulations</i>, 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	<i>Income Tax Act</i> , section 64
Implementation and recent history	<ul style="list-style-type: none"> Introduced in Budget 2004, effective for the 2004 and subsequent taxation years, replacing the previous attendant care deduction.
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 and Northern Affairs 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 1,600 individuals claimed this deduction in 2013.

Cost Information:

<i>Millions of dollars</i>	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Personal income tax	1	2	2	1	1	1	1	1



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 (\$7,899 in 2015). 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. For the 2015 taxation year, the value of the supplement is calculated by applying the lowest personal income tax rate to the supplement amount (\$4,607 in 2015) and is reduced dollar-for-dollar by the amount of child care or attendant care expenses in excess of \$2,699 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
Type of measure	Credit, non-refundable
Legal reference	<i>Income Tax Act</i> , subsection 118.3(1)
Implementation and recent history	<ul style="list-style-type: none"> 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.
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	About 630,000 individuals claimed this credit for themselves in 2013.

Cost Information:

Millions of dollars	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Personal income tax	650	675	720	770	825	860	895	930



Dividend gross-up and tax credit

Description	<p>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.</p> <p>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.</p> <p>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 2015) and gross-up (38% in 2015) are applied to dividends distributed to an individual from corporate income taxed at the general corporate tax rate (eligible dividends). The ordinary DTC (11.0169% in 2015) and gross-up (18% in 2015) are applied to dividends distributed to an individual from corporate income not taxed at the general corporate tax rate (ineligible dividends).</p>
Tax	Personal income tax
Beneficiaries	Individual investors
Type of measure	Other; credit, non-refundable
Legal reference	<i>Income Tax Act</i> , sections 82 and 121
Implementation and recent history	<ul style="list-style-type: none"> • 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.
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
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 3.7 million individuals claimed this credit in 2013.

Cost Information:

Millions of dollars	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Personal income tax	3,780	4,145	4,415	5,025	4,560	4,840	4,595	4,640



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 and corporate income tax
Beneficiaries	Businesses in the mining and oil and gas industry
Type of measure	Other
Legal reference	<i>Income Tax Regulations</i> , section 1201
Implementation and recent history	<ul style="list-style-type: none"> Introduced in Budget 1971. Phased out 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 (<i>Proposals for Tax Reform, 1969; Summary of 1971 Tax Reform Legislation; Budget, May 6, 1974; Budget, November 18, 1974</i>).
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 2013. No data is available for unincorporated businesses.

Cost Information:

Millions of dollars	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Personal income tax	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Corporate income tax	1	\$	\$	\$	3	\$	\$	\$
Total	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.



Education Tax Credit

Description	A student can 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 must be claimed on the tax return of the student. If the student does not need to use all of the credit, the unused amount may be transferred to a supporting individual or carried forward to a subsequent taxation year.
Tax	Personal income tax
Beneficiaries	Students and individuals supporting them
Type of measure	Credit, non-refundable
Legal reference	<i>Income Tax Act</i> , subsection 118.6(2)
Implementation and recent history	<ul style="list-style-type: none"> 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.
Objective – category	To recognize education costs
Objective	This measure provides 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	<p>Tax credits are treated as deviations from the benchmark tax system.</p> <p>This measure extends the unit of taxation.</p> <p>The tax benefit from this measure can be obtained in a taxation year other than the year during which it accrues.</p>
Subject	Education
CCOFOG 2014 code	<p>70939 - Education - College education</p> <p>70949 - Education - University education</p>
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 and Northern Affairs 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 2013.

Cost Information:

<i>Millions of dollars</i>	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Personal income tax	630	655	685	705	725	750	770	795



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 of \$11,327 (2015, indexed to inflation). The credit amount is reduced dollar-for-dollar by the net income of the dependant. The credit may only be claimed once in a same household, and only one individual may claim the credit in respect of a same dependant in a given year.
Tax	Personal income tax
Beneficiaries	Individuals with eligible dependants
Type of measure	Credit, non-refundable
Legal reference	<i>Income Tax Act</i> , paragraph 118(1)(b)
Implementation and recent history	<ul style="list-style-type: none"> 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.
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 (<i>Report of the Royal Commission on Taxation</i> , 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 - Sicknes and disability - Disability
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada and Indigenous and Northern Affairs 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 2013.

Cost Information:

Millions of dollars	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Personal income tax	770	770	775	770	790	895	920	950



Employee benefit plans

Description	<p>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. Since contributions to employee benefit plans are deductible by the employer in the year they are included in the taxable income of the employee, only the deferral of tax on the investment income constitutes a tax expenditure.</p> <p>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.</p>
Tax	Personal income tax
Beneficiaries	Employees with an employee benefit plan
Type of measure	Timing preference
Legal reference	<i>Income Tax Act</i> , paragraph 6(1)(g), section 32.1 and subsection 248(1), definition of "employee benefit plan"
Implementation and recent history	<ul style="list-style-type: none">Introduced in Budget 1979. Effective for the 1980 and subsequent taxation years.
Objective – category	To encourage employment
Objective	This measure improves access to employee benefit plans (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. The deduction is generally available for options on common shares issued to arm's-length employees, where the price at which the option can be exercised is equal to or greater than the fair market value of the underlying share at issuance.
Tax	Personal income tax
Beneficiaries	Employees
Type of measure	Deduction
Legal reference	<i>Income Tax Act</i> , subsections 7(1) and (1.1) and paragraphs 110(1)(d) and (d.1)
Implementation and recent history	<ul style="list-style-type: none"> 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.
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 48,000 individuals claimed this deduction in 2013.

Cost Information:

Millions of dollars	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Personal income tax	690	740	590	630	760	695	800	840



Exemption and rebate for legal aid services

Description	GST is relieved in respect of legal aid services in two ways: <ul style="list-style-type: none"> • 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 <i>Excise Tax Act</i> (exemption) <i>Excise Tax Act</i> , section 258 (rebate)
Implementation and recent history	<ul style="list-style-type: none"> • 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 (<i>Report on the Technical Paper on the Goods and Services Tax</i> , 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 Input-Output Tables
Estimation method	<p>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.</p> <p>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.</p>
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:

<i>Millions of dollars</i>	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Goods and Services Tax	30	30	30	30	35	35	35	40



Exemption 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 <i>Excise Tax Act</i>
Implementation and recent history	<ul style="list-style-type: none">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 (<i>Goods and Services Tax: Technical Paper</i> , 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 are intended to promote the construction of new houses, the repair and modernization of existing houses and the improvement of housing and living conditions. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Statistics Canada, Input-Output 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	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Goods and Services Tax	1,520	1,455	1,485	1,515	1,585	1,685	1,765	1,850

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



Exemption 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 <i>Excise Tax Act</i> Part VI of Schedule V to the <i>Excise Tax Act</i>
Implementation and recent history	<ul style="list-style-type: none"> 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, as announced in Budget 2013 and effective March 21, 2013, to maintain competitive equity with other suppliers, certain supplies of paid parking spaces by charities are no longer exempt.
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 (<i>Goods and Services Tax</i> , 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, Input-Output 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:

<i>Millions of dollars</i>	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Goods and Services Tax	865	955	865	890	945	1,005	1,065	1,130



Exemption 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 <i>Excise Tax Act</i>
Implementation and recent history	<ul style="list-style-type: none">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 and Northern Affairs 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, Input-Output 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	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Goods and Services Tax	120	120	130	135	140	150	155	160



Exemption 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 <i>Excise Tax Act</i> <i>Excise Tax Act</i> , section 123(1), definition of "financial service"
Implementation and recent history	<ul style="list-style-type: none">• 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 (<i>Goods and Services Tax: Technical Paper</i> , 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 Innovation, Science and Economic Development Canada, Global Affairs Canada, and Public Services and Procurement Canada (among other departments) 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 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 <i>Excise Tax Act</i>
Implementation and recent history	<ul style="list-style-type: none"> 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 (<i>Goods and Services Tax: Technical Paper</i> , 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, Input-Output 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	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Goods and Services Tax	15	15	10	10	10	15	15	15



Exemption for health care services

Description	Basic health care services are exempt under the GST, including: <ul style="list-style-type: none"> • 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 <i>Excise Tax Act</i>
Implementation and recent history	<ul style="list-style-type: none"> • 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, Input-Output 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 health services—including 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:

<i>Millions of dollars</i>	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Goods and Services Tax	585	585	610	640	680	720	750	775

Note: The cost information includes the tax expenditure associated with the exemption 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 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 <i>Excise Tax Act</i> Section 25.1 of Part VI of Schedule V to the <i>Excise Tax Act</i>
Implementation and recent history	<ul style="list-style-type: none">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, Input-Output 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	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Goods and Services Tax	–	–	–	–	35	40	40	40



Exemption for insurers of farming and fishing property

Description	<p>Insurers of farming and fishing property may benefit from a tax exemption provided they do not engage in any business other than insurance. The proportion of an insurer's taxable income for a taxation year that is exempt is 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 is of the insurer's total gross premium income (net of reinsurance ceded) for the year:</p> <ul style="list-style-type: none"> • If the proportion is 90% or more, all of the insurer's taxable income is exempt from tax; • If the proportion is less than 90% but not less than 25%, only that proportion of the insurer's taxable income is exempt from tax; • If the proportion is less than 25% but not less than 20%, one half of that proportion of the insurer's taxable income is exempt from tax; • If the proportion is less than 20%, no exemption is available.
Tax	Corporate income tax
Beneficiaries	Insurers of farming and fishing property
Type of measure	Exemption
Legal reference	<i>Income Tax Act</i> , paragraph 149(1)(f) and subsections 149(4.1) to (4.3) <i>Income Tax Regulations</i> , subsection 4802(2)
Implementation and recent history	<ul style="list-style-type: none"> • 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.
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	<p>This measure exempts from tax income or gains that are included in a comprehensive income tax base.</p> <p>This measure exempts from tax certain taxpayers.</p>
Subject	Business - farming and fishing
CCOFOG 2014 code	<p>70421 - Economic affairs - Agriculture, forestry, fishing, and hunting - Agriculture</p> <p>70423 - Economic affairs - Agriculture, forestry, fishing, and hunting - Fishing and hunting</p>
Other relevant government programs	Programs within the mandates of Agriculture and Agri-Food Canada, Fisheries and Oceans Canada and the Canadian Coast Guard 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	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 60 corporations in 2013.

Cost Information:

Millions of dollars	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Corporate income tax	5	5	10	10	10	10	10	10



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 and corporate income tax
Beneficiaries	Non-resident businesses
Type of measure	Exemption
Legal reference	<i>Income Tax Act</i> , paragraph 81(1)(c)
Implementation and recent history	<ul style="list-style-type: none">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 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 <i>Excise Tax Act</i>
Implementation and recent history	<ul style="list-style-type: none">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 (<i>Goods and Services Tax: Technical Paper</i> , 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, Input-Output 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:

<i>Millions of dollars</i>	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Goods and Services Tax	170	175	180	185	195	205	215	220



Exemption 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: <ul style="list-style-type: none"> 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 <i>Excise Tax Act</i>
Implementation and recent history	<ul style="list-style-type: none"> 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 and Northern Affairs 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, Input-Output 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	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (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 for personal care services is combined with the tax expenditure associated with the exemption for health care services (see measure "Exemption for health care services").



Exemption 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 <i>Excise Tax Act</i>
Implementation and recent history	<ul style="list-style-type: none">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 (<i>Goods and Services Tax: Technical Paper</i> , 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 are intended to promote the construction of new houses, the repair and modernization of existing houses and the improvement of housing and living conditions. 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 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 <i>Excise Tax Act</i>
Implementation and recent history	<ul style="list-style-type: none">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 (<i>Goods and Services Tax</i> , 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 are intended to promote the construction of new houses, the repair and modernization of existing houses and the improvement of housing and living conditions. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Statistics Canada, Input-Output 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	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (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 for short-term accommodation is combined with the tax expenditure associated with the exemption for certain residential rent (see measure "Exemption for certain residential rent").



Exemption for tuition and educational services

Description	<p>Most educational services are exempt from GST, including:</p> <ul style="list-style-type: none">• 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. <p>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.</p>
Tax	Goods and Services Tax
Beneficiaries	Students
Type of measure	Exemption
Legal reference	Part III of Schedule V to the <i>Excise Tax Act</i>
Implementation and recent history	<ul style="list-style-type: none">• 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 and Northern Affairs 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, Input-Output 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—including 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:

<i>Millions of dollars</i>	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Goods and Services Tax	615	665	725	780	815	850	885	915



Exemption 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 <i>Excise Tax Act</i>
Implementation and recent history	<ul style="list-style-type: none"> 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 (<i>Goods and Services Tax: Technical Paper</i> , 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, Input-Output 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	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Goods and Services Tax	190	200	205	220	230	245	250	260



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	<i>Income Tax Act</i> , Part XIV, subsection 219(2)
Implementation and recent history	<ul style="list-style-type: none"> 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 Innovation, Science and Economic Development Canada, Global Affairs Canada, and Public Services and Procurement Canada (among other departments) 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	2010	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)
Corporate income tax	45	40	10	20	4	25	25	25



Exemption from tax for international banking centres

Description	A prescribed financial institution's branch or office carrying on certain business in Montreal or Vancouver was exempt from tax on the income from that business. In order to qualify, the business generally had to be limited to the making of loans to and the acceptance of deposits from non-residents, and the proceeds of such loans were not to be used to earn income in Canada or to make a loan to any person other than a non-resident. This exemption was repealed, effective March 21, 2013.
Tax	Corporate income tax
Beneficiaries	Prescribed financial institutions
Type of measure	Exemption
Legal reference	<i>Income Tax Act</i> , section 33.1
Implementation and recent history	<ul style="list-style-type: none"> Introduced in 1987 (Department of Finance Canada news release 87-16, January 28, 1987), effective for taxation years commencing after December 17, 1987. Repealed in Budget 2013, effective for taxation years commencing March 21, 2013.
Objective – category	To encourage or attract investment To support competitiveness
Objective	This measure was intended to return to Canada some banking activities previously conducted abroad and to attract business that normally would not be conducted in Canada (Department of Finance Canada news release 87-16, January 28, 1987).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempted from tax income or gains that are included in a comprehensive income 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 Innovation, Science and Economic Development Canada, Global Affairs Canada, and Public Services and Procurement Canada (among other departments) 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	T781 Designation as an International Banking Centre T781-A International Banking Centre Information Return T2 Corporation Income Tax Return
Estimation method	The tax expenditure estimates for international banking centres are calculated as the amount of corporate income tax that would have been paid on specified types of income earned by these taxpayers if they were subject to tax. Any loss from an international business centre would be considered a negative tax expenditure; as such a loss does not reduce taxable income in the same way as other non-capital losses.
Projection method	n/a
Number of beneficiaries	This measure provided tax relief to a small number of corporations. The number of beneficiaries is not published in order to preserve taxpayer confidentiality.

Cost Information:

Millions of dollars	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Corporate income tax	X	X	X	X	–	–	–	–



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 a program that entitles the student to the Education Tax Credit or an elementary or secondary school educational program. 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	<i>Income Tax Act</i> , paragraph 56(1)(n) and subsection 56(3)
Implementation and recent history	<ul style="list-style-type: none">• 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 (<i>Summary of 1971 Tax Reform Legislation</i> , 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 and Northern Affairs 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	No data is available.
Estimation method	No estimate is available.
Projection method	No projection is available.
Number of beneficiaries	No data is available.



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 <i>Income Tax Act</i> exempts certain payments from non-resident withholding tax on a unilateral basis. Exemptions may also be available under certain bilateral tax treaties.
Tax	Personal and corporate income tax
Beneficiaries	Non-residents
Type of measure	Exemption; preferential tax rate
Legal reference	<i>Income Tax Act</i> , Part XIII, section 212
Implementation and recent history	<ul style="list-style-type: none">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 <i>Income Tax Act</i> 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:**

<i>Millions of dollars</i>	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
By type of payments								
Dividends	1,725	2,150	2,265	3,145	2,870	2,895	3,015	3,155
Interest	1,455	1,395	1,545	1,575	1,655	1,670	1,735	1,820
Rents and royalties	345	360	440	505	500	505	525	550
Management fees	155	170	225	275	265	265	280	290
Total – personal and corporate income tax	3,680	4,075	4,475	5,500	5,290	5,335	5,555	5,815



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 and corporate income tax
Beneficiaries	Businesses
Type of measure	Timing preference
Legal reference	<i>Income Tax Act</i> , paragraph 18(1)(a)
Implementation and recent history	<ul style="list-style-type: none">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 Innovation, Science and Economic Development Canada, Global Affairs Canada, and Public Services and Procurement Canada (among other departments) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	No data is available.
Estimation method	No estimate is available – see the Annex to Part 1 for an explanation as to why estimates are not available for this measure.
Projection method	No projection is available.
Number of beneficiaries	No data is available.



Expensing of current expenditures on scientific research and experimental development

Description	Eligible current expenditures on scientific research and experimental development (SR&ED) performed in Canada may be fully deducted in the year they are incurred. These expenditures give rise to new knowledge, technology and other intangible assets that are expected to generate benefits over multiple years. Under the benchmark tax system, such expenditures would be capitalized and depreciated over the time period the assets created are expected to generate revenues. A similar measure was formerly available in respect of capital expenditures on SR&ED (see measure "Expensing of purchases of capital equipment used for scientific research and experimental development"). A tax credit is also available in respect of these expenses (see measure "Scientific Research and Experimental Development Investment Tax Credit").
Tax	Personal and corporate income tax
Beneficiaries	Businesses conducting eligible scientific research and experimental development
Type of measure	Timing preference
Legal reference	<i>Income Tax Act</i> , section 37
Implementation and recent history	<ul style="list-style-type: none">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 and the Natural Sciences and Engineering Research Council 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.
Projection method	No projection is available.
Number of beneficiaries	About 20,700 corporations incurred eligible expenditures in 2013. No data is available for unincorporated businesses.



Expensing of employee training costs

Description	Current expenditures that are incurred for employee training 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 and corporate income tax
Beneficiaries	Businesses
Type of measure	Timing preference
Legal reference	<i>Income Tax Act</i> , paragraph 18(1)(a)
Implementation and recent history	<ul style="list-style-type: none">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 Innovation, Science and Economic Development Canada, Global Affairs Canada, and Public Services and Procurement Canada (among other departments) 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 purchases of capital equipment used for scientific research and experimental development

Description	Capital expenditures for acquisition of premises, facilities or equipment used for scientific research and experimental development (SR&ED) performed in Canada incurred before 2014 could be fully deducted in the year they were incurred. Budget 2012 eliminated the deductibility for capital expenditures in respect of SR&ED incurred after 2013. These expenditures are now depreciable under the capital cost allowance regime.
Tax	Personal and corporate income tax
Beneficiaries	Businesses conducting eligible scientific research and experimental development
Type of measure	Timing preference
Legal reference	<i>Income Tax Act</i> , paragraph 37(1)(b)
Implementation and recent history	<ul style="list-style-type: none">Introduced in 1961.The deductibility of capital expenditures was eliminated in Budget 2012 for expenditures incurred after 2013.
Objective – category	To encourage or attract investment
Objective	This measure was 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 permitted 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 and the Natural Sciences and Engineering Research Council 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: Data on SR&ED capital 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	About 2,100 corporations incurred eligible capital expenditures in 2013. No data is available for unincorporated businesses.



Family Caregiver Tax Credit

Description	The Family Caregiver Tax Credit provides tax relief to caregivers of dependants with a mental or physical infirmity, including spouses or common-law partners and minor children. For 2015, the value of the credit is calculated by applying the lowest personal income tax rate to the credit amount of \$2,093. The credit amount is indexed to inflation and can be claimed under one of the following dependency-related credits: Spouse or Common-Law Partner Credit, Eligible Dependant Credit, Caregiver Credit and Child Tax Credit (this last credit was repealed as of the 2015 taxation year). With the exception of a dependant who is a minor child of the claimant, the amount is reduced dollar-for-dollar by the dependant's net income above a certain threshold.
Tax	Personal income tax
Beneficiaries	Caregivers
Type of measure	Credit, non-refundable
Legal reference	<i>Income Tax Act</i> , subsection 118(1)
Implementation and recent history	<ul style="list-style-type: none"> Introduced in Budget 2011. Effective for the 2012 and subsequent taxation years.
Objective – category	To recognize non-discretionary expenses (ability to pay)
Objective	This measure recognizes the sacrifices that many Canadians make to care for their children, spouses, parents and other family members with infirmities (Budget 2011).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system.
Subject	Families and households Health
CCOFOG 2014 code	71049 - Social protection - Family and children 71011 - Social protection - Sickness and disability - Sickness 71012 - Social protection - Sickness and disability - Disability
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada and Indigenous and Northern Affairs 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 210,000 individuals claimed this credit in 2013.

Cost Information:

Millions of dollars	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Personal income tax	–	–	55	65	65	70	75	75



Family Tax Cut

Description	The Family Tax Cut is a non-refundable credit that allows, in effect, a higher-income spouse or common-law partner to transfer up to \$50,000 of taxable income to a spouse or common-law partner in a lower tax bracket. The credit provides up to \$2,000 in tax relief to couples with children under the age of 18. The value of the credit is calculated on the basis of the difference in the higher-income spouse or common-law partner's federal tax payable before and after the notional transfer of income. Either spouse or common-law partner may claim the credit.
Tax	Personal income tax
Beneficiaries	Couples with children
Type of measure	Credit, non-refundable
Legal reference	<i>Income Tax Act</i> , section 119.1
Implementation and recent history	<ul style="list-style-type: none"> Introduced in 2014 (Prime Minister of Canada news release, October 30, 2014). Effective for the 2014 and subsequent taxation years. On December 7, 2015, the Government announced that it will introduce legislative amendments, at an early opportunity, to repeal income splitting for families with children for the 2016 and subsequent taxation years
Objective – category	To provide income support or tax relief To extend or modify the unit of taxation
Objective	This measure eliminates or significantly reduces the difference in federal tax payable by a one-earner couple relative to a two-earner couple with a similar family income (Prime Minister of Canada news release, October 30, 2014).
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 and Northern Affairs 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. The projections for 2016 and 2017 do not assume any changes to the Family Tax Cut as the legislation to repeal this measure has not yet been introduced.
Number of beneficiaries	About 1.6 million couples claimed this credit in 2014.

Cost Information:

<i>Millions of dollars</i>	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Personal income tax	–	–	–	–	1,900	1,930	1,905	1,970



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	<i>Income Tax Act</i> , section 125.5
Implementation and recent history	<ul style="list-style-type: none"> Introduced at a rate of 11% in 1997, to coincide with the elimination of film production services tax shelters (Department of Finance Canada news release, July 30, 1997). The credit rate was increased to 16% in Budget 2003, for expenditures incurred after February 18, 2003.
Objective – category	To support business activity To support competitiveness
Objective	The Film or Video Production Services Tax Credit makes Canada a more attractive place for film production by complementing the existing Canadian Film or Video Production Tax Credit and by allowing a greater range of productions (usually foreign-owned) to qualify for assistance (Department of Finance Canada news release, July 30, 1997).
Category	Refundable tax credit
Reason why this measure is not part of benchmark tax system	This measure is classified as a transfer payment for government accounting purposes, and therefore is not considered to be a tax expenditure.
Subject	Arts and culture
CCOFOG 2014 code	70829 - Recreation, culture, and religion - Cultural services
Other relevant government programs	Programs within the mandate of Canadian Heritage also support arts and culture. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T2 Corporation Income Tax Return
Estimation method	The estimates are based on actual amounts earned and claimed by businesses.
Projection method	The cost of this measure is projected to grow in line with nominal gross domestic product.
Number of beneficiaries	About 220 corporations received this benefit in 2012.

Cost Information:

Millions of dollars	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Corporate income tax	80	90	90	90	135	110	115	120



First-Time Donor's Super Credit

Description	The First-Time Donor's Super Credit provides a temporary, non-refundable tax credit of 25% in addition to the Charitable Donation Tax Credit. The First-Time Donor's Super Credit applies on up to \$1,000 in cash donations, provided that neither the taxpayer nor their spouse has claimed the Charitable Donation Tax Credit after 2007, and may be claimed 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	<i>Income Tax Act</i> , subsections 118.1(3.1) and (3.2)
Implementation and recent history	<ul style="list-style-type: none"> 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.
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	<p>Tax credits are treated as deviations from the benchmark tax system.</p> <p>The tax benefit from this measure can be obtained in a taxation year other than the year during which it accrues.</p> <p>The tax benefit from this measure is transferable between spouses or common-law partners.</p>
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	T1 micro-simulation model
Number of beneficiaries	About 98,000 individuals claimed this credit in 2013.

Cost Information:

<i>Millions of dollars</i>	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Personal income tax	–	–	–	5	5	5	5	5



First-Time Home Buyers' Tax Credit

Description	First-time home buyers who acquire a qualifying home after January 27, 2009 can obtain up to \$750 in tax relief by claiming the First-Time Home Buyers' Tax Credit. The value of this non-refundable credit is calculated by multiplying the credit amount of \$5,000 by the lowest personal income tax rate (15% in 2015). 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	<i>Income Tax Act</i> , section 118.05
Implementation and recent history	<ul style="list-style-type: none"> Introduced in Budget 2009. Effective for the 2009 and subsequent taxation years.
Objective – category	To achieve a social objective
Objective	This measure assists first-time home buyers with the cost associated with the purchase of a home (Budget 2009).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system. The tax benefit from this measure is transferable between spouses or common-law partners.
Subject	Housing
CCOFOG 2014 code	70619 - Housing and community amenities - Housing development
Other relevant government programs	Programs within the mandate of the Canada Mortgage and Housing Corporation are intended to promote the construction of new houses, the repair and modernization of existing houses and the improvement of housing and living conditions. 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 180,000 individuals claimed this credit in 2013.

Cost Information:

Millions of dollars	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Personal income tax	105	110	110	105	115	120	120	120



Flexibility in inventory accounting

Description	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, which act to lessen this outcome.
Tax	Personal and corporate income tax
Beneficiaries	Farming businesses
Type of measure	Other
Legal reference	Income Tax Act, section 28
Implementation and recent history	<ul style="list-style-type: none">Implemented in Budget 1973. Effective for the 1972 and subsequent taxation years.
Objective – category	To provide relief for special circumstances
Objective	This measure ensures that farmers operating on a cash basis are able to avoid creating losses that would be subject to the time limitation if carried forward (Budget 1973).
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
Other relevant government programs	Programs within the mandates of Agriculture and Agri-Food Canada, Fisheries and Oceans Canada and the Canadian Coast Guard 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. The value of the tax expenditure is the amount of tax relief associated with the losses that would otherwise have been subject to the time limitations.
Projection method	No projection is available.
Number of beneficiaries	No data is available.



Flow-through share deductions

Description	<p>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.</p> <p>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.</p>
Tax	Personal 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	<i>Income Tax Act</i> , subsections 66(12.6) and 66(12.62)
Implementation and recent history	<ul style="list-style-type: none"> 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.
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 (<i>Improving the Income Taxation of the Resource Sector in Canada</i> , 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 Annex to Part 1 of this report for an explanation of the method used to estimate the value of this measure.
Projection method	Projections are based on current market conditions.
Number of beneficiaries	This measure provided tax relief to about 68,000 individuals and 500 corporations in 2013.

Cost Information:

Millions of dollars	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Personal income tax	285	345	200	110	115	100	100	100
Corporate income tax	70	85	55	35	30	25	25	25
Total	355	430	255	145	145	125	125	125



Foreign Convention and Tour Incentive Program

Description	The Foreign Convention and Tour Incentive Program provides rebates of the GST paid in respect of: <ul style="list-style-type: none"> the accommodation portion of a tour package supplied to a non-resident; 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.
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	<i>Excise Tax Act</i> , sections 252.1, 252.3 and 252.4
Implementation and recent history	<ul style="list-style-type: none"> 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.
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 Innovation, Science and Economic Development Canada, Global Affairs Canada, and Public Services and Procurement Canada (among other departments) 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	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Goods and Services Tax	10	15	15	10	10	15	15	15



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.
Tax	Personal income tax
Beneficiaries	Individuals with foreign income
Type of measure	Credit, non-refundable
Legal reference	<i>Income Tax Act</i> , section 126
Implementation and recent history	<ul style="list-style-type: none">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
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 1.2 million individuals claimed this credit in 2013.

Cost Information:

Millions of dollars	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Personal income tax	670	740	860	970	980	995	1,005	1,020



Goods and Services Tax/Harmonized Sales Tax Credit

Description	<p>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 size and income. Specifically, for the period from July 2015 to June 2016, based on net family income reported for the 2014 taxation year:</p> <ul style="list-style-type: none"> • an adult receives a basic adult credit of \$272 per year; • families with children aged 18 and under receive a basic child credit of \$143 per year for each child; • single parents can claim, in lieu of the basic child credit, the full basic adult credit of \$272 per year for one dependent child; • single parents are eligible for an additional credit of \$143 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 \$143 per year (depending on income) in addition to their basic credit. <p>The value of the credit is reduced for individuals and families with annual incomes over \$35,465. Both the credit amounts and the income threshold are adjusted annually for inflation.</p>
Tax	Income tax, in respect of Goods and Services Tax
Beneficiaries	Households
Type of measure	Credit, refundable
Legal reference	<i>Income Tax Act</i> , section 122.5
Implementation and recent history	<ul style="list-style-type: none"> • This measure has been in effect since the inception of the GST in 1991.
Objective – category	<p>To promote the fairness of the tax system</p> <p>To provide income support or tax relief</p>
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 and Northern Affairs Canada also support Canadian families and households. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Public Accounts of Canada
Estimation method	The cost of this measure is calculated from source data.
Projection method	T1 micro-simulation model
Number of beneficiaries	About 10.3 million individuals received this benefit each year.

Cost Information:

<i>Millions of dollars</i>	2010	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)
Goods and Services Tax	3,760	3,870	3,995	4,090	4,175	4,265	4,360	4,455



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 and corporate income tax
Beneficiaries	Construction contractors
Type of measure	Other
Legal reference	<i>Income Tax Act</i> , paragraph 12(1)(b)
Implementation and recent history	<ul style="list-style-type: none"> This tax expenditure is the result of an interpretation of the <i>Income Tax Act</i> 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 Innovation, Science and Economic Development Canada, Global Affairs Canada, and Public Services and Procurement Canada (among other departments) 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 6,000 corporations claimed this deduction in 2013. No data is available for unincorporated businesses.

Cost Information:

Millions of dollars	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Personal income tax	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Corporate income tax	30	45	45	60	85	85	85	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 \$10,000 of eligible home renovation or alteration expenses per calendar year in respect of a qualifying individual, to a maximum of \$10,000 per eligible dwelling. Qualifying individuals are persons with disabilities who are eligible for the Disability Tax Credit and seniors (65 years of age or older). Qualifying individuals, as well as eligible family members who are supporting the qualifying individual, may claim eligible expenses in respect of an eligible dwelling. The eligible dwelling must be the principal residence of the qualifying individual at any time during the taxation year. The dwelling must also be owned by the qualifying individual, their spouse or common-law partner, or an eligible family member in respect of the qualifying individual with whom the qualifying individual ordinarily inhabits that dwelling. Eligible expenses are home renovation or alteration expenses to the eligible dwelling incurred in order to allow the qualifying individual to gain access to the dwelling, allow the qualifying individual to be more mobile or functional within the dwelling, or reduce the risk of harm to the qualifying individual within the dwelling or in gaining access to the dwelling. Improvements must also be of an enduring nature and be integral to the eligible dwelling. Examples of eligible expenditures include costs associated with the purchase and installation of wheelchair ramps, walk-in bathtubs, wheel-in showers and grab bars.
Tax	Personal income tax
Beneficiaries	Seniors and persons with disabilities
Type of measure	Credit, non-refundable
Legal reference	<i>Income Tax Act</i> , section 118.041
Implementation and recent history	<ul style="list-style-type: none"> Introduced in Budget 2015. Effective for eligible expenditures for work performed and paid for or goods acquired on or after January 1, 2016.
Objective – category	To achieve a social objective To recognize non-discretionary expenses (ability to pay)
Objective	This measure recognizes the particular impact that the costs of improving the safety, accessibility and functionality of a dwelling can have for seniors and persons with disabilities, and the additional benefits of independent living (Budget 2015).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system. This measure extends the unit of taxation.
Subject	Health Housing
CCOFOG 2014 code	70769 - Health - Health not elsewhere classified 71069 - Social protection - Housing
Other relevant government programs	Programs within the mandates of Health Canada, the Canadian Food Inspection Agency, the Canadian Institutes of Health Research, the Public Health Agency of Canada and Veterans Affairs Canada also support health-related objectives. Programs within the mandate of the Canada Mortgage and Housing Corporation are intended to promote the construction of new houses, the repair and modernization of existing houses and the improvement of housing and living conditions. 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	No data is available.

Cost Information:

Millions of dollars	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Personal income tax	–	–	–	–	–	–	40	40



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

Description	The Universal Child Care Benefit (UCCB) provides families with \$160 per month for each child under the age of 6 and \$60 per month for children aged 6 through 17. In two-parent families, the UCCB is included in the income of the lower-income spouse or common-law partner. A single parent has the option of including the aggregate UCCB amount received in his or her income or in the income of the dependant for whom the Eligible Dependand Credit is claimed. In most cases, the dependant would not be subject to tax. If a single parent is unable to claim the Eligible Dependand Credit, he or she has the option of including the aggregate UCCB amount in the income of one of the children for whom the UCCB is paid.
Tax	Personal income tax
Beneficiaries	Single-parents with minor children
Type of measure	Other
Legal reference	<i>Income Tax Act</i> , subsection 56(6.1)
Implementation and recent history	<ul style="list-style-type: none"> The UCCB was introduced in Budget 2006 as a monthly \$100 benefit for each child under the age of 6. For a single-parent family, the UCCB was generally included in the single parent's income and taxed at his or her marginal tax rate for the 2006 to 2009 taxation years. Inclusion of the UCCB in the eligible dependant's income was introduced in Budget 2010, effective for the 2010 and subsequent taxation years. Effective January 1, 2015, the UCCB was increased to \$160 per month for children under the age of 6, and the new benefit of \$60 per month for children aged 6 through 17 was introduced (Prime Minister of Canada news release, October 30, 2014). On December 7, 2015, the Government announced that it will introduce proposals to create a new Canada Child Benefit in Budget 2016, with payments of the new benefit beginning in July 2016. The new Canada Child Benefit will replace the existing system of child benefits (Canada Child Tax Benefit and UCCB).
Objective – category	To provide income support or tax relief To ensure a neutral tax treatment across similar situations
Objective	This measure is intended to give single parents comparable tax treatment on the same UCCB amounts as single-earner two-parent families with the same income (Budget 2010).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure 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 and Northern Affairs 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. The projections for 2016 and 2017 do not assume any changes to the UCCB as legislation to implement the new system has not yet been introduced.
Number of beneficiaries	About 81,000 individuals designated this amount to a dependant in 2013.

Cost Information:

Millions of dollars	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Personal income tax	2	2	2	2	2	5	5	5



Income tax exemption for certain public bodies

Description	The <i>Income Tax Act</i> 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 aboriginal public bodies and their entities
Type of measure	Exemption
Legal reference	<i>Income Tax Act</i> , paragraphs 149(1)(c) and (d) to (d.6)
Implementation and recent history	<ul style="list-style-type: none">This measure has been in effect since the inception of the federal income tax in 1917.
Objective – category	To implement intergovernmental tax arrangements
Objective	This measure extends exemption from federal taxation to certain public bodies.
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax certain taxpayers.
Subject	Intergovernmental tax arrangements
CCOFOG 2014 code	n/a
Other relevant government programs	n/a
Source of data	No data is available.
Estimation method	No estimate is available.
Projection method	No projection is available.
Number of beneficiaries	No data is available.



Infirm Dependant Credit

Description	<p>The Infirm Dependant Credit provides tax relief to individuals providing support to an infirm adult relative. The credit may be claimed by taxpayers supporting a child or grandchild, a spouse or common-law partner's child or grandchild, parent, grandparent, brother, sister, aunt, uncle, niece or nephew who is 18 years of age or over and dependent due to a mental or physical infirmity.</p> <p>The amount the supporting relative can claim depends on the net income of the dependant. The value of the credit is calculated by applying the lowest personal income tax rate to an amount of \$6,700 (in 2015). The value of the Infirm Dependant Credit is reduced dollar-for-dollar when the dependant's net income exceeds \$6,720. Both the credit amount and income threshold are indexed to inflation.</p>
Tax	Personal income tax
Beneficiaries	Caregivers
Type of measure	Credit, non-refundable
Legal reference	<i>Income Tax Act</i> , paragraph 118(1)(d)
Implementation and recent history	<ul style="list-style-type: none"> Introduced as part of the 1987 Tax Reform, effective for the 1988 and subsequent taxation years, to replace the previous deduction from income. Budget 2011 increased the amount of the Infirm Dependant Credit by \$2,000 (indexed to inflation), through the introduction of the Family Caregiver Tax Credit. Indexation was introduced for this credit for the 1996 and subsequent taxation years.
Objective – category	To recognize non-discretionary expenses (ability to pay)
Objective	This measure recognizes that a taxpayer supporting an adult dependant who is physically or mentally infirm has a reduced ability to pay tax relative to a taxpayer with the same income and no such dependant (<i>Report of the Royal Commission on Taxation</i> , 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 - Sicknes and disability - Disability
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada and Indigenous and Northern Affairs 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 20,000 individuals claimed this credit in 2013.

Cost Information:

Millions of dollars	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Personal income tax	5	5	5	5	5	5	10	10



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	<i>Income Tax Act</i> , subsection 130(1)
Implementation and recent history	<ul style="list-style-type: none"> 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 16½%) 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 2013.

Cost Information:

<i>Millions of dollars</i>	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Corporate income tax	\$	\$	\$	\$	\$	\$	\$	\$



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 are eligible for a non-refundable investment tax credit of 25%, to a maximum credit of \$10,000 per child care space created. Eligible expenditures include 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 are also eligible. Unused credits can be carried back 3 years or forward 20 years to reduce taxes payable in those years.
Tax	Personal and corporate income tax
Beneficiaries	Businesses that create child care spaces
Type of measure	Credit, non-refundable
Legal reference	<i>Income Tax Act</i> , section 127
Implementation and recent history	<ul style="list-style-type: none"> Introduced in Budget 2007, effective for eligible expenditures incurred on or after March 19, 2007.
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 can be obtained in a taxation year other than the year during which it accrues.
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 and Northern Affairs Canada also support Canadian families and households. Programs within the mandates of Innovation, Science and Economic Development Canada, Global Affairs Canada, and Public Services and Procurement Canada (among other departments) 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.
Projection method	Personal income tax: The cost of this measure is projected based on historical growth. Corporate income tax: The cost of this measure is projected to grow in line with nominal gross domestic product.
Number of beneficiaries	A small number of individuals (fewer than 100) and corporations (fewer than 20) claim this credit each year.

Cost Information:

<i>Millions of dollars</i>	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Personal income tax	\$	\$	\$	\$	\$	\$	\$	\$
Corporate income tax	\$	\$	\$	\$	\$	\$	\$	\$
Total	\$	\$	\$	\$	\$	\$	\$	\$



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 (\$5,000 since 1998). The credit rate is reduced from 15% to 10% for the 2015 taxation year and to 5% for the 2016 taxation year. The credit will be eliminated for the 2017 and subsequent taxation years.
Tax	Personal income tax
Beneficiaries	Individual investors
Type of measure	Credit, non-refundable
Legal reference	<i>Income Tax Act</i> , section 127.4 <i>Income Tax Regulations</i> , section 6701
Implementation and recent history	<ul style="list-style-type: none"> 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). The phase-out of this measure was announced in Budget 2013.
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	The cost of this measure is projected to decline in line with the scheduled phase-out of the measure.
Number of beneficiaries	About 325,000 individuals claimed this credit in 2013.

Cost Information:

<i>Millions of dollars</i>	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Personal income tax	130	140	150	145	125	95	50	–



Lifetime Capital Gains Exemption

Description	<p>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.</p> <p>An individual may shelter capital gains realized on the disposition of qualified small business shares up to a lifetime limit of \$813,600, which is indexed to inflation. In general terms, qualified small business shares are shares of a Canadian-controlled private corporation that have been owned by the taxpayer or the taxpayer's spouse or common-law partner throughout the 24 months prior to the sale, and more than 50% of the fair market value of the assets of the corporation must be attributable to assets used principally in an active business in Canada throughout the 24-month period prior to the sale.</p> <p>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. Qualified farm or fishing property is property that is used in the course of carrying on the business of farming or fishing and includes real property (e.g., land and buildings), fishing vessels, a share of the capital stock of a family farm corporation or a family fishing corporation of an individual or the individual's spouse, an interest in a family farm partnership or a family fishing partnership of an individual or an individual's spouse, and eligible capital property (e.g., milk or fishing quotas).</p>
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	<i>Income Tax Act</i> , section 110.6
Implementation and recent history	<ul style="list-style-type: none">• 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 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, Fisheries and Oceans Canada and the Canadian Coast Guard 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
Projection method	T1 micro-simulation model
Number of beneficiaries	About 63,000 individuals claimed this deduction in 2013.

Cost Information:

<i>Millions of dollars</i>	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
By type of property								
Small business shares	540	595	615	580	715	690	790	840
Farm and fishing property	325	395	475	520	585	575	640	695
Total – personal income tax	865	990	1,090	1,100	1,300	1,265	1,430	1,535



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 and corporate income tax
Beneficiaries	Businesses in the forest industry
Type of measure	Credit, non-refundable
Legal reference	<i>Income Tax Act</i> , section 127
Implementation and recent history	<ul style="list-style-type: none"> 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 Corporate income tax: T2 Corporation Income Tax Return
Estimation method	Personal income tax: T1 micro-simulation model Corporate income tax: T2 data on actual credits used in a year
Projection method	Personal income tax: T1 micro-simulation model Corporate income tax: The cost of this measure is projected to grow in line with nominal gross domestic product.
Number of beneficiaries	About 400 individuals and 640 corporations claimed this credit in 2013.

Cost Information:

Millions of dollars	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Personal income tax	\$	1	1	1	1	1	1	1
Corporate income tax	10	10	10	20	25	25	25	30
Total	10	10	10	20	25	25	25	30



Medical Expense Tax Credit

Description	<p>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 \$2,208 (in 2015, 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.</p> <p>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 \$2,208 (in 2015, 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.</p>
Tax	Personal income tax
Beneficiaries	Individuals, caregivers
Type of measure	Credit, non-refundable
Legal reference	<i>Income Tax Act</i> , section 118.2 <i>Income Tax Regulations</i> , section 5700
Implementation and recent history	<ul style="list-style-type: none"> 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. 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	<p>Tax credits are treated as deviations from the benchmark tax system.</p> <p>The tax benefit from this measure is transferable between spouses or common-law partners.</p>
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 4.5 million individuals claimed this credit in 2013.

Cost Information:

Millions of dollars	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Personal income tax	1,080	1,135	1,260	1,310	1,370	1,450	1,535	1,630



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	<i>Income Tax Act</i> , subsection 127(9), paragraph (a.2) of definition of "investment tax credit" and definition of "flow-through mining expenditure"
Implementation and recent history	<ul style="list-style-type: none"> 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 was extended on a number of occasions since then, most recently for one year, to March 31, 2016 (announced on March 1, 2015).
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	Over 250 companies issued flow-through shares and more than 19,000 individuals claimed the credit in 2013.

Cost Information:

Millions of dollars	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Personal income tax	110	100	45	20	30	30	-10	–



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	<i>Income Tax Act</i> , section 62 and the definition "eligible relocation" in subsection 248(1)
Implementation and recent history	<ul style="list-style-type: none"> Introduced in Budget 1971. Effective for the 1972 and subsequent taxation years.
Objective – category	To recognize expenses incurred to earn employment income
Objective	This measure recognizes the expenses involved in moving to a new job 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. 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 100,000 individuals claimed this deduction in 2013.

Cost Information:

Millions of dollars	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Personal income tax	100	100	100	95	100	105	105	115



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 3 years and the carry-forward period 20 years.
Tax	Personal and corporate income tax
Beneficiaries	Businesses
Type of measure	Timing preference
Legal reference	<i>Income Tax Act</i> , subsection 111(1)
Implementation and recent history	<ul style="list-style-type: none">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 Innovation, Science and Economic Development Canada, Global Affairs Canada, and Public Services and Procurement Canada (among other departments) 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	Personal income tax: T1 micro-simulation model. 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. 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 Corporate income tax: The cost for the last historical year is grown by the projected year-over-year growth in the level of losses carried over used to offset taxable income (based on the latest economic and fiscal projections).
Number of beneficiaries	About 40,000 individuals and 400,000 corporations made use of this measure in 2013 (not counting individuals that carried back losses only).

**Cost Information:**

Millions of dollars	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Farm and fishing non-capital losses								
Personal income tax								
Carried back	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Applied to current year	15	15	15	15	15	15	15	15
Total – personal income tax	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Corporate income tax								
Carried back	15	10	10	15	20	15	15	15
Applied to current year	50	70	50	45	50	50	50	55
Total – corporate income tax	65	80	60	60	70	65	65	70
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								
Carried back	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Applied to current year	50	65	70	65	65	65	70	70
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	2,720	2,085	1,920	3,195	1,945	4,110	3,350	3,350
Applied to current year	3,990	4,115	4,315	3,885	4,920	4,450	4,965	5,220
Total – corporate income tax	6,710	6,200	6,235	7,080	6,865	8,560	8,315	8,570
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								
Carried back	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Applied to current year	65	80	85	80	80	80	85	85
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	2,735	2,095	1,930	3,210	1,965	4,125	3,365	3,365
Applied to current year	4,040	4,185	4,365	3,930	4,970	4,500	5,015	5,275
Total – corporate income tax	6,775	6,280	6,295	7,140	6,935	8,625	8,380	8,640
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 and corporate income tax
Beneficiaries	Businesses that advertise in foreign media
Type of measure	Other
Legal reference	<i>Income Tax Act</i> , sections 19 to 19.1
Implementation and recent history	<ul style="list-style-type: none"> 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 (<i>House of Commons Debates</i> , 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 Innovation, Science and Economic Development Canada, Global Affairs Canada, and Public Services and Procurement Canada (among other departments) 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 400 corporations reported non-deductible advertising expenses in 2013. No data is available for unincorporated businesses.

Cost Information:

Millions of dollars	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Personal income tax	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Corporate income tax	-1	-1	-1	\$	\$	\$	\$	\$
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	<i>Income Tax Act</i> , subparagraph 6(1)(b)(iii)
Implementation and recent history	<ul style="list-style-type: none">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 2015 is based on partial year data and historical growth. Projections for 2016 and 2017 are not provided as the value of this measure cannot be reliably forecast for these years.
Number of beneficiaries	More than 5,000 individuals received non-taxable allowances in 2013.

Cost Information:

<i>Millions of dollars</i>	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Personal income tax	40	45	25	25	25	20	n.a.	n.a.



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	<i>Income Tax Act</i> , subparagraph 6(1)(a)(i), section 18 and section 20.01
Implementation and recent history	<ul style="list-style-type: none"> 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	<p>This measure exempts from tax income or gains that are included in a comprehensive income tax base.</p> <p>This measure provides tax recognition for an expense that is not incurred to earn income.</p>
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., <i>Health Insurance Benefits in Canada and Premium & Retail Tax on Life & Health Insurance</i> Conference Board of Canada, <i>Benefits Benchmarking</i>
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	About 13.5 million individuals are estimated to have received employer-paid health or dental benefits in 2014.

Cost Information:

Millions of dollars	2010	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)
Personal income tax	2,225	2,315	2,420	2,520	2,590	2,730	2,735	2,890



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 must be included in income for tax purposes, but an offsetting deduction from net income is provided. The amount of the deduction is 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 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	<i>Income Tax Act</i> , paragraph 110(1)(j)
Implementation and recent history	<ul style="list-style-type: none">Introduced in Budget 1985. Effective for home relocation loans received after May 23, 1985.
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	T1 micro-simulation model
Number of beneficiaries	About 1,200 individuals claimed this deduction in 2013.

Cost Information:

<i>Millions of dollars</i>	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Personal income tax	\$	\$	\$	\$	\$	\$	\$	\$



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 and corporate income tax
Beneficiaries	Individual and corporate investors
Type of measure	Exemption
Legal reference	<i>Income Tax Act</i> , subsections 83(2) and 89(1)
Implementation and recent history	<ul style="list-style-type: none">Introduced in Budget 1971. Effective for the 1972 and subsequent taxation years.
Objective – category	To encourage or attract investment To encourage savings To support competitiveness
Objective	This measure maintains the non-taxable treatment of certain amounts received by individuals through private corporations, similar to the treatment of those amounts received directly by the individuals.
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base.
Subject	Savings and investment
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	n/a
Source of data	No data is available.
Estimation method	No estimate is available.
Projection method	No projection is available.
Number of beneficiaries	No data is available.



Non-taxation of capital gains on donations of cultural property

Description	Certain objects certified by the Canadian Cultural Property Export Review Board as being of cultural importance to Canada are exempt from capital gains tax when disposed of by sale or donation within 24 month of certification to a cultural institution, such as a museum or art gallery, designated under the <i>Cultural Property Export and Import Act</i> . 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 and corporate income tax
Beneficiaries	Individual and corporate donors
Type of measure	Exemption
Legal reference	<i>Income Tax Act</i> , subsections 118.1(1) and 110.1(1) and paragraph 39(1)(a)(i.1)
Implementation and recent history	<ul style="list-style-type: none">Introduced in 1977.Budget 1998 extended the holding period for certified cultural property from 5 to 10 years, effective February 23, 1998.
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 500 certificates to individuals in 2013-14. No data is available for corporations.

**Cost Information:**

<i>Millions of dollars</i>	2010	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)
Personal income tax	5	10	10	25	10	10	10	10
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:

<i>Millions of dollars</i>	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Charitable Donation Tax Credit	20	30	30	75	25	25	25	25
Deductibility of charitable donations	20	5	35	2	10	15	20	20
Non-taxation of capital gains – personal income tax	5	10	10	25	10	10	10	10
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 real servitude on such land) to a public conservation charity 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 and corporate income tax
Beneficiaries	Individual and corporate donors
Type of measure	Exemption
Legal reference	<i>Income Tax Act</i> , subsections 110.1(1), 118.1(1) and 38(a.2), and section 207.31
Implementation and recent history	<ul style="list-style-type: none">• 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.
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 mandate of Environment and Climate Change Canada, the Canadian Environmental Assessment Agency, the National Energy Board, 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 about 600 corporations in 2013. The number of individuals who obtained tax relief is unknown; however, fewer than 100 individuals made donations of ecologically sensitive land in that year.

**Cost Information:**

<i>Millions of dollars</i>	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Personal income tax	2	2	2	2	2	1	2	2
Corporate income tax	1	1	1	5	3	1	2	2
Total	3	3	3	2	5	2	4	4

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

<i>Millions of dollars</i>	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Charitable Donation Tax Credit	5	5	5	5	5	2	5	10
Deductibility of charitable donations	1	5	2	5	1	3	3	3
Non-taxation of capital gains – personal income tax	2	2	2	2	2	1	2	2
Non-taxation of capital gains – corporate income tax	1	1	1	5	3	1	2	2
Total	10	15	10	10	10	5	10	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 and corporate income tax
Beneficiaries	Individual and corporate donors
Type of measure	Exemption
Legal reference	<i>Income Tax Act</i> , paragraphs 38(a.1) and (a.4), sections 38.3 and 38.4
Implementation and recent history	<ul style="list-style-type: none">• 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: The tax expenditure is projected to grow in line with nominal gross domestic product.
Number of beneficiaries	This measure provided tax relief to about 600 corporations in 2013. The number of individuals who obtained tax relief is unknown; however, about 4,700 individuals made donations of publicly listed shares in that year.

**Cost Information:**

Millions of dollars	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Personal income tax	40	45	40	45	70	45	50	50
Corporate income tax	60	65	55	70	100	80	85	85
Total	100	110	95	115	170	125	135	135

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	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Charitable Donation Tax Credit	140	140	125	145	240	150	160	170
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	40	45	40	45	70	45	50	50
Non-taxation of capital gains – corporate income tax	60	65	55	70	100	80	85	85
Total	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.



Non-taxation of capital gains on principal residences

Description	This measure provides an exemption from tax in respect of all or a portion of a capital gain from the sale of a principal residence of an individual or personal trust. In general, certain property of an individual or personal trust may be designated as a principal residence for a taxation year where the property was ordinarily inhabited in the year by the taxpayer or a particular beneficiary of the trust or by the spouse or common-law partner, former spouse or common-law partner, or child of the taxpayer or the particular beneficiary of the trust. Properties that may be designated as a principal residence of an individual or personal trust are a housing unit, a leasehold interest in a housing unit, and in certain circumstances, shares of the capital stock of a cooperative housing corporation owned by the individual or personal trust. The exempt portion of the capital gain from the sale of a principal residence is generally determined in proportion to the fraction where one plus the number of years after 1971 that the property was owned by and designated as the principal residence of the individual or personal trust while resident in Canada is divided by the number of years after 1971 that the property was owned by the individual or personal trust.
Tax	Personal income tax
Beneficiaries	Individual homeowners
Type of measure	Exemption
Legal reference	<i>Income Tax Act</i> , paragraph 40(2)(b), definition of "principal residence", and section 54 <i>Income Tax Regulations</i> , section 2301
Implementation and recent history	<ul style="list-style-type: none"> 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.
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 (<i>Summary of 1971 Tax Reform Legislation</i> , 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 are intended to promote the construction of new houses, the repair and modernization of existing houses and the improvement of housing and living conditions. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Data from the Multiple Listing Service and Statistics Canada
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 based on data and assumptions about the volume and average selling price of residential resales, the proportion of residential resales to which the measure applies, the purchase cost and length of tenure of residential resales, capital improvements made (e.g., additions and renovations), and expenses deductible in determining net capital gains (e.g., real estate commissions, legal fees).
Projection method	Projections are based on forecasts of residential resales and average selling prices provided by the Canada Mortgage and Housing Corporation.
Number of beneficiaries	No data is available.

Cost Information:

<i>Millions of dollars</i>	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Personal income tax	4,105	4,700	3,900	4,160	5,100	5,920	5,320	4,975



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: <ul style="list-style-type: none">• goods, other than certain books and periodicals, valued at not more than \$20 and sent from other countries by mail or courier to residents of Canada;• 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.
Tax	Goods and Services Tax
Beneficiaries	Households, businesses, foreign diplomats, settlers
Type of measure	Other
Legal reference	Schedule VII to the <i>Excise Tax Act</i> <i>Non-Taxable Imported Goods (GST/HST) Regulations</i>
Implementation and recent history	<ul style="list-style-type: none">• 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:<ul style="list-style-type: none">• Budget 2012 announced a measure to provide GST relief on foreign-based rental vehicles temporarily imported by Canadian residents, applicable after June 1, 2012; and• 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	<ul style="list-style-type: none">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 Family Caregiver Relief Benefit, and certain other amounts payable under the <i>Pension Act</i> (as well as pension payments from allied countries that grant similar relief), the <i>Civilian War-related Benefits Act</i> , the <i>Gallantry Awards Order</i> and section 9 of the <i>Aeronautics Act</i> .
Tax	Personal income tax
Beneficiaries	Veterans, members of the Canadian Armed Forces and their families
Type of measure	Exemption
Legal reference	<i>Income Tax Act</i> , paragraphs 81(1)(d), (d.1) and (e)
Implementation and recent history	<ul style="list-style-type: none"> 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, 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	More than 140,000 individuals did not include these amounts in income in 2013-14.

Cost Information:

Millions of dollars	2010	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)
Personal income tax	275	270	265	255	240	230	220	215



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	<i>Income Tax Act</i> , paragraph 110(1)(f)
Implementation and recent history	<ul style="list-style-type: none">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	About 2 million individuals reported having received Guaranteed Income Supplement or Allowance benefits in 2013.

Cost Information:

<i>Millions of dollars</i>	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Personal income tax	100	115	130	135	135	140	145	150



Non-taxation of income earned by military and police deployed to high- and moderate-risk international missions

Description	Income earned by members of the Canadian Armed Forces and police officers deployed on international high- and moderate-risk missions 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.
Tax	Personal income tax
Beneficiaries	Members of the Canadian Armed Forces and police officers deployed on international high- and moderate-risk missions
Type of measure	Exemption
Legal reference	<i>Income Tax Act</i> , subparagraph 110(1)(f)(v) Income Tax Regulations, section 7500
Implementation and recent history	<ul style="list-style-type: none"> Introduced in Budget 2004. Effective for the 2004 and subsequent taxation years. Announcement that the deduction would be extended to moderate-risk missions (National Defence news release NR-04.028, April 14, 2004).
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 high- and moderate-risk international missions (Budget 2004; National Defence news release NR-04.028, April 14, 2004).
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 and the Royal Canadian Mounted Police
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. Total exempt earnings are calculated based on the average salaries of members of the Canadian Armed Forces and the Royal Canadian Mounted Police and the number of these individuals who have been deployed to high- and moderate-risk missions. The estimate for 2015 is calculated based on external data from National Defence on the number of Canadian Forces members receiving a Risk Allowance under the Foreign Service Directives.
Projection method	Projections for 2016 and 2017 are not provided as the value of this measure cannot be reliably forecast for these years.
Number of beneficiaries	More than 3,000 individuals received tax-exempt income in respect of high- or moderate-risk international missions in 2013.

Cost Information:

Millions of dollars	2010	2011	2012	2013	2014	2015	2016 (P)	2017 (P)
Personal income tax	35	35	15	15	4	5	n.a.	n.a.



Non-taxation of income from the Office of the Governor General of Canada

Description	An income tax exemption was available for the Governor General's salary. Budget 2012 repealed the exemption, effective 2013.
Tax	Personal income tax
Beneficiaries	Governor General of Canada
Type of measure	Exemption
Legal reference	<i>Income Tax Act</i> , paragraph 81(1)(n) (repealed)
Implementation and recent history	<ul style="list-style-type: none"> Introduced in 1917. Effective for the 1917 and subsequent taxation years. Budget 2012 repealed the exemption, effective 2013.
Objective – category	Other
Objective	This measure ensured that the income received from the Office of the Governor General, who is a direct representative of the Crown, was not subject to tax.
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempted from tax income or gains that are included in a comprehensive income tax base.
Subject	Other
CCOFOG 2014 code	n/a
Other relevant government programs	n/a
Source of data	Public Accounts of Canada
Estimation method	The value of this measure is estimated based on the Governor General's salary as reported in the Public Accounts.
Projection method	n/a
Number of beneficiaries	The Governor General of Canada was the sole beneficiary of this measure.

Cost Information:

<i>Millions of dollars</i>	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Personal income tax	\$	\$	\$	–	–	–	–	–



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

Description	<p>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.</p> <p>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.</p>
Tax	Personal income tax
Beneficiaries	Individuals
Type of measure	Exemption
Legal reference	<i>Income Tax Act</i> , paragraphs 81(1)(g.1) and (g.2)
Implementation and recent history	<ul style="list-style-type: none">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	<i>Income Tax Act</i> , subsection 138(2) <i>Income Tax Regulations</i> , sections 2400 to 2412
Implementation and recent history	<ul style="list-style-type: none">• 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	<i>Income Tax Act</i> , section 3, paragraph 40(2)(f) and subsection 52(4)
Implementation and recent history	<ul style="list-style-type: none">• 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 and corporate income tax
Beneficiaries	Non-profit organizations
Type of measure	Exemption
Legal reference	<i>Income Tax Act</i> , paragraph 149(1)(l)
Implementation and recent history	<ul style="list-style-type: none"> 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	Estimates assume that, in the absence of the tax exemption, net income of non-profit organizations would be subject to the same average effective tax rates as typical taxable corporations. This represents a lower bound estimate.
Projection method	The cost of this measure is projected to mainly grow in line with nominal gross domestic product.
Number of beneficiaries	About 20,000 non-profit organizations with positive net assets filed a T1044 return in 2012.

Cost Information:

<i>Millions of dollars</i>	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Total – personal and corporate income tax	125	125	70	90	90	65	90	130



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

Description	<p>Section 87 of the <i>Indian Act</i> exempts the personal property of status Indians and Indian bands from direct taxation if that property is situated on a reserve.</p> <p>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.</p> <p>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.</p>
Tax	Personal income tax Goods and Services Tax
Beneficiaries	Status Indians and Indian bands on reserve
Type of measure	Exemption
Legal reference	<i>Indian Act</i> , section 87 <i>Income Tax Act</i> , paragraph 81(1)(a)
Implementation and recent history	<ul style="list-style-type: none">• The first tax exemption available to status Indians was enacted in 1850, later being replaced by the <i>Indian Act</i> in 1876.• The current wording of section 87 of the <i>Indian Act</i> 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 <i>Indian Act</i> .
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, government assistance received by a taxpayer is taken into account for federal income tax purposes as an inclusion in income. However, provincial financial assistance (such as a provincial tax credit) received in respect of or for the acquisition of shares of a prescribed venture capital corporation is not included in the income of the taxpayer that benefited from the assistance.
Tax	Personal and corporate income tax
Beneficiaries	Individual and corporate investors
Type of measure	Exemption
Legal reference	<i>Income Tax Act</i> , paragraph 12(1)(x) <i>Income Tax Regulations</i> , sections 6700, 6702 and 7300
Implementation and recent history	<ul style="list-style-type: none">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	<i>Income Tax Act</i> , paragraph 81(1)(i)
Implementation and recent history	<ul style="list-style-type: none">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	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 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 and corporate income tax
Beneficiaries	Registered charities
Type of measure	Exemption
Legal reference	<i>Income Tax Act</i> , paragraph 149(1)(f)
Implementation and recent history	<ul style="list-style-type: none">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 (<i>The Tax Treatment of Charities</i> , 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	<i>Income Tax Act</i> , paragraph 110(1)(f)
Implementation and recent history	<ul style="list-style-type: none">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	About 1.6 million individuals reported having received social assistance payments in 2013.

Cost Information:

Millions of dollars	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Personal income tax	155	160	170	175	180	190	200	210



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 <i>Income Tax Act</i> .
Implementation and recent history	<ul style="list-style-type: none">The Supreme Court confirmed a longstanding administrative position that strike pay is non-taxable in a 1990 court case (<i>Wally Fries v. The Queen</i>, [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
Beneficiaries	Individuals receiving death benefits
Type of measure	Exemption
Legal reference	<i>Income Tax Act</i> , subparagraph 56(1)(a)(iii) and subsection 248(1), definition of "death benefit"
Implementation and recent history	<ul style="list-style-type: none">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 and Northern Affairs 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	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 veterans' Disability Awards and Critical Injury Benefits

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. These awards 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	<i>Income Tax Act</i> , paragraph 118(1)(d.1)
Implementation and recent history	<ul style="list-style-type: none"> 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).
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	About 45,000 individuals received these tax-exempt amounts in 2013-14.

Cost Information:

<i>Millions of dollars</i>	2010	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)
Personal income tax	95	95	105	115	115	160	175	150



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	<i>Income Tax Act</i> , subparagraph 110(1)(f)(ii)
Implementation and recent history	<ul style="list-style-type: none"> 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 590,000 individuals reported having received workers' compensation benefits in 2013.

Cost Information:

Millions of dollars	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Personal income tax	625	625	625	610	610	620	625	635



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 \$16.50 a day, and a deduction for two employer-provided vacation trips per year and unlimited employer-provided 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	<i>Income Tax Act</i> , section 110.7 <i>Income Tax Regulations</i> , sections 7303.1 and 7304
Implementation and recent history	<ul style="list-style-type: none"> 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.
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 260,000 individuals claimed these deductions in 2013.

Cost Information:

<i>Millions of dollars</i>	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Personal income tax	160	170	180	175	175	185	185	195



Overseas Employment Tax Credit

Description	An employee who is a resident of Canada and is employed outside Canada for more than six consecutive months by a person resident in Canada (or a foreign affiliate of such a person) in connection with the exploration for, or exploitation of, certain natural resources, with construction, installation, engineering or agricultural activities or with activities performed under a contract with the United Nations is able to claim a non-refundable tax credit equal to the federal income tax otherwise payable on 20% (for 2015) of his or her foreign employment income (80% before 2013), up to a maximum foreign employment income of \$100,000. Budget 2012 announced the phase out of this measure by 2016 (see details below).
Tax	Personal income tax
Beneficiaries	Employees working abroad
Type of measure	Credit, non-refundable
Legal reference	<i>Income Tax Act</i> , section 122.3 <i>Income Tax Regulations</i> , sections 3400 and 6000
Implementation and recent history	<ul style="list-style-type: none"> Introduced in Budget 1979 as a 50% deduction of foreign employment income, up to a maximum deduction of \$50,000. Effective for the 1980 and subsequent taxation years. Budget 1983 replaced the deduction with a non-refundable credit equal to the federal income tax otherwise payable on 80% of foreign employment income, effective as of 1984. Budget 2012 announced the phase-out of this credit over the 2013-2015 period. The share of qualifying foreign employment income on which the credit is calculated was reduced from 80% to 60% for 2013, to 40% for 2014 and to 20% for 2015. The credit will be fully eliminated in 2016.
Objective – category	To support competitiveness
Objective	This measure promoted the competitiveness of Canadian firms in certain sectors in bidding for overseas contracts by offering tax treatment comparable to that provided by other countries (Budget 1979; Budget 1983; Budget 2012).
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	Employment International
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 5,800 individuals claimed this credit in 2013.

Cost Information:

Millions of dollars	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Personal income tax	75	75	70	55	40	20	–	–



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 and corporate income tax Goods and Services Tax
Beneficiaries	Businesses
Type of measure	Deduction; input tax credit
Legal reference	<i>Income Tax Act</i> , section 67.1 Excise Tax Act, section 236
Implementation and recent history	<ul style="list-style-type: none"> 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 Innovation, Science and Economic Development Canada, Global Affairs Canada, and Public Services and Procurement Canada (among other departments) 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 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 profits. The GST component is projected based on the income tax projections.
Number of beneficiaries	This measure provided tax relief to about 810,000 individuals and 745,000 corporations in 2013.

Cost Information:

<i>Millions of dollars</i>	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Personal income tax	185	185	200	200	200	205	205	205
Corporate income tax	270	280	275	265	295	280	300	300
Goods and Services Tax	145	150	155	160	155	155	160	170
Total	600	615	630	625	650	640	665	675



Partial inclusion of capital gains

Description	Only half of net realized capital gains are included in income.
Tax	Personal and corporate income tax
Beneficiaries	Individuals and corporations
Type of measure	Exemption
Legal reference	Income Tax Act, section 38
Implementation and recent history	<ul style="list-style-type: none"> 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 (<i>Proposals for Tax Reform, 1969; The White Paper: Tax Reform 1987; Budget 2000; 2000 Economic Statement and Budget Update</i>).
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 Corporate income tax: T2 Corporation Income Tax Return
Estimation method	Personal income tax: T1 micro-simulation model Corporate income tax: T2 micro-simulation model
Projection method	Personal income tax: T1 micro-simulation model Corporate income tax: Projections are based on the Department of Finance's forecast for the growth of taxable capital gains.
Number of beneficiaries	About 2.3 million individuals and 161,000 corporations reported capital gains in 2013.

Cost Information:

Millions of dollars	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Personal income tax	3,630	3,800	3,330	4,135	5,650	5,250	5,830	6,330
Corporate income tax	3,330	3,865	3,880	4,505	5,460	5,715	6,280	6,675
Total	6,960	7,665	7,210	8,640	11,110	10,965	12,110	13,005



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	<i>Income Tax Act</i> , section 110(1)(h) Canada-United States Tax Convention, article XVIII, paragraph 5(a)
Implementation and recent history	<ul style="list-style-type: none">• 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 reliable data is available for this measure. As such, estimates and projections are no longer presented.
Estimation method	No estimate is available.
Projection method	No projection is available.
Number of beneficiaries	No data is available.



Patronage dividend deduction

Description	Cooperatives, as well as ordinary corporations, can deduct payments made to customers and suppliers in proportion to their volume of business. These payments, called "patronage dividends," are unlike regular dividends, which are paid to investors in proportion to equity shareholdings and are not deductible for income tax purposes. Patronage dividends may not be deducted if paid to non-arm's length persons, except when the payer is a co-operative or a credit union. Patronage dividends, other than those in respect of consumer goods or services, are included in the recipient's income in the year received.
Tax	Corporate income tax
Beneficiaries	Corporations
Type of measure	Deduction
Legal reference	<i>Income Tax Act</i> , section 135
Implementation and recent history	<ul style="list-style-type: none"> Introduced in 1928. Amended in Budget 2004 to prevent persons, other than co-operatives and credit unions, from deducting patronage dividends to non-arm's length persons.
Objective – category	To recognize expenses incurred to earn business or property income To prevent double taxation
Objective	This measure reflects the view that patronage dividends are a form of customer rebate or a type of supplier incentive, and as such should be deductible as other business expenses.
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 Innovation, Science and Economic Development Canada, Global Affairs Canada, and Public Services and Procurement Canada (among other departments) 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. The value of this measure is an upper bound estimate as it does not take into account any income inclusion made by the recipient of the patronage dividend.
Projection method	The value of this measure is projected to grow in line with corporate profits.
Number of beneficiaries	About 900 corporations claimed this deduction in 2013.

Cost Information:

Millions of dollars	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Corporate income tax	280	335	240	220	230	220	235	240



Patronage dividends paid as shares by agricultural cooperatives

Description	<p>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.</p> <p>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 2021, and generally must not be redeemable or retractable within five years of its issue.</p>
Tax	Personal and corporate income tax
Beneficiaries	Members of agricultural cooperatives
Type of measure	Timing preference
Legal reference	<i>Income Tax Act</i> , section 135.1
Implementation and recent history	<ul style="list-style-type: none"> 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.
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, Fisheries and Oceans Canada and the Canadian Coast Guard 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 2013. No data is available for unincorporated agricultural cooperatives.

Cost Information:

<i>Millions of dollars</i>	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Personal income tax	2	2	2	2	1	2	2	2
Corporate income tax	4	5	4	4	3	4	4	4
Total	5	5	5	5	4	5	5	5



Pension Income Credit

Description	<p>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.</p> <p>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.</p>
Tax	Personal income tax
Beneficiaries	Seniors and pensioners receiving eligible pension income
Type of measure	Credit, non-refundable
Legal reference	<i>Income Tax Act</i> , subsections 118(3) and (7)
Implementation and recent history	<ul style="list-style-type: none"> 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.
Objective – category	<p>To provide income support or tax relief</p> <p>To achieve a social objective</p>
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	<p>Tax credits are treated as deviations from the benchmark tax system.</p> <p>The tax benefit from this measure is transferable between spouses or common-law partners.</p>
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 4.7 million individuals claimed this credit in 2013.

Cost Information:

Millions of dollars	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Personal income tax	1,010	1,035	1,065	1,100	1,135	1,165	1,205	1,250



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 pension income splitting and the Pension Income Credit 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) also qualifies 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	<i>Income Tax Act</i> , section 60.03
Implementation and recent history	<ul style="list-style-type: none"> 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.
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 1.2 million couples split pension income in 2013.

Cost Information:

Millions of dollars	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Personal income tax	895	975	1,040	1,075	1,110	1,180	1,205	1,285



Political Contribution Tax Credit

Description	Individuals who make monetary contributions to a registered party, a registered association or a candidate as defined in the <i>Canada Elections Act</i> 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
Beneficiaries	Individuals
Type of measure	Credit, non-refundable
Legal reference	<i>Income Tax Act</i> , subsection 127(3)
Implementation and recent history	<ul style="list-style-type: none">Introduced as part of the <i>Election Expenses Act</i> 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 <i>Federal Accountability Act</i>.
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 Data from Elections Canada
Estimation method	T1 micro-simulation model
Projection method	Projections for this measure 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	About 150,000 individuals claimed this credit in 2013.

Cost Information:

Millions of dollars	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Personal income tax	20	25	25	25	25	35	25	30



Pooled Registered Pension Plans

Description	A Pooled Registered Pension Plan (PRPP) is a type of pension plan that is similar to a defined contribution registered pension plan. A deferral of tax is provided on savings in a PRPP in order to encourage and assist Canadians to save for retirement. Contributions to a PRPP are deductible from income, the investment income is not taxed as it accrues in the plan, and withdrawals and benefit payments are included in income for tax purposes. Contributions to PRPPs must be made within a PRPP member's available Registered Retirement Savings Plan contribution limit.
Tax	Personal income tax
Beneficiaries	Individuals with available RRSP contribution room
Type of measure	Timing preference
Legal reference	<i>Income Tax Act</i> , section 147.5
Implementation and recent history	<ul style="list-style-type: none"> Draft amendments to the income tax rules were released for public comment in 2011 (Department of Finance Canada news release 2011-134, December 14, 2011). Final amendments were tabled in Parliament in 2012 (Department of Finance Canada news release 2012-126, October 18, 2012). 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:

<i>Millions of dollars</i>	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Personal income tax	–	–	–	–	–	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 corporate income tax rate of 11% for 2015 (to be reduced gradually to 9% by 2019). The \$500,000 annual small business limit must be shared by a CCPC with other CCPCs with which it is associated. In order to target the preferential tax rate to small businesses, the annual small business limit is gradually reduced when the taxable capital of the CCPCs that are part of the same associated group is between \$10 million and \$15 million, and is zero if the taxable capital of the associated group is \$15 million or greater.
Tax	Corporate income tax
Beneficiaries	Small Canadian-controlled private corporations
Type of measure	Preferential tax rate
Legal reference	<i>Income Tax Act</i> , section 125
Implementation and recent history	<ul style="list-style-type: none"> 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 the reduction of the preferential tax rate from 11% to 10.5% in 2016, 10% in 2017, 9.5% in 2018 and 9% as of 2019 (compared to the general corporate income tax rate of 15% that applies since 2012).
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 profits.
Number of beneficiaries	This measure provides tax relief to about 700,000 corporations each year.

Cost Information:

Millions of dollars	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Corporate income tax	4,225	3,870	3,260	3,065	3,225	3,095	3,615	4,120



Public Transit Tax Credit

Description	A non-refundable tax credit is available at the lowest personal income tax rate for the cost of monthly public transit passes or passes of longer duration. The credit may 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 are under 19 years of age.
Tax	Personal income tax
Beneficiaries	Individuals
Type of measure	Credit, non-refundable
Legal reference	<i>Income Tax Act</i> , section 118.02
Implementation and recent history	<ul style="list-style-type: none">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.
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 mandate of Environment and Climate Change Canada, the Canadian Environmental Assessment Agency, the National Energy Board, 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	T1 micro-simulation model
Number of beneficiaries	About 1.7 million individuals claimed this credit in 2013.

Cost Information:

Millions of dollars	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Personal income tax	150	160	170	180	190	200	205	210



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
Beneficiaries	n/a
Type of measure	Other
Legal reference	<i>Federal-Provincial Fiscal Arrangements Act</i> , Part VI <i>Federal Provincial Fiscal Revision Act</i> , 1964
Implementation and recent history	<ul style="list-style-type: none"> 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 <i>Federal-Provincial Fiscal Arrangements Act</i> 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	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Personal income tax	3,665	3,885	4,040	4,130	4,390	4,630	4,900	5,175



Rebate for book purchases made by certain organizations

Description	<p>A 100% rebate is provided in respect of GST paid on books acquired by:</p> <ul style="list-style-type: none"> • 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. <p>The rebate is not available when the books are acquired for resale.</p>
Tax	Goods and Services Tax
Beneficiaries	Schools, colleges, universities, municipalities, certain charities and certain non-profit organizations
Type of measure	Rebate
Legal reference	<i>Excise Tax Act</i> , section 259.1
Implementation and recent history	<ul style="list-style-type: none"> • 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 and Northern Affairs 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 2,000 entities claim this rebate each year.

Cost Information:

Millions of dollars	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Goods and Services Tax	20	20	20	20	20	20	20	20



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	<i>Excise Tax Act</i> , subsection 259(3)
Implementation and recent history	<ul style="list-style-type: none"> 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 (<i>Goods and Services Tax: Technical Paper</i> , 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 600 entities claim this rebate each year.

Cost Information:

Millions of dollars	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Goods and Services Tax	560	620	590	630	650	665	675	685



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	<i>Excise Tax Act</i> , subsections 259(3) and (4)
Implementation and recent history	<ul style="list-style-type: none"> 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 (<i>Goods and Services Tax: Technical Paper</i> , 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:

<i>Millions of dollars</i>	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Goods and Services Tax	1,975	2,070	2,010	1,990	2,035	2,030	2,010	2,040



Rebate for new housing

Description	<p>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.</p> <p>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).</p>
Tax	Goods and Services Tax
Beneficiaries	Individuals who have purchased or constructed new homes
Type of measure	Rebate
Legal reference	<i>Excise Tax Act</i> , sections 254 and 256
Implementation and recent history	<ul style="list-style-type: none"> 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 (<i>Goods and Services Tax Consolidated Explanatory Notes</i> , 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 are intended to promote the construction of new houses, the repair and modernization of existing houses and the improvement of housing and living conditions. 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	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Goods and Services Tax	585	575	580	600	575	555	535	545



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	<i>Excise Tax Act</i> , section 256.1
Implementation and recent history	<ul style="list-style-type: none"> 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 are intended to promote the construction of new houses, the repair and modernization of existing houses and the improvement of housing and living conditions. 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	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Goods and Services Tax	65	65	85	105	105	100	95	100



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	<i>Excise Tax Act</i> , section 259.2
Implementation and recent history	<ul style="list-style-type: none">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	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (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	<i>Excise Tax Act</i> , subsection 259(3)
Implementation and recent history	<ul style="list-style-type: none"> 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 (<i>Goods and Services Tax</i> , 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 8,500 entities claim this rebate each year.

Cost Information:

<i>Millions of dollars</i>	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Goods and Services Tax	75	70	65	65	65	65	70	75



Rebate for registered charities

Description	Charities registered under the <i>Income Tax Act</i> 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	<i>Excise Tax Act</i> , subsection 259(3)
Implementation and recent history	<ul style="list-style-type: none">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 (<i>Goods and Services Tax</i> , 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 50,000 entities claim this rebate each year.

Cost Information:

Millions of dollars	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Goods and Services Tax	270	285	290	285	295	300	315	330



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	<i>Excise Tax Act</i> , subsection 259(3)
Implementation and recent history	<ul style="list-style-type: none"> 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 (<i>Goods and Services Tax: Technical Paper</i> , 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 and Northern Affairs 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:

<i>Millions of dollars</i>	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Rebate for schools	360	375	380	385	395	405	410	420
Rebate for colleges	100	100	85	80	85	85	90	90
Rebate for universities	260	260	235	230	235	245	245	250
Total – Goods and Services Tax	720	735	700	695	715	735	745	760



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	<i>Excise Tax Act</i> , sections 258.1 and 258.2
Implementation and recent history	<ul style="list-style-type: none"> 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	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Goods and Services Tax	\$	\$	\$	\$	\$	\$	\$	\$



Rebate to employees and partners

Description	<p>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.</p> <p>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.</p> <p>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.</p>
Tax	Goods and Services Tax
Beneficiaries	Employees and partners
Type of measure	Rebate
Legal reference	<i>Excise Tax Act</i> , section 253
Implementation and recent history	<ul style="list-style-type: none"> 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	<p>Employment</p> <p>Business - other</p>
CCOFOG 2014 code	<p>70412 - Economic affairs - General economic, commercial, and labor affairs - General labor affairs</p> <p>70499 - Economic affairs - Economic affairs not elsewhere classified</p>
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support employment. Programs within the mandates of Innovation, Science and Economic Development Canada, Global Affairs Canada, and Public Services and Procurement Canada (among other departments) 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:

<i>Millions of dollars</i>	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Goods and Services Tax	75	70	65	65	65	70	70	75



Reclassification of expenses under flow-through shares

Description	Small corporations in the oil and gas sector are 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".
Tax	Personal and corporate income tax
Beneficiaries	Investors in flow-through shares and small oil and gas corporations
Type of measure	Timing preference
Legal reference	<i>Income Tax Act</i> , subsection 66(12.601)
Implementation and recent history	<ul style="list-style-type: none"> 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.
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.
Projection method	Projections based on current market conditions.
Number of beneficiaries	Information on the number of beneficiaries is not available. About 45 corporations reclassified expenses under this provision in 2013.

Cost Information:

Millions of dollars	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Personal income tax	-2	-5	-10	-10	-5	-10	-5	-5
Corporate income tax	-1	-2	-2	-1	-1	-1	-1	-1
Total	-3	-5	-10	-10	-5	-10	-5	-5



Refundable capital gains tax for investment and mutual fund corporations

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.
Tax	Corporate income tax
Beneficiaries	Investment and mutual fund corporations
Type of measure	Other
Legal reference	<i>Income Tax Act</i> , subsections 131(2) and (6)
Implementation and recent history	<ul style="list-style-type: none">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
Estimation method	The value of this measure is the sum of the amounts of federal capital gains refunds claimed by investment and mutual fund corporations.
Projection method	Projections for this measure are derived under the assumption that capital gains refunds will increase at the same rate as the average of corporate taxable income and/or taxable capital gains.
Number of beneficiaries	About 75 investment and mutual fund corporations claimed a capital gain refund in 2013.

Cost Information:

Millions of dollars	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Corporate income tax	195	205	110	225	515	295	305	320



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 2015, the supplement is available to individuals whose earnings from employment or self-employment meet or exceed a minimum threshold of \$3,421. 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 25% of the allowable portion of expenses that can be claimed under the Medical Expense Tax Credit and the disability supports deduction, up to a maximum credit of \$1,172 for 2015. The supplement is reduced by 5% of net family income above an income threshold of \$25,939. 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	<i>Income Tax Act</i> , section 122.51
Implementation and recent history	<ul style="list-style-type: none"> 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 - Sicknes 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 520,000 individuals received this benefit in 2013.

Cost Information:

Millions of dollars	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Personal income tax	135	135	140	140	140	145	145	150



Refundable taxes on investment income of private corporations

Description	<p>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 <i>Income Tax Act</i> provides rules that counter such a deferral:</p> <ul style="list-style-type: none"> Under Part I of the <i>Income Tax Act</i>, investment income (other than taxable dividends) received by a Canadian-controlled private corporation is subject to a partly refundable 38½% income tax rate (an unreduced 28% general tax rate plus an additional tax of 10½%). The refundable portion corresponds to 30½% of the investment income. Under Part IV of the Act, taxable dividends received by a private corporation are generally subject to a 38½% income tax rate. <p>The refundable portion of the Part I tax and the full amount of the Part IV tax are added to the corporation's Refundable Dividend Tax on Hand (RDTOH) account. Amounts in this account are refundable to the corporation upon the payment of taxable dividends, at the effective rate of 38½% of taxable dividends paid.</p>
Tax	Corporate income tax
Beneficiaries	Private corporations
Type of measure	Other
Legal reference	<i>Income Tax Act</i> , sections 123, 123.3, 123.4, 124, 129 and 186
Implementation and recent history	<ul style="list-style-type: none"> 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 33½% 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 33½% 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 6½% 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.
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 215,000 and 177,000 corporations were respectively subject to the additional Part I tax and Part IV tax in 2013, while 213,000 corporations claimed the dividend refund in that year.

**Cost Information:**

Millions of dollars	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Additional Part I tax	-1,690	-2,330	-2,775	-3,310	-3,765	-3,720	-4,505	-4,980
Part IV tax	-2,805	-3,035	-3,460	-3,845	-4,135	-4,090	-4,135	-4,090
Dividend refund	5,280	5,600	6,280	7,140	7,160	7,085	8,355	9,195
Total – corporate income tax	785	235	45	-15	-740	-725	-285	125



Refunds for aboriginal self-governments

Description	Under agreements which are given force of law by Parliament, aboriginal self-governments are provided with a 100% refund of the GST for goods and services acquired for use in governmental activities within their lands.
Tax	Goods and Services Tax
Beneficiaries	Aboriginal 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	<ul style="list-style-type: none"> 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 aboriginal 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 aboriginal self-governments in exercising governmental activities within their lands.
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:

<i>Millions of dollars</i>	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Goods and Services Tax	5	5	5	5	5	5	5	5



Registered Disability Savings Plans

Description	<p>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.</p> <p>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. 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.</p>
Tax	Personal income tax
Beneficiaries	Individuals with disabilities
Type of measure	Timing preference
Legal reference	<i>Income Tax Act</i> , sections 146.4 and 205 <i>Canada Disability Savings Act</i> and <i>Canada Disability Savings Regulations</i>
Implementation and recent history	<ul style="list-style-type: none"> Introduced in Budget 2007. Effective for the 2008 and subsequent taxation years.
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.
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 projected by taking a five-year average of historical yields.
Number of beneficiaries	About 110,000 RDSPs were registered from December 2008 to October 2015.

Cost Information:

Millions of dollars	2010	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)
Personal income tax	10	15	25	25	35	40	45	55



Registered Education Savings Plans

Description	<p>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.</p> <p>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.</p>
Tax	Personal income tax
Beneficiaries	Individuals who subscribe under an RESP
Type of measure	Timing preference
Legal reference	<i>Income Tax Act</i> , section 146.1 <i>Canada Education Savings Act</i> and <i>Canada Education Savings Regulations</i>
Implementation and recent history	<ul style="list-style-type: none">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 and Northern Affairs 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 2015 is based on projected RESP net assets and withdrawals produced by Employment and Social Development Canada, while projections for 2016 and 2017 are made based on historical growth. Future bond yields are projected by taking a five-year average of historical yields.
Number of beneficiaries	No data on the total number of individuals with an RESP is available. About 5.1 million individuals with an RESP have received a Canada Education Savings Grant between 1998 and 2014.



Cost Information:

<i>Millions of dollars</i>	2010	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)
Personal income tax	160	170	160	170	160	130	125	140



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 (\$25,370 for 2015). For defined benefit RPP members, pension benefits are limited to 2% of employment earnings per year of service up to a specified dollar amount (\$2,819 for 2015).
Tax	Personal income tax
Beneficiaries	Employees with a registered pension plan
Type of measure	Timing preference
Legal reference	<i>Income Tax Act</i> , sections 147.1 to 147.4
Implementation and recent history	<ul style="list-style-type: none"> 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 (<i>Pension Reform: Improvements in Tax Assistance for Retirement Saving</i> , 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	Statistics Canada, Registered pension plans, Trusteed pension funds and Pension satellite account (CANSIM tables 280-0026, 280-0004 and 378-0117)
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 7.1 million households had individuals that had accrued benefits under RPPs in 2012.

Cost Information:

<i>Millions of dollars</i>	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Deduction for contributions	12,235	12,465	13,530	14,185	15,115	15,770	16,475	17,235
Non-taxation of investment income	11,035	11,290	13,875	15,840	17,260	17,470	19,120	20,785
Taxation of withdrawals	-7,285	-7,670	-7,725	-8,505	-8,960	-9,425	-9,850	-10,565
Total – personal income tax	15,985	16,085	19,680	21,520	23,415	23,820	25,745	27,455



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 (\$24,930 for 2015), 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	<i>Income Tax Act</i> , section 146
Implementation and recent history	<ul style="list-style-type: none"> 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 (<i>Pension Reform: Improvements in Tax Assistance for Retirement Saving</i> , 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	Statistics Canada, Pension satellite account (CANSIM table 378-0117)
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 7.2 million households had individuals that had RRSPs and about 1.2 million households had individuals that had Registered Retirement Income Funds in 2012.

Cost Information:

Millions of dollars	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Deduction for contributions	7,330	7,480	7,705	8,050	8,090	8,190	8,285	8,385
Non-taxation of investment income	7,560	7,805	10,130	11,290	12,220	12,220	13,210	14,280
Taxation of withdrawals	-4,895	-5,330	-5,095	-5,440	-5,610	-5,740	-6,015	-6,410
Total – personal income tax	9,995	9,955	12,740	13,900	14,700	14,670	15,475	16,260

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. 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	<i>Income Tax Act</i> , section 44.1
Implementation and recent history	<ul style="list-style-type: none"> 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 700 individuals reported capital gains eligible for this measure in 2013.

Cost Information:

<i>Millions of dollars</i>	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Personal income tax	3	4	X	5	5	5	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. SPP contributions must be made within an SPP member's available Registered Retirement Savings Plan (RRSP) contribution limit (the SPP limits annual contributions to a maximum of \$2,500).
Tax	Personal income tax
Beneficiaries	Individuals with available RRSP contribution room
Type of measure	Timing preference
Legal reference	<i>Income Tax Act</i> , subsections 146(21) to (21.3) <i>Income Tax Regulations</i> , section 7800
Implementation and recent history	<ul style="list-style-type: none"> 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).
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 12,500 individuals contributed to the Saskatchewan Pension Plan in 2014.

Cost Information:

Millions of dollars	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (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	<p>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.</p> <p>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 income of \$500,000 or less and 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 current expenses and 40% on current expenses above that limit. The \$3 million expenditure limit is gradually reduced if prior-year taxable income is between \$500,000 and \$800,000 or if prior-year taxable capital is between \$10 million and \$50 million. CCPCs within these ranges qualify for the refund up to the value of the reduced expenditure limit. 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 the 40% refund.</p> <p>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").</p>
Tax	Personal and corporate income tax
Beneficiaries	Businesses conducting eligible scientific research and experimental development
Type of measure	Credit, refundable and non-refundable
Legal reference	<i>Income Tax Act</i> , section 127
Implementation and recent history	<ul style="list-style-type: none">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).
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	<p>Tax credits are treated as deviations from the benchmark tax system.</p> <p>The tax benefit from this measure can be obtained in a taxation year other than the year during which it accrues.</p> <p>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.</p>
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 and the Natural Sciences and Engineering Research Council 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.
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 4,400 individuals and 23,000 corporations claimed this credit in 2013.

Cost Information:

<i>Millions of dollars</i>	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Personal income tax	3	4	4	3	\$	3	3	3
Corporate income tax								
Non-refundable portion								
Earned and claimed in current year	710	805	795	675	580	585	610	640
Claimed in current year but earned in prior years	675	745	955	995	820	825	860	900
Earned in current year but carried back to prior years	180	55	65	225	110	115	115	125
Total – non-refundable portion	1,565	1,605	1,815	1,895	1,510	1,525	1,585	1,665
Refundable portion	1,500	1,500	1,455	1,330	1,500	1,515	1,575	1,645
Total – corporate income tax	3,065	3,105	3,270	3,225	3,010	3,040	3,160	3,310
Total	3,070	3,110	3,275	3,230	3,010	3,045	3,165	3,315



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 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 service volunteers").
Tax	Personal income tax
Beneficiaries	Search and rescue volunteers
Type of measure	Credit, non-refundable
Legal reference	<i>Income Tax Act</i> , section 118.07
Implementation and recent history	<ul style="list-style-type: none"> 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	The value of this tax expenditure corresponds to the amounts claimed as credits, as reported in administrative data.
Projection method	Projections are based on the amounts claimed as credits, as reported in administrative data, assuming a 0.66% annual growth rate.
Number of beneficiaries	About 4,500 individuals claimed this credit in 2014.

Cost Information:

<i>Millions of dollars</i>	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Personal income tax	–	–	–	–	2	2	2	2



Small suppliers' threshold

Description	<p>Small suppliers (other than taxi businesses) 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.</p> <p>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.</p>
Tax	Goods and Services Tax
Beneficiaries	Small businesses, charities and public institutions
Type of measure	Other
Legal reference	<i>Excise Tax Act</i> , paragraph 240(1)(a) and section 166
Implementation and recent history	<ul style="list-style-type: none"> 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.
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 (<i>Goods and Services Tax: Technical Paper</i> , 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 difference between the gross and net revenues of non-registered businesses with gross revenue under \$30,000. Gross and net revenue data is obtained from personal and corporate income tax information, and businesses that are registered for the GST are identified using data from the GST34 Return.
Projection method	The cost of this measure is projected to grow in line with nominal gross domestic product.
Number of beneficiaries	About 1.3 million small suppliers make use of this measure each year.

Cost Information:

Millions of dollars	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Goods and Services Tax	200	205	210	215	220	225	235	245



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	<i>Income Tax Act</i> , sections 110.2 and 120.31
Implementation and recent history	<ul style="list-style-type: none">Introduced in Budget 1999. Effective for the 1995 and subsequent taxation years.
Objective – category	To assess tax liability over a multi-year period
Objective	This measure aims to ensure that the Government does not benefit from the delay in certain types of lump-sum payments at the taxpayer's expense as a result of the progressivity of the income tax system (Budget 1999).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure is considered part of the benchmark tax system, and therefore is not a tax expenditure.
Subject	Other
CCOFOG 2014 code	n/a
Other relevant government programs	n/a
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model. The value of this measure corresponds to the difference between the tax that would be owed on the principal portion of eligible retroactive lump-sum payments if they were taxed in the year received, and the tax computed under the special mechanism.
Projection method	T1 micro-simulation model
Number of beneficiaries	This measure provided tax relief to about 2,000 individuals in 2013.

Cost Information:

<i>Millions of dollars</i>	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Personal income tax	\$	\$	\$	4	\$	\$	\$	\$



Special tax rate for credit unions

Description	<p>Credit unions are eligible for the preferential small business tax rate of 11% (to be reduced gradually to 9% by 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, provides 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.</p> <p>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.</p>
Tax	Corporate income tax
Beneficiaries	Credit unions
Type of measure	Preferential tax rate
Legal reference	<i>Income Tax Act</i> , subsection 137(3)
Implementation and recent history	<ul style="list-style-type: none"> 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).
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 Innovation, Science and Economic Development Canada, Global Affairs Canada, and Public Services and Procurement Canada (among other departments) 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 350 credit unions applied this special tax rate in 2013.

Cost Information:

Millions of dollars	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Corporate income tax	80	55	40	25	20	20	10	\$



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 of \$11,327 (in 2015). 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.
Tax	Personal income tax
Beneficiaries	Couples
Type of measure	Credit, non-refundable
Legal reference	<i>Income Tax Act</i> , paragraph 118(1)(a)
Implementation and recent history	<ul style="list-style-type: none"> 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.
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 (<i>Report of the Royal Commission on Taxation</i> , 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 and Northern Affairs Canada also support Canadian families and households. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 2.1 million individuals claimed this credit in 2013.

Cost Information:

<i>Millions of dollars</i>	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Personal income tax	1,410	1,425	1,495	1,530	1,570	1,640	1,680	1,730



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 <i>Canada Student Loans Act</i> , the <i>Canada Student Financial Assistance Act</i> , the <i>Apprentice Loans Act</i> 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	<i>Income Tax Act</i> , section 118.62
Implementation and recent history	<ul style="list-style-type: none">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 Loans 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 and Northern Affairs 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 610,000 individuals claimed this credit in 2013.

Cost Information:

Millions of dollars	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Personal income tax	40	40	45	45	40	45	45	45



Surtax on the profits of tobacco manufacturers

Description	Tobacco manufacturers are subject to a surtax on their profits. The surtax is equivalent to an additional income tax of 10.5% on Canadian tobacco manufacturing profits. This measure is a negative tax expenditure as the surtax results in more revenues than would otherwise be raised under the benchmark tax system.
Tax	Corporate income tax
Beneficiaries	Tobacco manufacturers
Type of measure	Surtax
Legal reference	<i>Income Tax Act</i> , Part II, section 182
Implementation and recent history	<ul style="list-style-type: none"> 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.
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	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Corporate income tax	X	X	X	X	X	X	X	X



Tax status of certain federal Crown corporations

Description	Under section 125 of the <i>Constitution Act</i> , 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 <i>Income Tax Regulations</i> 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	<i>Income Tax Act</i> , sections 27 and 124 and paragraphs 149(1)(d) to (d.4) <i>Income Tax Regulations</i> , section 7100
Implementation and recent history	<ul style="list-style-type: none"> 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 Innovation, Science and Economic Development Canada, Global Affairs Canada, and Public Services and Procurement Canada (among other departments) 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 <i>Income Tax Regulations</i> currently prescribe 10 federal Crown corporations.

Cost Information:

Millions of dollars	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (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	<p>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.</p> <p>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.</p>
Tax	Corporate income tax
Beneficiaries	Corporations with foreign affiliates
Type of measure	Exemption; deduction
Legal reference	<i>Income Tax Act</i> , sections 91 and 113 and subsections 20(1), 93.1(1), 94.2(2) and 95(1) <i>Income Tax Regulations</i> , sections 5900-5902, 5905 and 5907
Implementation and recent history	<ul style="list-style-type: none">• 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 (<i>Proposals for Tax Reform</i> , 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	About 9,450 Canadian corporations reported having foreign affiliates in 2013, of which 950 corporations received dividends from foreign affiliates in 2013.



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	<i>Income Tax Act</i> , paragraph 56(1)(b) and subsection 60(b)
Implementation and recent history	<ul style="list-style-type: none">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 and Northern Affairs 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 80,000 individuals reported having received alimony or maintenance payments in 2013, while about 65,000 individuals claimed a deduction.

Cost Information:

Millions of dollars	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Personal income tax	60	60	60	65	70	70	75	75



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

Description	A tax credit is provided for Canada Pension Plan/Quebec Pension Plan contributions by both employees and self-employed individuals. Contributions made by employers are not included in employees' incomes. The recognition of contributions for income tax purposes is consistent with the taxation of the benefits received. The value of the credit for employee contributions is calculated by applying the lowest personal income tax rate to the value of contributions. For self-employed individuals, the tax credit only applies to the employee portion of the contribution.
Tax	Personal income tax
Beneficiaries	Employees and self-employed individuals
Type of measure	Exemption; credit, non-refundable
Legal reference	<i>Income Tax Act</i> , section 118.7 and paragraph 56(1)(a)
Implementation and recent history	<ul style="list-style-type: none"> 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.
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 15.6 million individuals claimed the credit for Canada Pension Plan or Quebec Pension Plan contributions on employment income in 2013, while about 1.5 million claimed the credit for these contributions on self-employment or other income.

Cost Information:

<i>Millions of dollars</i>	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Credit for employee-paid contributions	2,885	3,070	3,310	3,415	3,570	3,720	3,875	4,050
Non-taxation of employer-paid contributions	4,645	4,945	5,320	5,460	5,635	5,875	5,975	6,265
Total – personal income tax	7,530	8,015	8,630	8,875	9,205	9,595	9,850	10,315



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	<i>Income Tax Act</i> , section 118.7, subparagraphs 56(1)(a)(iv) and (vii) and paragraph 56(1)(r)
Implementation and recent history	<ul style="list-style-type: none"> 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 2013, about 14.9 million individuals claimed the credit for Employment Insurance contributions on employment income, while about 5,600 individuals claimed this credit on self-employment or other eligible earnings. About 3.7 million individuals claimed the credit for Quebec Parental Insurance Plan contributions on employment income earned in the province of Quebec, while about 110,000 individuals claimed the credit on income earned outside Quebec. About 430,000 individuals claimed the Quebec Parental Insurance Plan credit on self-employment or other eligible income.

Cost Information:

Millions of dollars	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Credit for employee-paid premiums	985	1,065	1,160	1,235	1,285	1,335	1,375	1,175
Non-taxation of employer-paid premiums	1,915	2,075	2,250	2,405	2,470	2,560	2,585	2,180
Total – personal income tax	2,900	3,140	3,410	3,640	3,755	3,895	3,960	3,355



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

Description	<p>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.</p> <p>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.</p>
Tax	Personal and corporate income tax
Beneficiaries	Farming businesses
Type of measure	Timing preference
Legal reference	<i>Income Tax Act</i> , subsections 12(10.2) and 248(1)
Implementation and recent history	<ul style="list-style-type: none">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, Fisheries and Oceans Canada and the Canadian Coast Guard 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	<p>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.</p> <p>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.</p> <p>No estimate is available for Agri-Québec.</p>
Projection method	Projections assume the value of this measure will increase slightly from current levels and remain stable through 2017.
Number of beneficiaries	As of December 2015, about 110,000 AgriInvest accounts with positive account balances were registered.

**Cost Information:**

Millions of dollars	2010	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)
AgriInvest program								
Personal income tax	20	25	10	15	4	5	5	5
Corporate income tax	3	3	2	2	1	1	1	1
Total	25	30	10	15	5	5	5	5
Agri-Québec program								
Personal income tax	–	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.
Total	–	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total								
Personal income tax	20	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Corporate income tax	3	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total	25	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.



Tax treatment of investment income from life insurance policies

Description	<p>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.</p> <p>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 <i>de facto</i> system.</p>
Tax	Personal income tax
Beneficiaries	Life insurance policyholders
Type of measure	Preferential tax rate
Legal reference	<i>Income Tax Act</i> , subsections 12.2(9) and 211.1(1) and (2)
Implementation and recent history	<ul style="list-style-type: none"> • 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.
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 21 million individuals own life insurance.

Cost Information:

<i>Millions of dollars</i>	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Personal income tax	260	285	275	270	280	275	265	280



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 and corporate income tax
Beneficiaries	Individuals and corporations
Type of measure	Timing preference
Legal reference	<i>Income Tax Act</i> , subsection 40(1)
Implementation and recent history	<ul style="list-style-type: none">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 (<i>Report of the Royal Commission on Taxation</i> , 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 service 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	Volunteer emergency service providers
Type of measure	Exemption
Legal reference	<i>Income Tax Act</i> , subsection 81(4) and sections 118.06 and 118.07
Implementation and recent history	<ul style="list-style-type: none"> Introduced in Budget 1961. Effective for the 1961 and 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 service 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 volunteer emergency service providers 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 assuming that all volunteer firefighters and search and rescue volunteers receiving an honorarium would choose to claim the Volunteer Firefighters Tax Credit or Search and Rescue Volunteers 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 \$1,000 and by the marginal tax rate of individuals claiming the Volunteer Firefighters Tax Credit.
Projection method	Projections assume a 0.66% annual growth rate in the number of emergency service volunteers eligible for the exemption and in the number of volunteer firefighters and search and rescue volunteers who choose a credit over the exemption.
Number of beneficiaries	About 48,000 individuals were eligible for this exemption in 2014.

Cost Information:

<i>Millions of dollars</i>	2010	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)
Personal income tax	n.a.	3	4	4	3	3	3	3



Tax-Free Savings Account

Description	The Tax-Free Savings Account (TFSA) is a general-purpose savings account that allows individuals to earn tax-free investment income. Individuals 18 years of age and older acquire TFSA contribution room each year, with unused room being carried forward. 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	<i>Income Tax Act</i> , sections 146.2 and 207.01
Implementation and recent history	<ul style="list-style-type: none"> 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 proposed to return the TFSA annual contribution limit to \$5,500 and reinstate indexation effective 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	More than 10.7 million individuals had opened a TFSA by the end of 2013.

Cost Information:

Millions of dollars	2010	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)
Personal income tax	165	160	300	430	485	555	750	855



Textbook Tax Credit

Description	A student eligible for the Education Tax Credit can claim a non-refundable tax credit at the lowest personal income tax rate for post-secondary textbook costs. For full-time students the amount is \$65 per month of study, and for part-time students the amount is \$20 per month. Unused amounts may be transferred to a supporting individual or carried forward to a subsequent taxation year.
Tax	Personal income tax
Beneficiaries	Students and individuals supporting them
Type of measure	Credit, non-refundable
Legal reference	<i>Income Tax Act</i> , subsection 118.6(2.1)
Implementation and recent history	<ul style="list-style-type: none"> Introduced in Budget 2006. Effective for the 2006 and subsequent taxation years.
Objective – category	To recognize education costs
Objective	This measure provides 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	<p>Tax credits are treated as deviations from the benchmark tax system.</p> <p>This measure extends the unit of taxation.</p> <p>The tax benefit from this measure can be obtained in a taxation year other than the year during which it accrues.</p>
Subject	Education
CCOFOG 2014 code	<p>70939 - Education - College education</p> <p>70949 - Education - University education</p> <p>70959 - Education - Education not definable by level</p>
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 and Northern Affairs 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 2013.

Cost Information:

<i>Millions of dollars</i>	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Personal income tax	100	105	110	115	115	120	125	130



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 and corporate income tax
Beneficiaries	n/a
Type of measure	Other
Legal reference	<i>Federal-Provincial Fiscal Arrangements Act, Part V.1</i>
Implementation and recent history	<ul style="list-style-type: none"> 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	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Personal income tax	17,385	18,340	19,115	20,155	21,415	22,600	23,900	25,245
Corporate income tax	2,050	2,440	2,515	2,655	2,905	2,875	3,035	3,085
Total	19,435	20,780	21,630	22,810	24,320	25,475	26,935	28,330



Travellers' exemption

Description	<p>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.</p> <p>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 <i>Excise Tax Act</i>, and unlike exempt supplies, no GST is embedded in the cost of these goods.</p>
Tax	Goods and Services Tax
Beneficiaries	Canadian travellers returning to Canada
Type of measure	Other
Legal reference	Section 1 of Schedule VII to the <i>Excise Tax Act</i>
Implementation and recent history	<ul style="list-style-type: none"> • 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: <ul style="list-style-type: none"> ◦ From \$50 to \$200 for lengths of absence between 24 and 48 hours; ◦ From \$400 to \$800 for lengths of absence between 48 hours and 7 days; ◦ 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, Tourism Satellite Account and Input-Output 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 Canadian tourists 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:

<i>Millions of dollars</i>	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Goods and Services Tax	170	195	210	235	265	265	275	285



Tuition Tax Credit

Description	A student can claim a non-refundable tax credit at the lowest personal income tax rate on tuition fees paid to designated educational institutions where the total for such fees exceeds \$100. The student must claim the credit first on his or her own return. If the student does not need to use all of the credit, the unused amount may be transferred to a supporting individual or carried forward to a subsequent taxation year.
Tax	Personal income tax
Beneficiaries	Students and individuals supporting them
Type of measure	Credit, non-refundable
Legal reference	<i>Income Tax Act</i> , section 118.5
Implementation and recent history	<ul style="list-style-type: none">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.
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 and Northern Affairs 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 2.4 million individuals earned this credit in 2013.

Cost Information:

Millions of dollars	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Personal income tax	850	935	995	1,040	1,105	1,135	1,165	1,195



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 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 service volunteers").
Tax	Personal income tax
Beneficiaries	Volunteer firefighters
Type of measure	Credit, non-refundable
Legal reference	<i>Income Tax Act</i> , section 118.06
Implementation and recent history	<ul style="list-style-type: none">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 41,000 individuals claimed this credit in 2013.

Cost Information:

<i>Millions of dollars</i>	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Personal income tax	–	15	15	15	15	15	15	15



Working Income Tax Benefit

Description	The Working Income Tax Benefit (WITB) 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 25% of each dollar of earned income in excess of \$3,000 to a maximum credit of \$1,015 for single individuals without dependants and \$1,844 for families (couples and single parents) in 2015. The WITB is phased out at a rate of 15% of each dollar of adjusted net income above thresholds of \$11,525 for single individuals without dependants and \$15,915 for families in 2015. An additional WITB supplement of up to \$508 in 2015 is provided to persons eligible for both the WITB and the Disability Tax Credit. The WITB supplement is phased out at a rate of 15% of each dollar of adjusted net income above a threshold of \$18,294 for single individuals without dependants and \$28,208 for families in 2015. Maximum benefit amounts and phase-out thresholds are indexed annually for inflation. Advance payment of up to 50% of the estimated WITB and WITB supplement may be available to eligible individuals upon application. Provincial and territorial governments can propose specific changes to the design of the WITB, subject to certain conditions, including cost neutrality. As of 2015, Quebec, British Columbia, Alberta and Nunavut have introduced jurisdiction-specific WITB designs.
Tax	Personal income tax
Beneficiaries	Low-income employees and self-employed individuals
Type of measure	Credit, refundable
Legal reference	<i>Income Tax Act</i> , section 122.7
Implementation and recent history	<ul style="list-style-type: none"> 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.
Objective – category	To encourage employment To provide income support or tax relief
Objective	This measure makes work more rewarding and attractive for low income-earning Canadians already in the workforce, and encourages other Canadians to enter the workforce. The WITB also provides important income support to low-income working Canadians. (Budget 2007; Budget 2009)
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 1.5 million individuals received this benefit in 2013.

Cost Information:

Millions of dollars	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Personal income tax	1,055	1,080	1,100	1,180	1,165	1,150	1,150	1,150



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 <i>Excise Tax Act</i> <i>Agriculture and Fishing Property (GST/HST) Regulations</i>
Implementation and recent history	<ul style="list-style-type: none">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 (<i>Goods and Services Tax</i> , 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, Fisheries and Oceans Canada and the Canadian Coast Guard 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 <i>Excise Tax Act</i>
Implementation and recent history	<ul style="list-style-type: none">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 (<i>Goods and Services Tax: Technical Paper</i> , 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, Input-Output 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	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Goods and Services Tax	3,570	3,640	3,730	3,840	4,020	4,075	4,255	4,420



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 proposed to be zero-rated.
Tax	Goods and Services Tax
Beneficiaries	Households
Type of measure	Zero-rating
Legal reference	Part II.1 of Schedule VI to the <i>Excise Tax Act</i> (proposed)
Implementation and recent history	<ul style="list-style-type: none">Proposed by way of a Notice of Ways and Means Motion tabled in Parliament on May 28, 2015. Proposed to be effective in respect of supplies made on or after July 1, 2015.Until legislation implementing the proposed measure receives Royal Assent, it is being administered in accordance with the Notice of Ways and Means Motion.
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 and Northern Affairs 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, Input-Output 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:

<i>Millions of dollars</i>	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Goods and Services Tax	–	–	–	–	–	15	35	35



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 <i>Excise Tax Act</i>
Implementation and recent history	<ul style="list-style-type: none"> • 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 2014 announced that eyewear specially designed to treat or correct a defect of vision by electronic means would be zero-rated. • Prior to 2012, a written order of a physician was needed for certain devices to be eligible for zero-rating. In recognition of the increasing involvement of registered nurses, occupational therapists and physiotherapists in assessing when medical and assistive devices are needed, Budget 2012 provided that the written order may be made by one of these health care professionals.
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, Input-Output 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	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Goods and Services Tax	310	320	325	335	350	360	370	380



Zero-rating of prescription drugs

Description	The following are zero-rated under the GST: <ul style="list-style-type: none">• 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 <i>Excise Tax Act</i>
Implementation and recent history	<ul style="list-style-type: none">• 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, Input-Output 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:

<i>Millions of dollars</i>	2010	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)
Goods and Services Tax	695	720	730	750	785	795	830	865



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 Reports on Plans and Priorities of Canadian Heritage.
Business – farming and fishing	Programs within the mandates of Agriculture and Agri-Food Canada, Fisheries and Oceans Canada and the Canadian Coast Guard 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 and the Sustainable Aquaculture Program. More information on these programs can be found in the Reports on Plans and Priorities 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 Green Mining Initiative, the Aboriginal Forestry Initiative, the Investments in Forest Industry Transformation program, and the Targeted Geoscience Initiative 4 program. More information on these programs can be found in the Reports on Plans and Priorities 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 and the Service to Business program. More information on these programs can be found in the Reports on Plans and Priorities of Innovation, Science and Economic Development Canada. The Business Development Bank of Canada, a federal Crown corporation, also provides financing, consulting and securitization services to small and medium-sized enterprises.
Business – research and development	Programs within the mandates of Innovation, Science and Economic Development Canada and the Natural Sciences and Engineering Research Council also support research and development. These include programs such as the Industrial Research Assistance Program, the Strategy for Partnerships and Innovation, and the Centres of Excellence for Commercialization and Research. More information on these programs can be found in the Reports on Plans and Priorities of these organizations.
Business – other	Programs within the mandates of Innovation, Science and Economic Development Canada, Global Affairs Canada, and Public Services and Procurement Canada (among other departments) also offer support to Canadian businesses in various manners. These include programs such as the Industrial Research and Development Financing program, the Marketplace Competition and Investments program, the International Commerce program and the Build in Canada Innovation program. More information on these programs can be found in the Reports on Plans and Priorities 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.
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.
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 and Northern Affairs Canada also support objectives related to education and training. These include programs such as the Canada Student Loans 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 Reports on Plans and Priorities of these organizations. The federal government also provides funding to provinces and territories in support of post-secondary education—see the Reports on Plans and Priorities of the Department of Finance Canada.



Subject

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 Canada Job Fund Agreements (including the Canada Job Grant), the Federal Workers' Compensation program, the Youth Employment Strategy, the Aboriginal Skills and Employment Training Strategy, and the Foreign Credential Recognition Program. More information on these programs can be found in the Reports on Plans and Priorities of Employment and Social Development Canada.
Environment	Programs within the mandates of Environment and Climate Change Canada, the Canadian Environmental Assessment Agency, the National Energy Board, Parks Canada and Natural Resources Canada also support environment-related objectives. These include programs related to supporting sustainable ecosystems and biodiversity, combatting climate change and conducting environmental assessments, as well as the Marine Renewable Energy Enabling Measures program and the ecoENERGY Innovation Initiative. More information on these programs can be found in the Reports on Plans and Priorities of these organizations.
Families and households	Programs within the mandates of Employment and Social Development Canada and Indigenous and Northern Affairs Canada also support Canadian families and households. These include programs such as the Universal Child Care Benefit and the Income Assistance Program that supports First Nations on reserve. More information on these programs can be found in the Reports on Plans and Priorities of these organizations.
Health	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. 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 Reports on Plans and Priorities 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 Reports on Plans and Priorities of the Department of Finance Canada.
Housing	Programs within the mandate of Canada Mortgage and Housing Corporation are intended to promote the construction of new houses, the repair and modernization of existing houses and the improvement of housing and living conditions. The Housing program of Indigenous and Northern Affairs Canada also pursues the goal of increasing the supply of safe and affordable housing to First Nations. More information on these programs can be found in the annual report of Canada Mortgage and Housing Corporation and Reports on Plans and Priorities of Indigenous and Northern Affairs Canada.
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 program and the Disability Award program for veterans. More information on these programs can be found in the Reports on Plans and Priorities 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 Reports on Plans and Priorities 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 Exchanges Canada program, the Development of Official-Language Communities program, the Transportation Infrastructure program and the Emergency Management program. More information on these programs can be found in the Reports on Plans and Priorities 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—see the Reports on Plans and Priorities of the Department of Finance Canada.

Part 4

Tax Evaluations and Research Reports



The Working Income Tax Benefit: A Profile of Claimants, 2009–2012*

1. Introduction

In Budget 2007, the Government introduced the Working Income Tax Benefit (WITB), a refundable tax credit that supplements the earnings of low-income workers. The WITB helps to reduce the “welfare wall” by ensuring that individuals are in a better financial position when they secure employment. The WITB was subsequently enhanced in Budget 2009 by \$580 million, effectively doubling the total tax relief that it provides. Up to 1.5 million families received tax assistance through the WITB in 2013, at a total estimated cost of \$1.2 billion.

This paper uses administrative data for the four years since the enhancement of the WITB (2009 through 2012, inclusive) to analyze the profile of families claiming the benefit in one or more years. It also provides early evidence on the year-over-year persistence of WITB claims among workers. This analysis provides a better understanding of the population benefiting from income support through the WITB.

An empirical assessment of the labour supply impact of the WITB is outside the scope of this paper, but there is substantial existing research demonstrating increased labour participation resulting from the United States’ Earned Income Tax Credit (a tax credit with a design similar to the WITB, and likely the best studied example of an earnings supplement), particularly among single parents.²⁰

Some salient points that arise from the present analysis include:

- Unattached workers (i.e., workers without a spouse or common-law partner or an eligible dependant) make up the majority of the WITB claimant population, and represent a very high share of younger claimants (under age 30). Among workers aged 30 and over, who constitute a majority of WITB claimants, the unattached represent just under half of the claimant population.
- A majority of WITB claimants of all family types have sufficient net income that the benefit is partially reduced on the basis of income.
- The largest part of working income consists of employment income reported on a T4 slip by an employer; however, self-employment income makes up an important part of working income, particularly for claimants over age 30.

* The empirical analysis presented in this study was prepared by Stephanie Andrews, Senior Economist, Tax Policy Branch, Department of Finance Canada and Mark Maxson, Senior Economist, Tax Policy Branch, Department of Finance Canada. Enquiries regarding Department of Finance Canada publications can be sent to finpub@canada.ca.

²⁰ For a recent survey of evidence on the Earned Income Tax Credit, see, for example, Nichols, A. and J. Rothstein (2015). “The Earned Income Tax Credit (EITC).” NBER Working Paper No. 21211.



- There is significant movement in and out of WITB qualification, with about half of WITB claimants in 2009 through 2011 no longer claiming the benefit in the subsequent year.
 - Among 2011 WITB claimants who no longer received the benefit in 2012, more than half had net income that had risen above the qualification range, while about 20% had earnings too low to qualify. The remainder did not file or became ineligible for other reasons, such as engaging in full-time studies.
 - Around 20% of WITB claimants received the benefit in all years between 2009 and 2012 inclusive.

This paper is organized as follows. The next section describes the WITB, including eligibility criteria and the benefit schedules for unattached individuals and other family types. The third section provides a summary of WITB data, including a discussion of take-up among eligible workers with reported income in the WITB qualification range. The fourth section provides a profile of WITB claimants, including demographic information and sources of earnings and other income. The fifth section discusses preliminary evidence on the persistence of WITB receipt among claimants over the period 2009 to 2012. The final section presents the conclusions of the review.

2. Description of the WITB

To be eligible for the WITB, an individual must be resident in Canada throughout the taxation year. Unattached workers must be 19 years of age or older. Except where an individual has an eligible dependant, a student enrolled full-time for more than 13 weeks in a taxation year is not eligible for the WITB.

The amount of the WITB payment for an eligible individual increases proportionately with family working income above a defined phase-in threshold up to a specified maximum benefit level, and declines proportionately with adjusted family net income above a defined phase-out threshold.

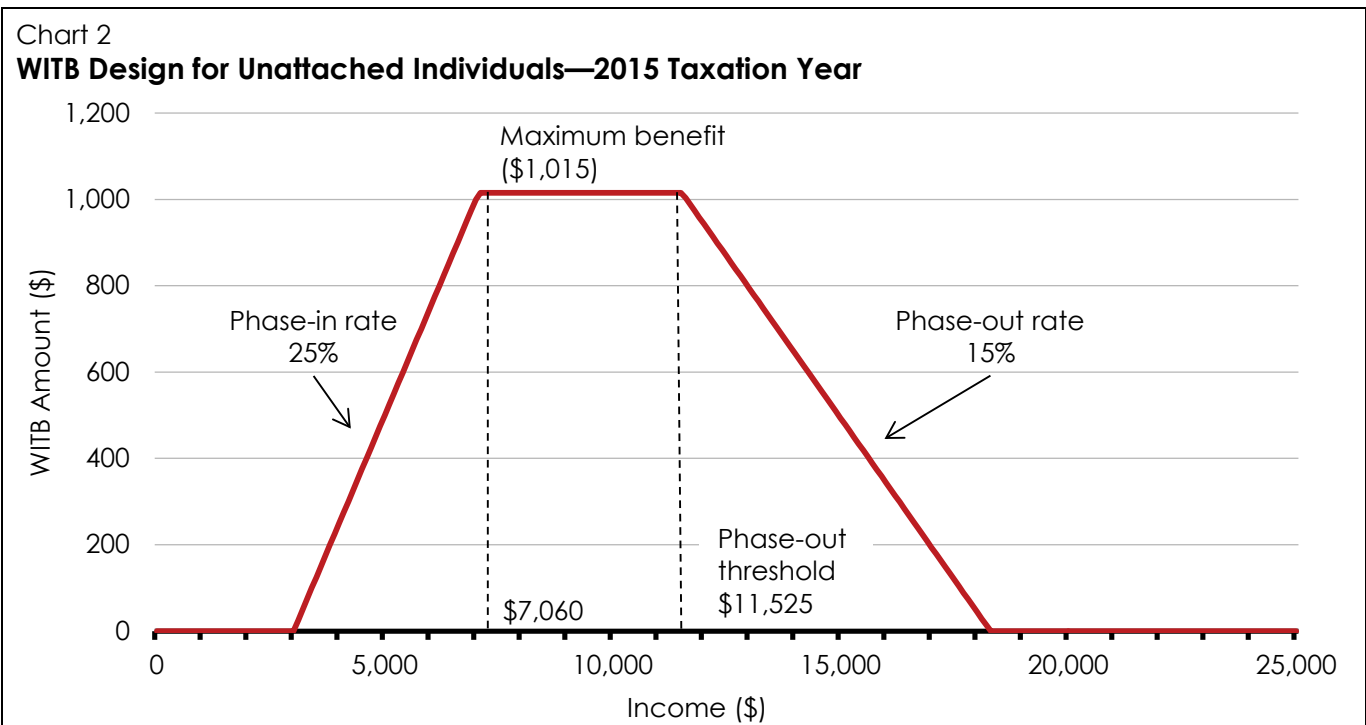
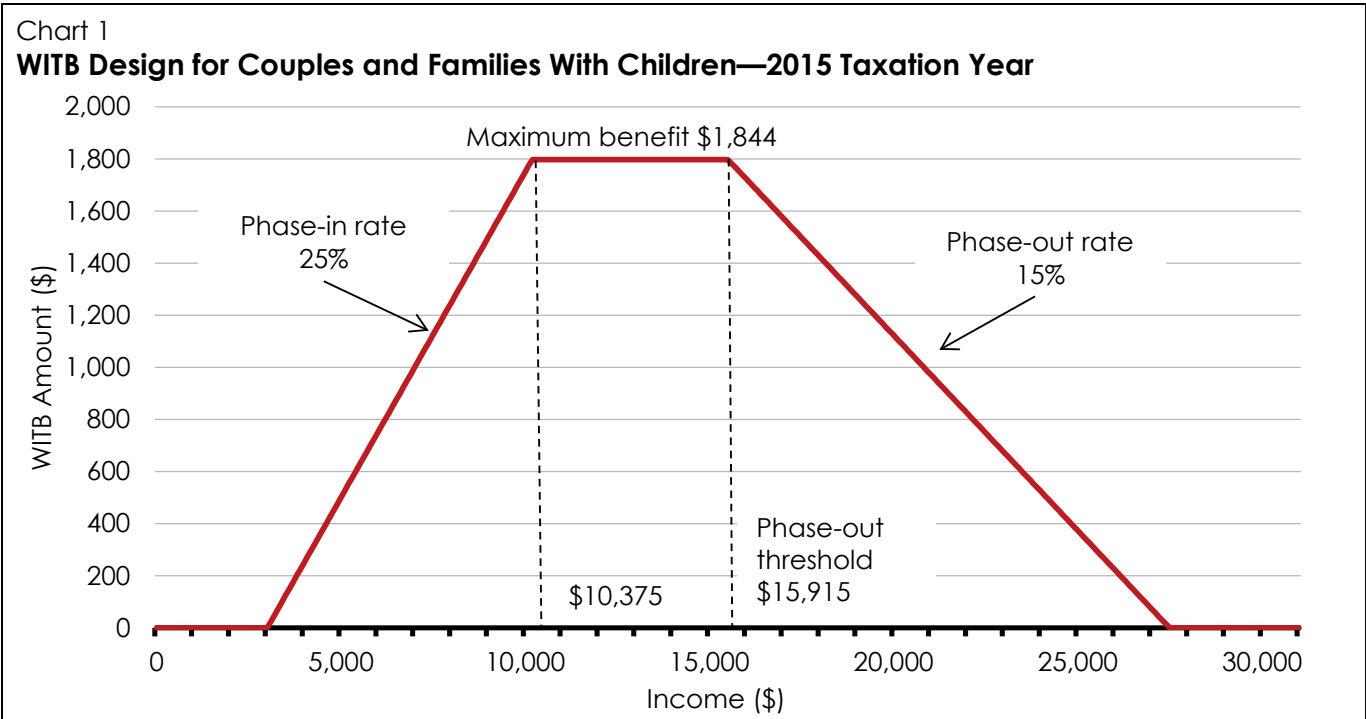
- The family's **working income** for a taxation year includes total income from employment, including tax-exempt income earned on a reserve or as an emergency service volunteer; the taxable portion of scholarship income; and net self-employment income.
- **Adjusted family net income** for a taxation year includes net income for tax purposes, plus the tax-exempt part of income earned or received on a reserve (less deductions related to that income) and any allowances received as an emergency service volunteer, less any Universal Child Care Benefit and Registered Disability Savings Plan income.

The maximum benefit level and the phase-out threshold differ for unattached individuals relative to other recipient types (i.e., couples and families with children) and are indexed annually to account for inflation.

Chart 1 shows how the WITB benefits an eligible couple or family with children in 2015. It provides a refundable tax credit of 25% of each dollar of working income in excess of \$3,000, reaching a maximum benefit of \$1,844 at \$10,375 of working income. Once net income exceeds \$15,915, the benefit is reduced at a rate of 15% of each additional dollar, until the benefit is fully phased out at an income of \$28,209. Individuals who are also eligible for the Disability Tax Credit may receive a WITB disability supplement of up to \$508.



The WITB design for unattached individuals in 2015 (Chart 2) reaches a maximum benefit of \$1,015 at \$7,060 of working income, beginning to phase out at a net income of \$11,525, and phasing out completely at an income of \$18,292.





Given the important role played by provinces and territories in providing basic income support, the Government of Canada has harmonized benefits where possible to further improve work incentives for low-income Canadians, including making province- or territory-specific changes to the design of the WITB. To date, four jurisdictions (Quebec, Alberta, British Columbia and Nunavut) have signed reconfiguration agreements with the federal government to customize the parameters of the WITB delivered in these jurisdictions.

Eligible individuals must apply for the WITB by completing Schedule 6 to the T1 General Income Tax and Benefit Return. Only one individual within a couple may generally apply. A worker who is married or in a common-law relationship and who is eligible for the disability supplement should generally claim the WITB on behalf of the couple; in cases where both partners are eligible for the disability supplement, both must complete a separate Schedule 6.

Eligible individuals also have the option to apply for WITB advance payments. The WITB advance payments correspond to a maximum of 50% of the WITB refundable tax credit (including the disability supplement, if applicable) that the tax filer expects to claim on his or her return for the year.

3. Summary of the WITB data

3.1 Data and Summary Statistics

The data used for the analysis are drawn from data comprising the universe of all tax filers in the years 2009–2012, including those who filed up to 18 months after the end of the taxation year in question. Data reflect information as provided by tax filers in receipt of the WITB on Schedule 6 for these years.²¹ Although the WITB was introduced in 2007, this analysis focuses on 2009 and later years, given the significant expansion of the WITB in 2009.

The number of WITB recipients has remained roughly stable since 2009, while total benefits have grown by about 5% (Table 1). The average benefit per recipient has risen from about \$740 in 2009 to \$780 in 2012.

Table 1

WITB Summary Statistics, 2009–2012

	2009	2010	2011	2012
Number of claimants (thousands)	1,405	1,434	1,434	1,428
Number claiming disability supplement (thousands)	19	21	23	22
Total value of benefits (\$ millions)	1,035	1,065	1,085	1,105

Note: The WITB claimant population was smaller in 2007 and 2008 (at nearly 1 million claimants), before the benefit was enhanced in Budget 2009.

²¹ Schedule 6 information is not available for analysis that considers WITB claimants in years they did not claim the WITB. In these cases, analysis reflects a matching of individuals to their tax record in that year, to the extent that they filed a return. It does not capture information about those who did not file a return.



3.2 WITB Take-up

Based on information available from the T1 General Income Tax and Benefit Return, as well as other tax and benefit information, take-up of the WITB among eligible tax filers is estimated at approximately 85% in 2012.^{22,23} The remaining 15% did not complete Schedule 6, but their reported income suggests they may have been eligible.

Take-up varies most significantly across filing method, as shown in Table 2. In particular, filers who appeared to be eligible for the WITB who filed their tax returns on paper forms in 2012 had a take-up rate that was significantly lower than among the broader eligible population, at 49%. Individuals filing by other means (e.g., using tax preparation software or professional tax preparation agents) had an estimated take-up rate above 90%.

This suggests that paper filing creates a barrier to claiming the WITB. Individuals filing through the use of tax software or with the assistance of an agent are typically prompted to claim the WITB if other information they provide suggests that they would be eligible for the credit, and the necessary calculations are performed on their behalf. Lack of awareness or understanding of the WITB would not generally be a barrier to individuals filing through these means. By contrast, individuals filing on paper must be aware of, and willing and able to complete, the necessary schedule to their tax return.

Table 2
WITB Take-up and Distributions by Filing Method, 2012

	Paper	Tax software	Agent	Total
Estimated take-up among WITB-eligible filers	49%	86%	94%	85%
Share of:				
WITB-eligible filers	13%	30%	57%	100%
WITB-eligible non-claimants	47%	28%	25%	100%
WITB claimants	8%	30%	62%	100%

Another reason for incomplete take-up may relate to the WITB amount for which an individual or family is eligible compared to the transaction and information costs involved in claiming the benefit. Some limited evidence that the benefit side of this equation matters can be seen in the relationship between the take-up rate and the amount to which families appear to be eligible, as shown in Table 3.

Table 3
WITB Take-up by Actual or Estimated Benefit Amount, 2012

	Less than \$20	\$20 - \$99	\$100 - \$599	\$600 or more	Total
Paper filers	40%	42%	47%	51%	49%
Other filers	88%	89%	90%	92%	91%

²² Note that eligibility cannot be determined with certainty because certain exempt income sources included in the WITB definition of income, such as income earned on reserve, are found only on Schedule 6, which is not completed by non-claimants.

²³ In 2012, only about 500 WITB claimants made use of the advance payment provision to receive part of their payment before the end of the taxation year.



Among paper filers, take-up of the WITB increases from 40% for those receiving or estimated to be eligible for a benefit amount of less than \$20 to 51% for those receiving or estimated to be eligible for a benefit of \$600 or more. This trend is also evident, but weaker, among those filing by other methods. All told, lower take-up among those with smaller estimated benefits explains only a negligible portion of overall WITB non-take-up since few of those eligible for the WITB are eligible for small amounts, and the take-up rate is only slightly higher than average among those eligible for larger amounts.

4. Profile of WITB Beneficiaries

4.1 Profile by Family Type

This section presents demographic characteristics of WITB claimants who completed Schedule 6. Claimants are categorized by their family type on the basis of whether they reported an eligible spouse and/or an eligible dependant (which determine the applicable WITB schedule for the claimant).

This yields four WITB family types for the purpose of our analysis (unattached, single parents, couples with no children, and couples with children). However, WITB family types may not always reflect individuals' actual family circumstances. For example, a couple consisting of a worker and a full-time student (who is therefore not an eligible spouse) is categorized as "unattached" for the purpose of this analysis.²⁴

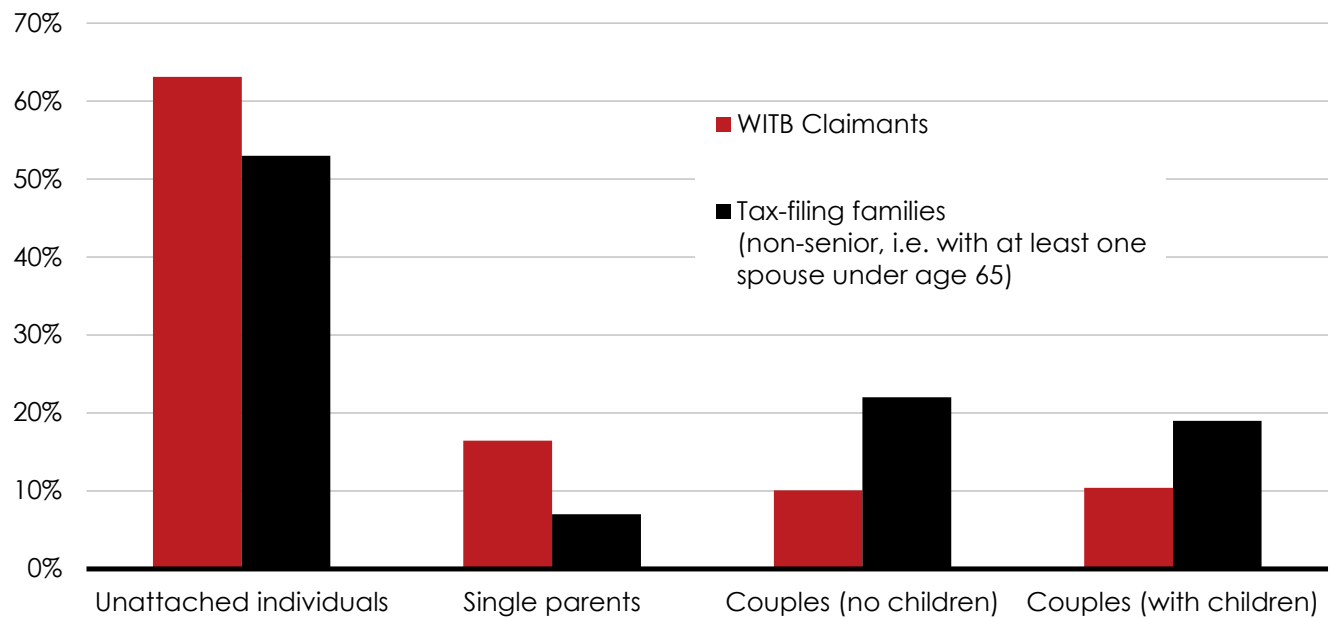
Because our unit of analysis is the WITB claimant, and only one member of each couple may generally claim the WITB, these statistics reflect couples' choice of claimant. Moreover, summary statistics place equal weight on single claimants and on the individual claiming the benefit on behalf of a couple. In the aggregate analysis, this therefore places more weight on single workers than would be the case were non-claiming spouses/common-law partners included in the recipient population used as the unit of analysis. This should be borne in mind when interpreting statistics. For example, a younger population on average will in part reflect this weighting of single workers. Where appropriate, the analysis provides a comparison with the tax filer population on a comparable basis (tax filing families) and alternative statistics with adult WITB beneficiaries (including both members in a couple) as the unit of analysis.

Chart 3 shows that about 63% of WITB claimants in 2012 were unattached individuals. Single parents made up an additional 16%, while couples with and without children made up 10% each. Compared to the population of tax filing families with at least one member of working age (18–64), WITB claimants are more likely to be unattached or single parents, and are less likely to be part of a couple (with or without children).

²⁴ The data suggest that around 15,000 tax filers claiming the WITB as unattached workers (1.7% of such claimants) may have had spouses or common-law partners in the 2012 taxation year.

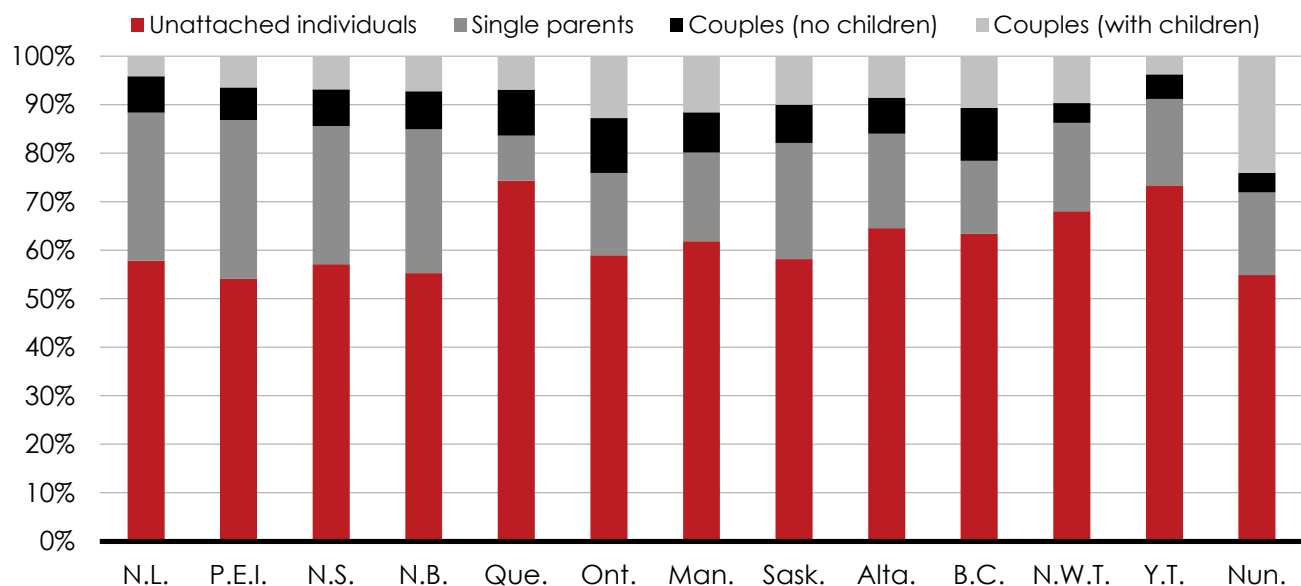


Chart 3
Family Type of WITB Claimants Relative to Tax Filing Families, 2012



The agreement entered into with the Government of Quebec to reconfigure the WITB to target childless families raises the overall share of these families in the WITB population. This reconfiguration design was adopted to better complement Quebec's work premium and other provincial programs that provide greater support for families with children. In particular, unattached workers made up 74% of WITB recipients in Quebec in 2012, compared to 60%, on average, in other provinces and territories (Chart 4).

Chart 4
Family Type of WITB Claimants, by Province or Territory, 2012 (% of Claimants)
per cent





4.2 Age and Post-Secondary Education Participation

As shown in Table 4, in 2012 most WITB recipients were over the age of 30. However, relative to the broader tax filing population, WITB recipients tend to be young. About 42% of WITB claimants were under the age of 30, and the average age of claimants was 34.²⁵ This is consistent with WITB claimants being predominantly unattached individuals, as young tax filers are more likely to be single and are less likely to have children, compared to the overall working-age tax filing population. Of unattached WITB claimants, 57% were under the age of 30.

A younger WITB population is also consistent with the fact that wages tend to increase with experience. That is, many young workers and new labour market entrants are also low-wage workers and therefore within the WITB target range.

Table 4

Number of WITB Claimants by Family Type and Age, 2012 (thousands)

	Unattached individuals	Single parents	Couples (no children)	Couples (with children)	Total
Under 30	512 (57%)	59 (25%)	13 (9%)	19 (13%)	603 (42%)
30-54	295 (33%)	171 (73%)	64 (45%)	122 (82%)	652 (46%)
55 or older	94 (10%)	5 (2%)	66 (46%)	8 (5%)	173 (12%)
Total	901	235	144	149	1,428
Average age	33	36	50	40	34

Note: Totals may not add due to rounding.

Thus while young, unattached workers make up an important share of the WITB claimant population, many of these workers are in transition. Workers aged 30 and over, who make up the majority of WITB claimants, tend to qualify for the WITB on a more persistent basis, as demonstrated in a subsequent section.

As shown in Table 5, while full-time students are not eligible to claim the WITB, a significant number of WITB recipients recently completed post-secondary education or occupational training.²⁶ About 8% of WITB claimants in 2012 were full-time students for more than three months of 2011. Unattached individuals claiming the WITB are significantly more likely to have been students in the prior year (10%) than are other family types (1% -7%). Looking at a slightly longer time horizon, nearly 19% of unattached individuals claiming the WITB in 2012 were full-time students in one of the three preceding years (2009 to 2011), compared with around 13% of single parents and 7% and 3% of couples with and without children, respectively.

²⁵ About 37% of adult WITB beneficiaries (including both members in couples) were under the age of 30. This is significantly higher than the 20% share of all tax filers under the age of 30.

²⁶ Recent graduates are defined as those having an Education Tax Credit amount consistent with four or more months of enrolment in a qualifying educational program in a prior year.



Table 5

Number of WITB Claimants by Family Type and Recent Post-Secondary Education or Occupational Training, 2012 (thousands)

	Unattached individuals	Single parents	Couples (no children)	Couples (with children)	Total
All WITB claimants	901	235	144	149	1,428
Full-time student in 2011	92 (10%)	17 (7%)	2 (1%)	7 (4%)	117 (8%)
Full-time student in 2009, 2010 and/or 2011	168 (19%)	29 (13%)	4 (3%)	10 (7%)	212 (15%)

Note: Totals may not add due to rounding. These figures are based solely on the claimant's student status. In some cases, claimants without recent post-secondary education experience may have a spouse or common-law partner who was recently a student.

4.3 Gender of WITB Claimants

Table 6 shows the gender distribution of WITB claimants. Somewhat more than half (55%) of unattached claimants were men, while about 90% of single parents claiming the WITB were women. Only one member within each couple may claim the WITB, and in 2012, this was most often a man by a margin of more than two to one. Overall, 50% of claimants were women; however, if both spouses in a couple, regardless of who claims the WITB, are presumed to benefit from it, more than half of adult beneficiaries are women.

Table 6

Number of WITB Claimants by Family Type and Gender, 2012 (thousands)

	Unattached individuals	Single parents	Couples (no children)	Couples (with children)	Total
Men	493 (55%)	23 (10%)	93 (65%)	107 (72%)	717 (50%)
Women	408 (45%)	212 (90%)	51 (35%)	41 (28%)	711 (50%)
Total	901	235	144	149	1,428

Note: Totals may not add due to rounding.

4.4 Earnings and Other Income

As illustrated earlier in Charts 1 and 2, the WITB has a three-stage structure: the phase-in stage, the “plateau” stage (where the benefit is at its maximum), and the phase-out stage.

Table 7 provides a distribution of WITB recipients across these different WITB stages (phase-in, plateau and phase-out, as well as phase-in and phase-out), as determined by their earnings and other income. Note that these ranges differ between unattached individuals and other families. Because the benefit phases in with working income and phases out with net income, some workers (about 6% of WITB claimants) with significant income from other sources may be simultaneously on the phase-in and phase-out portions of the WITB schedule.



Table 7

Number of WITB Claimants by Family Type and Working Income/Net Income Range, 2012 (thousands)

	Unattached individuals	Single parents	Couples (no children)	Couples (with children)	Total
Phase-in	222 (25%)	65 (27%)	27 (19%)	28 (19%)	342 (24%)
Full WITB ("plateau")	172 (19%)	36 (15%)	19 (13%)	24 (16%)	251 (18%)
Phase-out	466 (52%)	118 (50%)	85 (59%)	87 (58%)	756 (53%)
Phase-in and phase-out	42 (5%)	16 (7%)	13 (9%)	10 (7%)	80 (6%)
Total	901	235	144	149	1,428

Note: Totals may not add due to rounding.

For all family types, at least half of recipients are situated strictly on the phase-out portion of the WITB schedule, which is to say that their total net income is sufficiently high that the benefit has been partially reduced. Around a quarter of unattached individuals and just under 20% of couples are strictly within the phase-in range where increased earnings are matched by an increased WITB. Between 13% (couples with no children) and 19% (unattached individuals) are situated in the plateau range of the WITB where the maximum benefit is provided.

Table 8 shows the breakdown of working income of WITB recipients for 2012 from a number of sources: employment income reported on a T4 slip by an employer, other employment income (e.g., tips and gratuities), self-employment, and certain other sources that are included for the purpose of determining the WITB (tax-exempt income earned on a reserve, tax-exempt income earned as an emergency services volunteer, and taxable scholarship income).

The greater part of WITB recipients' working income (around 75% for unattached individuals and around 55% for couples) is reported on a T4 slip by the claimants' employer(s). This is largely wage income, but may also include certain other amounts such as vacation pay, bonuses and taxable non-wage benefits. A small share (5% or less) comes from other employment income, such as tips and gratuities or other earnings not reported on a T4 slip. Finally, around 20% of unattached individuals' working income and close to 40% of couples' working income comes from self-employment.

The higher share of earnings derived from self-employment among couples, relative to unattached workers, can largely be explained by the age distribution of these groups. As shown earlier in Table 4, more than half of unattached WITB claimants are under the age of 30, compared to around 10% of couples, and self-employment income is found to be much less important, across all family types, for workers under the age of 30. For WITB claimants between ages 30 and 54, self-employment income as a share of total family earnings is 36% for unattached individuals compared to 39% and 34% for couples with and without children, respectively. However, self-employment income for single parents remains a lower share of working income in this age group (23%).



Table 8

Sources of Working Income of WITB Recipients by Family Type, 2012

	Unattached individuals	Single parents	Couples (no children)	Couples (with children)	Total
Employment (T4 slip)	75%	78%	56%	55%	71%
Other employment	3%	2%	5%	4%	3%
Self-employment ¹	21%	17%	38%	39%	24%
Tax-exempt earnings and taxable scholarships	1%	3%	1%	2%	2%

Note: Totals may not add due to rounding.

¹ Excludes losses.

Receipt of Social Assistance and Employment Insurance

In addition to their working income, many WITB recipients have significant income from other sources that enters into the calculation of family net income. The most important such sources are social assistance and employment insurance benefits.

Table 9 shows that 10% of WITB recipients in 2012 received social assistance in that year. Some 2012 WITB claimants who did not receive social assistance in 2012 did receive it in 2011, such that 13% of 2012 WITB claimants received social assistance in 2011 and/or 2012. These shares vary across family types, with single parent claimants being most likely to receive (or to have recently received) social assistance, and couples without children being least likely.²⁷

Limiting our consideration to WITB recipients on the phase-in portion of the WITB schedule (i.e., those with the lowest incomes and therefore the greatest likelihood of receiving social assistance), the share of WITB claimant families reporting social assistance is higher, ranging from about 10% of couples without children to about 30% of single parents in 2012.

Table 9

Number of WITB Claimants in 2012 in Receipt of Social Assistance, by Family Type (thousands)

	Unattached individuals	Single parents	Couples (no children)	Couples (with children)	Total
All WITB claimants	901	235	144	149	1,428
Received social assistance in 2012	77 (9%)	42 (18%)	8 (6%)	15 (10%)	142 (10%)
Received social assistance in 2011 and/or 2012	99 (11%)	57 (24%)	10 (7%)	20 (13%)	186 (13%)

Note: Totals may not add due to rounding.

²⁷ Here, and in all subsequent calculations considering WITB claimants' tax records over multiple years, the tax information of a claimant's spouse or common-law partner is included only in years that the claimant filed a return. As a result, shares across multiple years may represent slight under-estimates.



Table 10

Number of WITB Claimants in 2012 in Receipt of Employment Insurance, by Family Type (thousands)

	Unattached individuals	Single parents	Couple (no children)	Couple (with children)	Total
All WITB claimants	901	235	144	149	1,428
Received any Employment Insurance in 2012	89 (10%)	55 (23%)	21 (14%)	26 (17%)	190 (13%)
Received regular Employment Insurance in 2012	71 (8%)	31 (13%)	17 (12%)	14 (9%)	132 (9%)

Note: Totals may not add due to rounding.

As illustrated in Table 10, approximately 13% of WITB claimants in 2012 also reported income from Employment Insurance benefits. Among single parents, the share of WITB recipients reporting Employment Insurance is nearly twice as high, at 23%. This disparity may reflect the importance of Employment Insurance special benefits, such as maternity and parental benefits, for families with children.

Limiting our analysis to Employment Insurance regular benefits (i.e., income replacement benefits to individuals who lose their jobs through no fault of their own and are available for and able to work but cannot find a job), the share of WITB recipients is more consistent across family types, ranging between 8% for unattached individuals to 13% for single parents.



5. Persistence in WITB

5.1 WITB Claims in the Immediately Subsequent Year

Table 11 shows the share of WITB claimants in each of 2009 through 2011 who also received the benefit in the subsequent year.²⁸ For example, 46.3% of unattached WITB claimants in 2009 also received the benefit in 2010.

Table 11

Percentage of Claimants Who Also Claimed the WITB in the Subsequent Year

	Unattached individuals	Single parents	Couples (no children)	Couples (with children)	Total
2009	46.3	58.1	53.9	55.9	50.1
2010	45.6	58.4	54.6	56.0	49.7
2011	45.7	58.9	54.6	56.5	49.9

Note: Totals may not add due to rounding.

The persistence of WITB receipt has been very stable over the time period examined. In any given year, half of WITB claimants have gone on to claim the benefit again in the subsequent year.

Among 2011 claimants who did not claim the WITB in 2012, the majority exited due to an increase in net income that placed them above the qualification range of the benefit (Table 12). This was especially likely to be the case for couples with or without children.

Table 12

Reasons for Exit From the WITB in 2012, by Family Type (%)

	Unattached individuals	Single parents	Couples (no children)	Couples (with children)	Total
Did not file	11.6	5.1	7.6	5.9	9.8
Earnings too low	17.6	29.9	21.5	17.0	19.6
Net income too high	53.4	59.0	65.1	71.8	56.9
Other	17.4	6.1	5.8	5.3	13.7

Note: Totals may not add due to rounding.

²⁸ A claimant in a year is considered to have also received the WITB in the subsequent year if the claimant or the claimant's spouse or common-law partner claimed the WITB in that subsequent year.



Roughly 20% of 2011 claimants no longer eligible for the WITB in 2012 were ineligible due to earnings below the minimum threshold for qualification (\$3,000 in provinces and territories without reconfiguration agreements), and many of the roughly 10% of 2011 claimants who did not file a tax return in 2012 likely had earnings below the minimum threshold. Single parents were more likely than other family types to leave WITB qualification due to insufficient earnings in 2012.

In the remaining cases (about 17% for unattached individuals and 5-6% for other family types), the WITB exit was due to other reasons. The most important such reason, explaining the relatively high figure for unattached individuals, was 2011 claimants becoming full-time students in 2012 and thus ineligible for the WITB.²⁹ Other possible explanations include:

- Increases in income that is tax-exempt but included in the WITB calculation, pushing an individual's net income above the WITB qualification range.³⁰
- A change in other eligibility factors for the WITB (e.g., an individual is incarcerated for at least 90 days or becomes a non-resident during the taxation year).
- An eligible claimant chooses not to claim, or fails to claim, the WITB in the second year.³¹

WITB receipt is also observed to be more persistent for couples and families with children than for unattached individuals. This may partly be explained by the propensity of such claimants to enrol in full-time post-secondary education, but there is also some evidence that it results in part from the narrower income qualification range of unattached individuals relative to other family types (who are primarily one-earner households³²).

- In 2012, an unattached individual in Ontario ceased to receive the WITB with net income above \$17,478, compared to \$26,952 for a single parent. Persistence rates for these family types in Ontario were 47.5% and 62.5% respectively between 2011 and 2012.
- By contrast, an unattached individual under the reconfigured Quebec WITB design ceased to receive WITB for net income above \$18,457, compared to \$15,221 for a single parent. Persistence rates for these groups in Quebec were 46.8% and 46.6% respectively between 2011 and 2012.

²⁹ This set of facts will primarily apply to unattached claimants, since those with eligible dependants may still claim the WITB while attending school full time, and working spouses of full-time students may claim the WITB as an individual. Full-time students who previously claimed the WITB, and whose spouses continue to claim the WITB as an unattached individual, are not considered to have exited from the WITB in our analysis.

³⁰ Tax-exempt income is not reported on the T1 return. While it is reported on Schedule 6, this schedule is not completed by those who do not claim the WITB and therefore tax-exempt income is not included in our calculation of net income for those exiting the WITB.

³¹ While overall take-up of the WITB amongst seemingly eligible tax filers was around 85% in 2012, the take-up rate is expected to be higher among prior-year claimants who, on average, would have greater awareness and have demonstrated an ability to claim the benefit. Nonetheless, some may have received assistance in claiming in 2011 that was not available to them in 2012.

³² Almost two thirds of couples claiming the WITB can be classified as one-earner couples, defined here as couples wherein one partner reports less than \$1,000 in working income in the year.



That is, with a similar eligibility range, single parents and unattached individuals had similar persistence rates in Quebec.

The lower average age of unattached WITB recipients may also play a role in the lower persistence of unattached individuals. Workers with low earnings due to limited work experience would be expected to see more rapid earnings growth than those with persistently low earnings due to a lack of marketable skills or other barriers to employment. Table 13 shows persistence is lowest for claimants under the age of 30 across all family types, with generally higher persistence for workers over the age of 55 than for those between the ages of 30 and 54.

Table 13

WITB Claim Persistence Between 2011 and 2012, by Family Type and Age Group of Claimant

	Unattached individuals	Single parents	Couples (no children)	Couples (with children)	Total
Under 30	42.0	56.3	42.2	49.5	43.6
30-54	49.5	59.9	54.7	57.3	54.2
55 or older	54.6	57.8	57.1	62.2	56.0

It is noteworthy that there is almost no difference by age group in persistence for single parents, and persistence actually falls slightly for single parents over the age of 55 compared to those in the 30-54 age bracket. However, the number of parents in this highest age range is small.

5.2 Multi-Year Persistence

Examining persistence over a somewhat longer time frame, Table 14 shows the share of 2009 WITB claimants who also claimed in any subsequent year. This broader concept of persistence raises the overall rate of persistence from 50% (two-year persistence between 2009 and 2010, from Table 11) to 63.4%. Put differently, about 27% of 2009 claimants who did not claim in 2010 re-qualified in 2011 or 2012.

Table 14 shows as well the share of 2009 claimants who also received the benefit in each of the subsequent three years (i.e., who received the WITB for all four years between 2009 and 2012 inclusive). The data indicate that about 20% of WITB claimants in 2009 made persistent use of the transfer in the subsequent years (15.8% for unattached individuals and 24-27% for other family types).

Table 14

Percentage of 2009 Claimants Who Also Claimed the WITB in Any or All Subsequent Years Through 2012, by Family Type

	Unattached individuals	Single parents	Couples (no children)	Couples (with children)	Total
2009 and any subsequent year	59.8	71.5	66.1	69.3	63.4
2009 and all subsequent years	15.8	26.3	23.7	26.7	19.6



Table 15 shows that four-year persistence, like two-year persistence, was significantly higher for 2009 claimants over the age of 30 than for younger claimants.

Table 15

WITB Claim Persistence Between 2009 and 2012 for 2009 Claimants, by Family Type and Age Group of Claimant

	Unattached individuals	Single parents	Couples (no children)	Couples (with children)	Total
Under 30	11.4	21.7	13.1	17.4	12.7
30-54	21.3	27.9	25.2	27.9	24.7
55 or older	24.0	23.7	24.6	32.4	24.6

6. Conclusion

The tax system represents an administratively efficient manner to deliver targeted support to low-income workers. The WITB provides such support in a way that increases the returns to work and encourages participation in the labour force.

Take-up of the benefit has been strong, but not universal, among eligible workers with reported income in the WITB qualification range. The evidence from the first four years since the 2009 expansion of the WITB suggests the benefit is providing transitional support for some groups with temporarily low incomes—such as young workers just beginning to gain experience in the work force or couples in which one partner is temporarily out of work—as well as to a population of workers with persistently low incomes or who fall into low income on a recurring basis.



An Evaluation of the Response of Individuals to Changes in the Price of Charitable Donations*

1. Introduction

Governments in Canada provide significant assistance to charities through direct grants and contributions as well as by way of a number of tax incentives to encourage charitable donations. In particular, Canadians who give to registered charities and other qualified donees may claim a non-refundable tax credit with respect to their charitable donations on both their federal and provincial³³ personal income tax returns, and capital gains associated with the donation of certain types of assets are fully exempt from income tax. These tax incentives lower the after-tax cost of giving with the aim of encouraging people to donate more to charities.

An evaluation of the federal Charitable Donation Tax Credit was published in the 2014 edition of this report. One of the main conclusions of the study was that more empirical evidence was required before any firm conclusion could be reached about the effectiveness of the tax incentives for charitable donations in Canada. One important piece of evidence that is instrumental in assessing effectiveness is the degree to which people respond to such tax-based incentives. This response is summarized by the price elasticity of charitable donations, which represents the percentage change in donations resulting from a 1% change in the after-tax price of giving.³⁴ In general, the case for providing tax incentives for charitable donations is stronger when decisions to donate are more responsive to such incentives, because a stronger response provides more indirect funding to charities for the same financial cost for governments.

Empirical studies of the determinants of charitable donations support the general conclusion that charitable donation tax incentives have a positive impact on charitable giving, although the precise magnitude is still open to debate and studies based on Canadian data are few. As such, these studies do not provide sufficiently strong evidence to draw firm conclusions about the response of Canadians to tax incentives for charitable donations. This study contributes to this literature by estimating the response of Canadian donors to changes in tax incentives for charitable donations using a panel of income tax filers, spanning the period from 1997 to 2012. The analysis takes advantage of differences in the timing and scope of changes in the after-tax price of giving across provinces to estimate the price elasticity of charitable donations. In particular, the study examines the responsiveness of individuals to changes in provincial tax incentives when provinces adopted a tax-on-taxable-income system in the early 2000s and other specific changes to provincial tax incentives, including a significant increase in Alberta's charitable donation tax credit rate for donations in excess of \$200, to 21% from 12.75%, starting in 2007. This difference-in-difference approach allows us to better account for unobservable factors that might have affected charitable giving behaviours over the same period. The results suggest that individuals responded significantly to changes in the tax incentives for charitable donations implemented between 1997 and 2012.

* The empirical analysis was prepared by Yves Poirier, Senior Economist, Tax Policy Branch, Department of Finance Canada. Enquiries regarding Department of Finance Canada publications can be sent to finpub@canada.ca. We would like to thank Professor Philip Merrigan for his helpful comments and suggestions.

³³ References to provinces in this text also include territories unless explicitly stated.

³⁴ The after-tax price of giving is usually defined as one minus the tax assistance on a one-dollar donation. For example, the after-tax price of giving is 0.75 in presence of a 25% charitable donation tax credit.



This study is organized as follows. Section 2 provides background information on the federal and provincial tax incentives for charitable donations. Section 3 introduces the statistical model used to estimate the price elasticity of charitable donations in Canada and presents the results from this analysis. Section 4 concludes the analysis.

2. Background

This section reviews the key income tax measures intended to encourage charitable donations by individuals, namely the charitable donation tax credits and the capital gains tax exemptions for donating certain types of assets. The charitable sector also benefits from other tax incentives, notably the income tax exemption for registered charities and other qualified donees and the deductibility of charitable donations by corporations in calculating their corporate taxable income. These tax measures fall outside the scope of this analysis and are thus not discussed below. Tax incentives introduced after 2012³⁵ are also not discussed given that their introduction falls outside the period covered by the sample used in this study.

Federal and Provincial Charitable Donation Tax Credits

In Canada, tax incentives for charitable giving mainly take the form of non-refundable tax credits provided by the federal and provincial governments. These non-refundable income tax credits are generally calculated by applying the lowest personal income tax rate to the first \$200 of donations reported in a given year and the highest personal income tax rate to donations in excess of \$200.³⁶ Table 1 presents the federal and provincial charitable donation tax credit rates that applied in the first and last year covered by our estimation sample.

In general, charitable donation tax credits may be claimed on donations totalling up to 75% of net income in a given year. The income limit does not apply to certain gifts of cultural property or ecologically sensitive land and in certain other circumstances, such as a gift made in the taxpayer's year of death. Donations made in a given year do not have to be included in the income tax return of the same year and may be carried forward and claimed within the next five years.³⁷

³⁵ The 2013 federal budget introduced the temporary First-Time Donor's Super Credit. This credit supplements the federal charitable donation tax credit with an additional 25% tax credit for a first-time donor on up to \$1,000 of donations. Also, on December 7, 2015, the Government proposed to amend the federal charitable donation tax credit to allow higher-income donors to claim a 33% tax credit on the portion of donations in excess of \$200 that is subject to the new 33% marginal tax rate.

³⁶ Some provinces apply rates that differ from either the lowest or highest marginal income tax rates for donations below or above the \$200 threshold. For example, Alberta's income tax credit on charitable donations above the \$200 threshold has been 21% since 2007, instead of the top marginal income tax rate of 10%. Also, the provincial income tax credit in Quebec was calculated using a higher provincial threshold (for the higher credit rate) of \$2,000 instead of \$200 prior to 2006.

³⁷ The carry-forward period for donations of ecologically sensitive land was extended to ten years in the 2014 federal budget.



Table 1
Effective Charitable Donation Tax Credit Rates,¹ by Province, 1997 and 2012
 (%)

	1997		2012	
	First \$200 of Donations	Donations in Excess of \$200	First \$200 of Donations	Donations in Excess of \$200
Federal ²	17.5-18.4	29.9-31.3	15.0	29.0
Newfoundland and Labrador	11.7-12.9	20.0-22.0	7.7	13.3
Prince Edward Island	10.1-11.1	17.3-19.0	9.8-10.8	16.7-18.4
Nova Scotia	9.9-10.9	17.0-18.7	8.8	21.0
New Brunswick	10.7-11.6	18.3-19.7	9.1	18.0
Quebec	20.0-22.0	20.0-22.0	20.0	24.0
Ontario	8.2-11.9	13.9-20.3	5.1-7.9	11.2-17.4
Manitoba	8.8	15.1	10.8	17.4
Saskatchewan	9.4-10.6	16.0-18.1	11.0	15.0
Alberta	7.7-8.4	13.2-14.3	10.0	21.0
British Columbia	8.7-13.4	14.8-22.9	5.1	14.7

¹ A range is presented for jurisdictions imposing a surtax calculated on income taxes. The charitable donation tax credit is relatively more beneficial in the presence of such surtaxes, given that the credit reduces the amount of income tax on which the surtax is calculated.

² The credit rate available to Quebec residents must be adjusted for the 16.5% Quebec Abatement.

Source: Department of Finance Canada calculations.

Capital Gains Tax Exemptions

Individuals donating certain assets that have appreciated in value are eligible for a tax exemption with respect to the capital gains realized on the donated assets. Assets eligible for a capital gains tax exemption include publicly listed securities and certain exchangeable shares, certified cultural property and ecologically sensitive land. These exemptions, which are also available for provincial income tax purposes, further reduce the after-tax cost of donating such assets.

The current full capital gains tax exemption for donations of publicly listed securities and ecologically sensitive land was announced in Budget 2006 (effective May 2, 2006). Prior to that, donations of publicly listed securities and ecologically sensitive land benefited from an inclusion rate equivalent to half the normal inclusion rate.³⁸ Also, donations to private foundations only became eligible for the capital gains tax exemption starting on March 19, 2007.

Federal Charitable Donation Personal Income Tax Expenditures

Table 2 provides a breakdown of the charitable donations reported on federal income tax returns in 2012, the last year covered by our estimation sample, and the associated tax expenditures. The fiscal cost associated with federal charitable donation personal income tax expenditures totalled approximately \$2.4 billion in that year. The federal tax-based assistance associated with donations not eligible for the capital gains tax exemption represented 91% (or \$2.2 billion) of the total federal tax-based assistance to charitable donations claimed by individuals in 2012. The tax assistance for donations eligible for the capital gains tax exemption accounted for the remaining 9% (or \$212 million); of that amount, the non-taxation of capital gains accounted for about 2% of the overall assistance (or \$52 million).

³⁸ Cultural property donations have been exempt from capital gains taxation since 1979.



Table 2

Charitable Donations Claimed by Individuals and Associated Federal Tax Expenditures, by Type of Donation, Estimates for 2012 (\$ millions)

	Amount of Donations	Charitable Donation Tax Credit	Non-Taxation of Capital Gains	Total Tax Expenditures
Total charitable donations	8,585	2,350	52	2,402
Type of Donation:				
Non-eligible for the capital gains exemption	8,025	2,190	–	2,190
Eligible for the capital gains exemption:	560	160	52	212
Publicly listed securities	435	125	40	165
Ecologically sensitive land	25	5	2	7
Cultural property	100	30	10	40

Notes: Totals may not add up due to rounding. Figures assume that the full amounts of gifts were claimed in the year they were made.

Sources: T1 return data; Environment and Climate Change Canada; Department of Finance Canada calculations.

Recent Trends

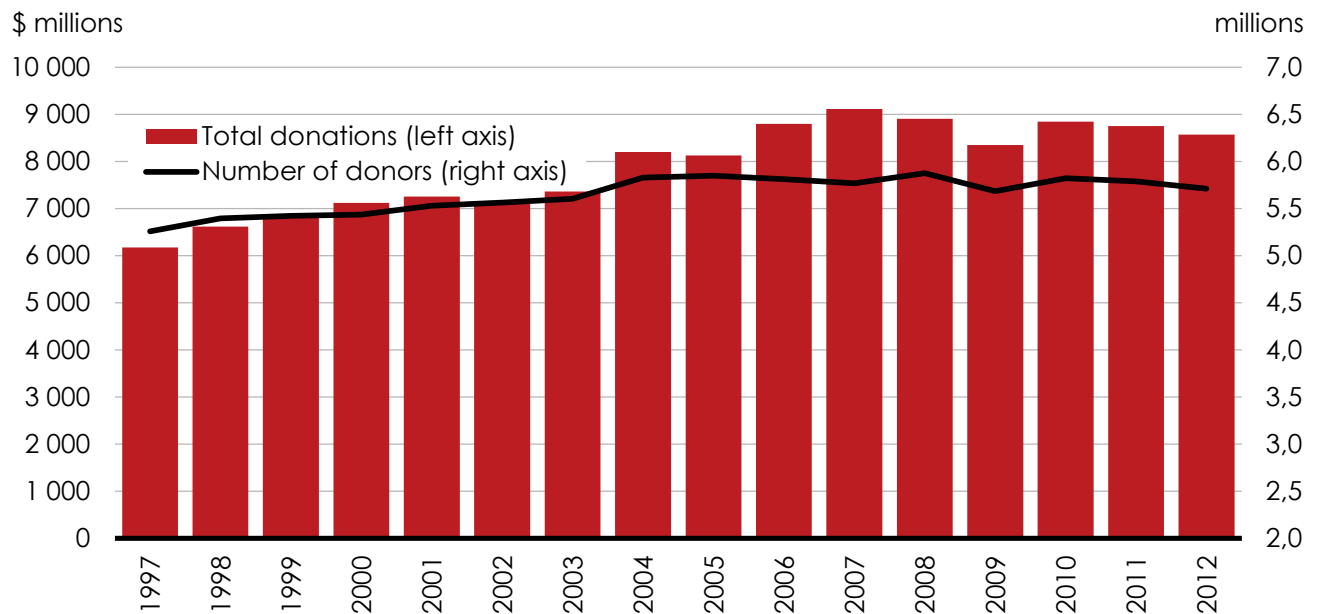
Charitable donations reported by individuals claiming the federal Charitable Donation Tax Credit totalled \$8.6 billion in 2012, as reported above. This is about 6% lower in real terms than the peak observed in 2007, with most of the decline taking place during the last economic recession. The same pattern was observed in the early 2000s when total charitable donations decreased with the economic slowdown and increased during the following period of economic recovery (see Chart 1).

Between 1997 and 2012, the total amount of charitable donations (in constant 2012 dollars) reported on income tax returns grew at an annual rate of 2.4%. The total amount of charitable donations grew at an annual rate of 5.1% between 1997 and the peak of 2007, after which it remained fairly stable except for the dip observed during the last economic recession. The increase in donations between 1997 and 2012 is mainly associated with variations in the average value of donations, as the number of claimants only grew by an annual rate of 0.6% over the full sample period (including an annual growth rate of 0.9% between 1997 and 2007).



Chart 1

Charitable Donations by Individuals Claimed for Purposes of the Federal Charitable Donation Tax Credit



Notes: Excludes donations made as part of tax shelter arrangements or claimed within a trust. Includes donations made in the year of death.
Sources: T1 return data; Department of Finance Canada calculations.

Recent Estimates³⁹

There is a general consensus in the public policy literature that tax incentives have a positive impact on charitable donations, although the magnitude of that impact is still open to debate given the many challenges associated with estimating the price elasticity of charitable donations. A fundamental difficulty is distinguishing the causal effect of price on charitable donations from the effects of income and other determinants, including those that are unobserved in the data. In recognition of this difficulty, the literature on the price elasticity of charitable donations has progressed by making use of increasingly sophisticated econometric methods.

³⁹ A comprehensive review of the literature on the price elasticity of charitable donations was presented in the 2014 edition of this report. This section only presents a brief review of the recent literature on the subject.



A selection of recent estimates of the price elasticity of giving is presented on Table 3. These studies have reported estimates of the price elasticity of charitable donations in the range of -0.6 to -2.7. This means that a 1% reduction in the price of giving, through an increase in the rate of the charitable donation tax credit for example, is generally estimated to increase charitable donations by 0.6% to 2.7%. However, many of these studies have limited applicability to Canada given, for example, that the structure of the tax systems and the charitable donation incentives in other countries can be significantly different from those in Canada. Only a few studies have considered the price elasticity of charitable donations using Canadian data. Among the more recent ones, Hossain and Lamb (2012), using cross-sectional survey data for the year 2007, estimated an overall price elasticity of -1.7 with a range from -0.8 for donations to religious charities to -2.2 for donations to charities involved in international development. Overall, the median price elasticity of charitable donations found in the recent literature is -1.2. However, only the study by Hossain and Lamb (2012) is based on Canadian data and some of these studies are based on limited information. Moreover, cross-sectional studies are generally found to lead to estimates of the price elasticity of charitable donations that are overstated due to the difficulty of controlling for unobserved determinants of charitable donations, such as altruism and social networks.

Table 3

Summary of Recent Estimates of Price Elasticity of Charitable Donations

Study	Elasticity	Country	Years	Type of Data
Brooks (2007)	-2.7	United States	2001	Cross-section/survey
Fack and Landais (2010)	-1.2	France	1998 to 2006	Repeated cross-sections/administrative
Bakija and Heim (2011)	-1.1	United States	1979 to 2006	Panel/administrative
Bönke et al. (2013)	-1.2	Germany	1998, 2001 and 2004	Repeated cross-sections/administrative
Adena (2014)	-0.6	Germany	2001 to 2006	Panel/administrative
Hossain and Lamb (2012)	-1.7	Canada	2007	Cross-section/survey
Median price elasticity	-1.2			

Notes: Some of these studies presented a range of price elasticities that varied based on the type of donation or donor. The price elasticities in this table generally reflect the price elasticity for the full sample or the median income group.

3. Econometric Analysis

In order to complement the few Canadian studies on the price elasticity of charitable donations, this study uses a panel of income tax returns that tracks the same individuals for up to 16 years from 1997 to 2012. The main data source is a longitudinal dataset based on a random sample of 10% of all individual tax returns obtained from the Canada Revenue Agency. The size of this dataset makes it representative of the overall population of donors. This dataset was augmented for the purpose of the analysis with spousal income tax return data and information returns filed by charities (T3010 – Registered Charity Information Return) that were also obtained from the Canada Revenue Agency.



This study adopts the standard approach of measuring the change in charitable donations resulting from variations in the price of giving, while controlling for other determinants of charitable donations. The price of giving is defined as one minus the marginal tax assistance on a dollar of charitable donations.⁴⁰ This tax assistance on the next dollar of charitable donation generally corresponds to the lowest income tax credit rate for those giving less than the \$200 threshold (including those who do not give) and the top income tax credit rate for those giving more than \$200. For individuals donating assets qualifying for the capital gains tax exemptions, the marginal after-tax price of giving is further reduced by the marginal tax rate that would apply to the next dollar of taxable capital gain (prorated for the value of the capital gain as a share of total donations). The effective marginal tax assistance rates were calculated for each individual in the sample and include the charitable donation tax credits and capital gains tax exemptions at both the federal and provincial levels.

The price of giving is endogenously related to charitable giving because larger charitable donations are associated with lower prices (higher credits) given the two-tier structure of the charitable donation tax credits. As a result of this “reverse causation,” standard econometric techniques will in general be biased in estimating the causal relationship of interest given the difficulty of disentangling one relationship from the other. Our empirical strategy must therefore be able to distinguish the “reverse causal” relationship between price and donations that is due to the structure of the credit from the causal relationship between donations and the price of charitable donations that is due to people giving more (less) because the price of giving is low (high). In addition, a large number of individuals report zero charitable donations in any given year, whether because they did not make any donations, they were not taxable, or they are pooling or saving up donations. Also, since charitable donations cannot be negative, the relationship between donations and the other explanatory variables (including the price of donations) is not linear. Our empirical strategy relies on grouping the observations in the estimation sample into cohorts in order to address these methodological issues. The section “Empirical Model” in the annex provides more details on the selected estimation strategy.

Description of the Estimation Sample

Our final estimation sample includes about 11 million observations for the 1997 to 2012 period. These observations account for about 80% of the total amount of charitable donations reported in the original sample obtained from the Canada Revenue Agency. Most of the excluded donors are low-income individuals, as individuals who earned less than \$40,000 of adjusted income, on average, over the sample period were excluded.⁴¹ The main reason for this exclusion is that we generally do not observe charitable donations of non-taxable individuals in the tax data, even if such donations occur, because the tax credit is non-refundable.⁴²

⁴⁰ The intensive growth of charitable donations (i.e., the growth in average donations) is mainly affected by marginal variations in the price of charitable donations. An analysis of the extensive growth (i.e., the growth in the number of donors) would likely focus on average prices instead. Although our estimation strategy does not differentiate between the intensive and the extensive growth, the focus on marginal prices is largely motivated by the trend observed in Chart 1, where the growth in charitable donations over time has mainly been driven by an increase in average donations.

⁴¹ See the section “Adjusting Income” in the annex for more details about how income figures have been adjusted for the purpose of this analysis.

⁴² See the annex for the list of filters applied to the original sample.



Table 4 presents descriptive statistics of key variables calculated on this estimation sample (all figures are in 2012 dollars). Three numbers are reported for each variable: the mean, the median and the standard deviation. The average amount of charitable donations is \$910 for individuals in the estimation sample. About 62.5% of the households in the estimation sample claim the charitable donation tax credit in a given year. The average donation for those who give is therefore about \$1,455—which is in line with what is observed in the original sample. There are, however, large variations in the amount given by each individual, as illustrated by the median amount of charitable donations of \$55 and the standard deviation of roughly \$24,000.⁴³ This large variation is due to the fact that a relatively small number of donors make very large donations every year. As an illustration, the top 1% and 10% of donors represent respectively about 40% and 80% of the total amount of charitable donations in the estimation sample.

Table 4

Descriptive Statistics From the Estimation Sample (2012 dollars)

Variable	Mean	Median	Standard Deviation
Individual charitable donations	\$910	\$55	\$23,570
Marginal after-tax price of a \$1 donation	\$0.67	\$0.67	\$0.11
Adjusted individual income	\$67,375	\$55,400	\$102,875
Age	48.3	48.0	14.0
Provincial unemployment rate	7.2%	7.2%	1.9%
Share of government contributions in total revenues of charities	67.6%	68.1%	4.3%
Share of filers reporting charitable donations	62.5%	—	—
Share of filers with dependent children	33.8%	—	—
Share of filers that are separated, divorced or widowed	10.8%	—	—

Notes: The mean represents the simple average of all observations. Median and standard deviation are not reported for dummy variables given the less intuitive interpretation of such statistics for these variables. The standard deviation measures the dispersion of the data around the mean.

Sources: T1 return data; Department of Finance Canada calculations.

The adjusted income of individuals included in the estimation sample is on average about \$67,000, with a median of about \$55,000 and a standard variation of roughly \$100,000. The average tax filer is about 48 years old. The sample includes control variables to better isolate the causal relationship between charitable donations and the price of giving. These variables are the provincial unemployment rate, the provincial share of government contributions in total revenues of charities, the year, the province, and dummy variables indicating whether or not the tax filer reported dependent children or is either separated, divorced or widowed.⁴⁴

⁴³ The median donation among donors in the sample is \$255 with a standard deviation of about \$30,000.

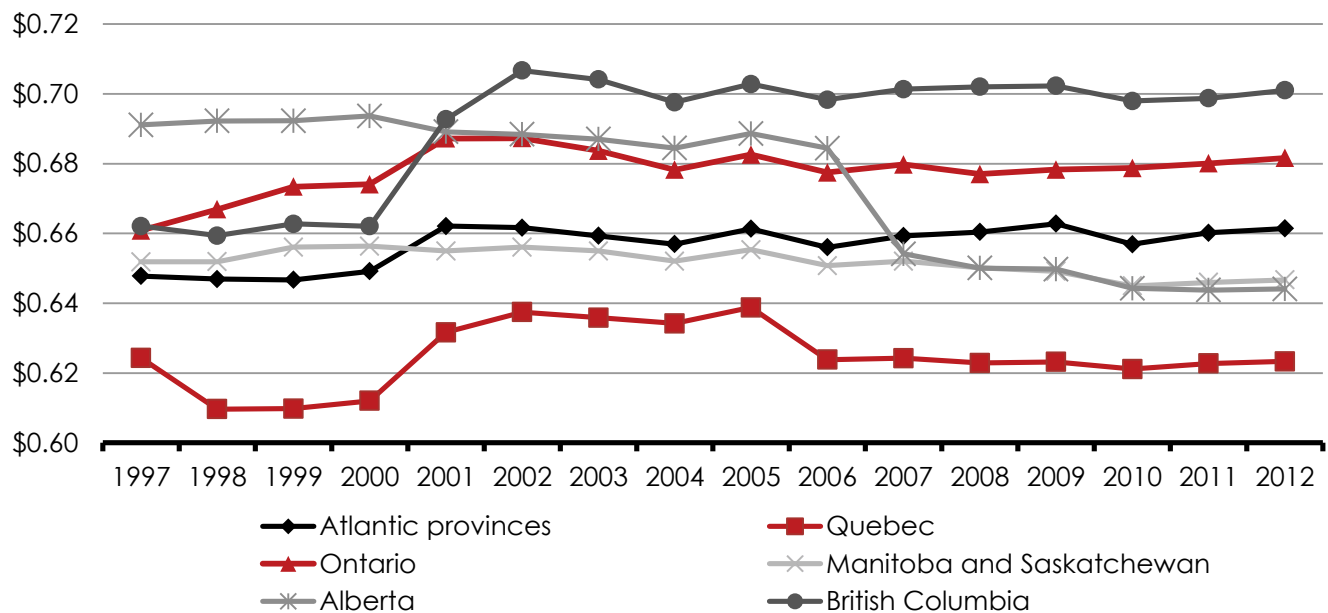
⁴⁴ A dummy variable takes the value of 1 if the filer belongs to a certain category (for example, if the tax filer is a widow) and 0 otherwise. As such, the reported average for these variables represents the share of tax filers belonging to a certain category. Standard deviations are not reported for dummy variables given the less intuitive interpretation of such statistics.



Chart 2 shows the trends in the marginal after-tax price of donations by region⁴⁵ for individuals in the estimation sample. This chart illustrates that Canadians have experienced different marginal after-tax prices of charitable donations over the sample period depending on their province of residence. For example, most Canadians experienced an increase in the after-tax price of donations before 2002, while it remained fairly stable for individuals living in Manitoba and Saskatchewan during the same period. After 2002, the marginal after-tax price remained fairly stable in most provinces, with two notable exceptions: Quebec and Alberta. In 2006, Quebec harmonized with the rest of Canada the threshold above which the higher rate of the provincial tax credit starts to apply by reducing it to \$200 from \$2,000. This effectively increased the generosity of the provincial tax credit for annual donations between \$200 and \$2,000. In 2007, Alberta increased the rate of the charitable donation tax credit on donations exceeding \$200 to 21% from 12.75%.

For all the years included in the estimation sample, Quebec is the province for which, on average, the marginal after-tax price of a \$1 donation is the lowest among Canadian provinces.⁴⁶ This reflects the fact that individuals residing in Quebec benefit from the highest charitable donation tax credit rate on the first \$200 of donations, which has an impact on the marginal after-tax price of donors giving less than \$200 (including non-donors) and one of the highest charitable donation tax credit rates on donations exceeding \$200 on a federal-provincial basis.⁴⁷ At the opposite end, British Columbia had the highest average marginal after-tax price of charitable donations in recent years. This is mainly due to the relatively low tax credit rate (5%) for donations below the \$200 threshold.

Chart 2
Average Marginal After-Tax Price of a \$1 Donation, Full Estimation Sample, Average by Region, 1997–2012



Note: The average marginal after-tax price represents the simple average of all observations.

Sources: T1 return data; Department of Finance Canada calculations.

⁴⁵ These are the regions used in the regression analysis to follow.

⁴⁶ The average marginal after-tax prices presented for Quebec have been adjusted to reflect the 16.5% Quebec Abatement.

⁴⁷ The federal-provincial charitable donation tax credit rate on donations exceeding \$200 is about 48% in Quebec once the 16.5% Quebec Abatement is taken into account. Individuals in Alberta and Nova Scotia benefit from the highest charitable donation tax credit rate on donations exceeding \$200 with a combined federal-provincial tax rate of 50%.



Our estimate of the price elasticity of charitable donations relies on these differences in provincial trends to disentangle the impact of changes to tax incentives on charitable donations from other determinants of charitable donations, such as changes in real income. Provincial variation in the marginal after-tax price of a \$1 donation is essential to our analysis, given that changes to federal tax incentives generally affect Canadians residing in different provinces in a similar way and are thus difficult to evaluate empirically.

Our model expresses charitable donations as a function of the price of donations and other explanatory variables. Given that it is usually beneficial for married or common-law partners to combine charitable donations and claim them on one tax return in order to benefit from the higher tax credit rate on charitable donations in excess of the \$200 threshold, charitable donations from both partners have been combined and divided by 2 to calculate the average charitable donations per adult in the household. Charitable donations are expected to increase with wealth and income, but given that wealth information is missing from our database, income is also used as a proxy for wealth. These income figures are, however, adjusted to account for the fact that households of different sizes may have different needs.⁴⁸ We also control for the procyclicality of private donations, and the potential for government contributions to crowd out private donations,⁴⁹ by including in our model the provincial unemployment rate and the share of governments' contributions in the total revenues of charities. The model also includes a set of dummy variables to account for regional differences in giving behaviours and yearly shocks that might have affected Canadians living in different provinces similarly.

Estimates of the Price Elasticity of Charitable Donations

The coefficients of this model are estimated using an ordinary least square regression.⁵⁰ The coefficient on the price of donations is expected to be negative, meaning that charitable donations are expected to decrease when the price of giving increases. The results from this analysis suggest that Canadians responded significantly to changes in the tax incentives provided for charitable donations between 1997 and 2012. As shown in Table 5, the point estimate of the price elasticity of charitable donations calculated on the full estimation sample is -1.1. In other words, based on this analysis, a 1% reduction in the after-tax price of giving is expected to increase charitable donations by 1.1%.

Table 5 also presents a range of possible estimates based on a 95% confidence interval. This represents the margin of error for which we expect estimates to vary if we were to resample the same population. As such, this interval is an indication of the range within which the true price elasticity for the Canadian population, and not a sample-based estimation of it, should be 95% of the time. This confidence interval, ranging from -0.7 to -1.5, falls within the lower range of recent estimates on the same subject.

⁴⁸ See the section "Adjusting Income" in the annex for more details about how income figures have been adjusted for the purpose of this analysis.

⁴⁹ Government contributions will crowd out private donations if, for example, individuals tend to reduce their charitable donations when there is an increase in government contributions to charities.

⁵⁰ See the annex for more details on the methodological issues that guided the choice of the empirical model used in this analysis.



Table 5

Estimates of the Price Elasticity of Charitable Donations

Estimation Sample	Lower Response	Estimate	Higher Response
Department of Finance Canada (2016) ¹	-0.7	-1.1	-1.5
Recent studies ²	-0.6	-1.2	-2.7

¹ The range of price elasticities for the Department of Finance Canada (2016) reflects the 95% confidence interval.

² These numbers correspond respectively to the minimum, median and maximum price elasticities presented in Table 3.

Source: Department of Finance Canada calculations.

4. Conclusion

This study uses econometric techniques on a panel of income tax filers, covering the period from the year 1997 to 2012, to estimate the response of Canadian donors to federal and provincial tax incentives for giving. This response is summarized by the price elasticity of charitable donations, which represents the percentage change in charitable donations resulting from a 1% change in the price of giving. Using a sample of about 11 million observations, we estimate an average price elasticity of charitable giving of -1.1.

This result suggests that individuals responded significantly to changes in the tax incentives for charitable donations implemented between 1997 and 2012. However, as discussed in last year's evaluation of the federal Charitable Donation Tax Credit,⁵¹ an overall assessment of the tax-based assistance for charitable donations should factor in additional considerations. For example, a portion of the tax incentives provided for charitable donations likely represents a windfall gain for many donors, since some of these donations would likely occur in the absence of the tax incentives. Other considerations should also be taken into account when evaluating the overall effectiveness of tax incentives for charitable donations, such as the administrative and economic costs associated with administering and collecting tax-based assistance versus funding charities directly.

One should also keep in mind that the estimate presented here represents an average response for various types of donors and charities. Recent estimates, such as those from Hossain and Lamb, indicate that the price elasticity of charitable donations varies greatly according to the type of donation made. For example, their results suggest that donations to religious charities, which represent about a third of the total amount of charitable donations to registered charities,⁵² seem to be less responsive to tax incentives relative to other types of charitable donations. Some studies also report price elasticities that vary according to the type of donor.

Therefore, although our analysis addresses limitations from previous studies through the use of a panel of individual tax returns in Canada, other limitations remain. Future work could include estimating different price elasticities for different types of donations or donors or focusing on the extensive growth of charitable donations to better understand how the Government can influence the number of donors instead of the average charitable donations by existing donors.

⁵¹ See Section 4 of Department of Finance Canada (2015).

⁵² See Chart 6 of Department of Finance Canada (2015).



Annex – Regression Model and Detailed Results

Sample

The estimation sample includes about 11 million observations. These observations account for about 80% of the total amount of charitable donations found in the original sample received from the Canada Revenue Agency. The analysis is limited to individuals living in a Canadian province (i.e., excluding the territories). It excludes final tax returns for deceased persons, households that never claimed the charitable donation tax credit and individuals who averaged less than \$40,000 in adjusted income (in 2012 dollars) over the sample period.

Adjusting Income

For the purpose of this analysis, for couples, average individual income figures were obtained by averaging the income of both spouses or common-law partners. However, these figures have been adjusted to reflect the different needs, but also the economies of scale, associated with living in households of different sizes. For example, households with dependent children have to spend more on basic needs of the family members and thus have less discretionary income to give or spend on non-basic needs. Larger households, however, benefit from the fact that some costs of living, such as housing costs, do not grow proportionally with the number of individuals in a household, leading to economies of scale for such expenditures. In practice, to account for these differences the income figures for married or common-law couples have been divided by the square root of two (1.4), instead of 2 as in the case of charitable donations, if no dependent children were identified by the tax filers. If dependent children were found, the income figures were instead divided by the square root of three (1.7). A relatively similar equivalence scale has been used in recent publications of the Organisation for Economic Co-operation and Development and Statistics Canada.

Empirical Model

The price of giving is endogenously related to charitable giving because larger charitable donations are associated with lower prices (higher credits) given the two-tier structure of the charitable donation tax credits. As a result of this “reverse causation,” standard econometric techniques will in general be biased in estimating the causal relationship of interest given the difficulty of disentangling one relationship from the other. Our empirical strategy must therefore be able to distinguish the “reverse causal” relationship between price and donations that is due to the structure of the credit from the causal relationship between donations and the price of charitable donations that is due to people giving more (less) because the price of giving is low (high). This issue is generally addressed in the literature by using instrumental variable methods. Simply stated, these “instruments” are variables that are correlated with the explanatory variable of interest (the price of charitable donations), but do not suffer from the reverse causation that is due to the fact that the explanatory variable of interest is a function of the variable being explained (the amount of charitable donation).



In addition, a large number of individuals report zero charitable donations in any given year, whether because they did not make any donations, they were not taxable, or they are pooling or saving up donations. Also, since charitable donations cannot be negative, the relationship between donations and the other explanatory variables (including the price of donations) is not linear. For example, some non-donors could potentially be induced to donate by lowering the price of giving through an increase in the rate of the charitable donation tax credit. If instead the charitable donation tax credit rate were reduced, such non-donors would not be expected to change their behaviour, because charitable donations cannot be negative. As a result, the impact of a change in the charitable donation tax credit rate is not expected to be linear (i.e., to have a relative impact that is similar) whether this change is an increase in the rate of the tax credit or a decrease.

Our empirical strategy relies on grouping the 11 million observations in the estimation sample into cohorts in order to address the methodological issues identified above. This aggregation has been performed by applying a sequential procedure to create groups of similar size. As a first step, individuals were grouped based on their year of birth and province of residence. Individuals from the Atlantic provinces were then grouped together, as were individuals from Saskatchewan and Manitoba. Some older or younger individuals were also grouped by periods of five years of birth or more to deal with the smaller size of these groups. For example, individuals born on or before 1920 were grouped together within the same region. The resulting data set from the grouping process consists of 3,322 observations.

Deaton (1985) demonstrates that estimation techniques based on the grouping of individual data into cohorts are identical to instrumental variables approaches where the group indicators are used as instruments. The main identifying assumption is that policy changes affecting tax incentives for charitable donations are uncorrelated with unobserved variables that affect individual donations reported on tax returns. This technique also allows us to deal with attrition in the panel and the large number of tax filers reporting no donations every year.

In practice, the model captures the average percentage change in charitable donations caused by a 1% change in the average price of charitable giving. The price of giving is defined as one minus the tax benefits resulting from a one-dollar donation. The tax benefits included in this analysis are the federal and provincial charitable donation tax credits as well as the various capital gains tax exemptions. In addition to the price variable, the model includes a set of control variables to account for differences across cohorts that are correlated with charitable giving such as income, age, marital status, children and geographical location.

The results for various specifications are presented in Table A1. The weighted fixed effects ordinary least square (OLS) regression corresponds to the results presented in Table 5. The “fixed effects” approach allows us to control for unobserved determinants of charitable donations by assuming that this heterogeneity is constant over time. Cohort observations have been weighted based on the average number of individuals in each cohort. Removing the weights from the fixed effects OLS regression does not have a significant impact on the estimated coefficients.



We have also tested a specification where fixed effects were substituted for random effects. In this alternative specification, the cohort averages of all covariates, for example the average amount of donations for a given cohort, were also added to the list of explanatory variables. This allows us to address the potential correlation between covariates and unobserved determinants of charitable donations, which would create a bias in the estimated coefficients of the random effects OLS regression. This correction is, in fact, akin to parametrizing the implicit fixed effects of our basic model. The estimated price elasticity of charitable donations is still significant, but somewhat lower (-0.9) when using this specification. However, the fact that the coefficients estimated for the cohort averages (i.e., the fixed effects) are all significantly different than zero suggests that the fixed effects specification should be preferred.

A pooled OLS regression, which essentially treats the data as being one large cross-section, produced similar coefficients after including the same cohort averages as those in the random effects OLS regression.

Table A1

Detailed Regression Results for the Full Estimation Sample

Dependant variable: log (charitable donations)

Explanatory Variables	Weighted Fixed Effects OLS	Fixed Effects OLS	Random Effects OLS	Pooled OLS
log(price)	-1.08**	-1.11**	-0.90**	-0.96**
log(income)	0.69**	0.66**	0.71**	0.65**
age			0.21**	0.10**
separated, divorced or widowed	-2.36**	-2.59**	-1.89**	-2.12**
dependent children	0.93**	0.97**	0.92**	0.94**
log(unemployment rate)	-0.01	-0.01	-0.05*	-0.02
log(gov. funding)	-0.33**	-0.36**	-0.27**	-0.34**
year dummies	Yes	Yes	Yes	Yes
provincial dummies	No	No	Yes	Yes
cohort averages of covariates	No	No	Yes	Yes

Notes: Significance level computed using standard errors clustered by cohorts are indicated by * for 5% and ** for 1%. The fixed effects approach implicitly controls for regional differences. Thus, provincial dummies do not have to be included in this specification.



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