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Report on Federal Tax Expenditures

CONCEPTS, ESTIMATES AND EVALUATIONS

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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 Canada first reported on federal tax expenditures in 1979, and has published estimates of tax expenditures for personal and corporate income taxes as well as for the Goods and Services Tax (GST) since 1994. Over the years, this report has become a key component of the Government's reporting on the federal tax system, and has contributed significantly to the public dialogue on federal tax policies—a role it continues to play today.

This report is intended to facilitate analysis of the tax expenditures and indicate their role within the tax system. Information provided includes a description of each measure and of its objectives, cost estimates and projections (for 2012 to 2019 in this year's report), legal references, historical information, as well as references to key federal government spending programs that are relevant to the policy area of the tax expenditure to better inform Canadians and Parliamentarians about related programs. Prior to the 2016 edition some of this information, as well as methodological and reference information, was published periodically in the companion document *Tax Expenditures: Notes to the Estimates/Projections*. This information will continue to 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 are published every year as part of this report. This year's edition includes an evaluation of the non-taxation of capital gains on donations of publicly listed securities.

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

Disclaimer

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

Introduction

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

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

This report adopts a broad definition of the concept of tax expenditures and provides information on a wide range of federal tax measures that are considered to depart from a "benchmark" tax structure that is characterized only by the most fundamental aspects of a tax system—for instance, the application of a general tax rate to a broadly defined tax base. This broad approach provides greater transparency by ensuring that information is being disclosed on a wide range of tax measures, including measures that may not be considered tax preferences. In addition to providing information on tax expenditures, this report provides information on a number of measures that may be considered part of the benchmark tax system and that are of particular interest from a tax policy perspective. Overall, this report provides information on some 209 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 2012 to 2019 and describes changes that have been made to tax expenditures since the last edition.
- Part 3 provides detailed descriptions of the tax expenditures, including their objectives.
- Part 4 presents a tax evaluation report.

[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.[1] 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.[2] 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.

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

2 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.[3]

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.[4]

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3 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 16.5% in 2011 and has been 15% since 2012.

4 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.[5]
- 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.[6]

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.

[5] 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.

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

Tax Base

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

Multi-Stage System

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

Tax Rate

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

Taxation of Governments and Governmental Entities

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

Main Types of Tax Expenditures

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

Type of Tax Expenditures	Examples
The exemption from tax of certain taxpayers.	Registered charities and non-profit organizations are exempt from income tax. Transportation, communications and iron ore mining corporations are exempt from branch tax.
The exemption from income tax of certain items of income or gains.	Capital gains realized on certain donated assets are not subject to income tax.
The exemption from GST or zero-rating of certain supplies of goods or services.[7]	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.

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

Calculation of the Tax Expenditure Estimates and Projections

The value of a tax expenditure is calculated by estimating the revenues that the federal government forgoes as a result of the measure. This involves comparing the amount of revenues actually collected with the amount of revenues that would be collected in the absence of the measure, accounting for any changes in income-tested entitlements and assuming all else is unchanged. The method used to derive cost projections, as well as the period over which these projections are to be derived, vary depending on how the cost estimates are obtained. The cost of federal tax expenditures is projected up to 2019; as a result of delays in the availability of data, however, some of the values developed for the historical period are also projections.

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

Personal Income Tax Expenditures

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

The majority of the personal income tax expenditure estimates are calculated using the Department of Finance Canada's personal income tax micro-simulation model (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 2015. 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 Canada's 2017 *Fall Economic Statement*. In addition, the projected costs of personal income tax expenditures account for future changes to tax parameters, such as legislated changes and the indexation of tax parameters. Assumptions related to indexation are consistent with the observed Consumer Price Index and forecasts used in the *Fall Economic Statement*. In many cases, projections derived using the T1 model are also complemented by comprehensive aggregate statistics for the most recent taxation year available.

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 Canada'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 2015. Projections are not derived from the T2 model, but rather are mainly based on the Department of Finance Canada's forecast of total corporate taxable income in the 2017 *Fall Economic Statement* 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 *Fall Economic Statement*) or on historical trends. The years of the projections are indicated in the descriptions of the tax expenditures found in Part 3.

GST Expenditures

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

There is a one- to two-year lag in the availability of complete administrative data used to estimate the tax expenditures associated with most GST rebates and certain other measures. Projections for years beyond 2015 are derived from the most recent complete administrative data and forecasts of related economic variables provided in the Department of Finance Canada's 2017 *Fall Economic Statement* or by third parties. As for GST expenditures estimated using the Goods and Services Tax Model, the values shown for 2012 and 2013 for these tax expenditures are based on the most recent Supply and Use Tables (which are available with a three-year lag) and projected for the following years. Projections are derived from forecasts of related economic variables provided in the *Fall Economic Statement* or by third parties. In many cases, preliminary aggregate data for 2015 and 2016 are also used to inform the projections.

Interpretation of the Estimates and Projections

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

Federal-Provincial Interaction

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

Static Estimates and Projections

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

Absence of Behavioural Responses

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

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

No Impact on Economic Activity

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

Consequential Government Policy Changes

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

Independent Estimates and Projections

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

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

Progressive Income Tax Rates

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

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

Interaction of Tax Expenditures

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

For instance, there may be interactions between deductions and between non-refundable income tax credits in situations where a taxpayer has more deductions than needed to reduce his or her taxable income to zero or more non-refundable credits than needed to reduce tax payable to zero. As an 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 the interaction between pension income splitting and the Pension Income Credit, which potentially allows couples that split pension income to increase the combined amount of Pension Income Credit they can claim. For instance, a one-earner couple with total pension income of $60,000 and no other income could split income equally between the two spouses to allow the spouse with no income to claim the full value of the Pension Income Credit. The tax expenditure associated with the increased amount of Pension Income Credit being claimed is captured in the forgone revenue estimates of both pension income splitting and the Pension Income Credit. Therefore, adding the costs of these two tax expenditures would mean counting twice the tax expenditure that is attributable to the interaction between these two measures, resulting in the overestimation of the total cost of these two measures.

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 obtain 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. Proposed changes are taken into account for the purpose of estimating the cost of a measure, even if the enacting legislation has not received Royal Assent by the time of production of this report. Information on 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 who do not pay tax. Specifically, a reduction (increase) in the effective tax rate under the benchmark tax system will generally result in lower (higher) tax expenditure estimates and projections. For instance, many personal income tax expenditures were affected by the reduction in the second personal income tax rate to 20.5% from 22% and the introduction of a personal income tax rate of 33% on taxable income in excess of $200,000 that came into effect in 2016.

Revisions to the Projections

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

Changes in Data and Methodology

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

Gender-based Analysis Plus

Gender-related considerations are incorporated into the tax policy development process through the use of Gender-based Analysis Plus (GBA+). GBA+ provides a framework for assessing whether proposed policies are likely to have differential impacts on different groups of women and men, which could be direct, indirect or unintended.

Considering the federal personal income tax system as a whole, women account for 42% of total pre-tax income and 34% of total taxes paid[8], and therefore the system can be seen to be redistributive towards women. A GBA+ would provide a more comprehensive analysis of the gender impacts of different aspects of the tax system. For example, a GBA+ of tax expenditures would consider how their impact could vary between men and women due to factors such as family structure, income sources, and occupation, which affect eligibility for the measures and the amount of benefits received.

In order to further advance the Government's priorities for gender equality and strengthen the use of GBA+ in decision-making, the Government has committed to better integrate gender into the budget priority-setting process. In Budget 2018, the Government announced that new GBA+ legislation will be introduced to make gender budgeting a permanent part of the federal government's budgetary and financial management processes, including reporting on tax expenditures. In keeping with this commitment, the Government will undertake a GBA+ of the federal tax system and tax expenditures. The results of this analysis, including information related to the gender distribution of tax expenditures, will be presented in subsequent editions of this report. This analysis will aim to provide a clearer picture of potential gender biases within the tax system and of the differential impacts of tax expenditures on women and men.

8 Projected for 2018, using Department of Finance 2015 T1 Model.

Additional Resources

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

Department of Finance Canada website: **www.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—Estimates 2018, Appendix I
www.budget.gov.nl.ca/budget2018/estimates/default.htm

Nova Scotia—*Budget 2018-19, Revenue Outlook*
www.novascotia.ca/budget/budget-documents.asp

Quebec—*Tax Expenditures*, 2017 edition (available in French only)
www.finances.gouv.qc.ca

Ontario—*Transparency in Taxation*, 2017 edition
www.fin.gov.on.ca/en/budget/fallstatement/2017/transparency.html

Manitoba—*Budget 2018*, Budget Paper C, "Tax Measures"
www.gov.mb.ca/budget2018/index.html

Saskatchewan—*2018-19 Provincial Budget*, Technical Papers, "Saskatchewan's Tax Expenditures"
www.saskatchewan.ca/government/budget-planning-and-reporting/

Alberta—Budget 2018—*2018-21 Fiscal Plan, "*Tax Plan"
www.open.alberta.ca/publications/budget-2018#summary

British Columbia—*Budget and Fiscal Plan 2018/19 - 2020/21*, Appendix A1 "Tax Expenditures"
www.bcbudget.gov.bc.ca/2018/

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 2012 to 2019. 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 set of tables that present background statistics on total tax revenues by tax base, as well as some other useful statistics, such as the number of filers and tax paid by income tax bracket. Finally, key changes that have been made to tax expenditures since the last edition are described.

Notes:

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

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

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

Symbols:

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

Table
Estimates and Projections
millions of dollars

		Estimates				Projections			
		2012	2013	2014	2015	2016	2017	2018	2019
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	35	40	40	45	30	–	–	–
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	S	S	S	1	-1	n.a.	n.a.	n.a.
	CIT	S	S	S	1	S	n.a.	n.a.	n.a.
Deferral of income from sale of livestock in a region of drought, flood or excessive moisture	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Non-structural									
Deferral of capital gains through intergenerational rollovers of family farms or fishing businesses	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Deferral of income from grain sold through cash purchase tickets	PIT	20	-10	-20	15	10	5	n.a.	n.a.
	CIT	20	-10	-25	20	10	1	n.a.	n.a.
Exemption for insurers of farming and fishing property	CIT	10	10	10	10	10	10	10	–
Patronage dividends paid as shares by agricultural cooperatives	PIT	2	1	1	S	2	1	1	1
	CIT	4	3	3	S	5	3	3	3
Tax treatment of farm savings accounts (AgriInvest and Agri-Québec)	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Zero-rating of agricultural and fish products and purchases	GST	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
BUSINESS - NATURAL RESOURCES									
Non-structural									
Accelerated capital cost allowance for liquefied natural gas facilities	PIT	–	–	–	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	–	–	–	n.a.	n.a.	n.a.	n.a.	n.a.
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	20	10	30	15	15	15	15	15
Earned depletion	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	S	S	S	S	S	S	S	S
Flow-through share deductions	PIT	165	100	105	60	100	105	110	100
	CIT	40	25	25	25	30	30	35	30
Mineral Exploration Tax Credit for flow-through share investors	PIT	45	20	30	25	45	45	-10	-3
Reclassification of expenses under flow-through shares	PIT	-10	-10	-5	-5	-3	-2	-2	-3
	CIT	-2	-1	-1	-1	S	S	S	S

Table
Estimates and Projections
millions of dollars

		Estimates				Projections			
		2012	2013	2014	2015	2016	2017	2018	2019
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	4	4	4	4	4	4	4	4
	CIT	1,860	1,900	1,340	1,350	1,415	1,465	1,525	1,580
BUSINESS - SMALL BUSINESSES									
Structural									
Small suppliers' threshold	GST	205	210	225	230	235	245	260	265
Non-structural									
Deduction of allowable business investment losses	PIT	40	30	40	35	25	25	25	25
	CIT	10	10	10	15	10	15	15	15
Non-taxation of provincial assistance for venture investments in small businesses	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Preferential tax rate for small businesses	CIT	3,160	2,945	3,115	3,255	3,760	4,195	5,550	6,325
Rollovers of investments in small businesses	PIT	X	5	5	X	35	10	10	10
BUSINESS - OTHER									
Structural									
Deductibility of costs of capital assets and eligibility for investment tax credits before asset is put in use	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Deductibility of earthquake reserves	CIT	1	S	S	S	S	1	1	1
Deferral through five-year capital gain reserve	PIT	10	10	10	10	15	15	20	20
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Deferral through rollover of capital gains and capital cost allowance recapture in respect of involuntary dispositions	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Deferral through use of billed-basis accounting by professionals and professional corporations	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Exemption from GST 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	10	10	4	1	S	4	5	5
Expensing of advertising costs	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Expensing of incorporation expenses	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Table
Estimates and Projections
millions of dollars

		Estimates				Projections			
		2012	2013	2014	2015	2016	2017	2018	2019
BUSINESS – OTHER *(cont'd)*									
Holdback on progress payments to contractors	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	45	60	80	50	10	15	15	15
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 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	10	10	10	10	10	10	10	10
	CIT	270	360	190	260	175	185	190	200
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	30	25	35	25	35	40	40	40
Deferral through rollover of capital gains and capital cost allowance recapture in respect of dispositions of land and buildings	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Exemption from tax for international banking centres	CIT	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	15	10	15	20	25	25	15	15
Lifetime Capital Gains Exemption	PIT	1,070	1,100	1,260	1,380	1,365	1,565	1,600	1,615
Non-deductibility of advertising expenses in foreign media	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	S	S	S	S	S	S	S	S
Special tax rate for credit unions	CIT	35	25	20	15	10	1	–	–
DONATIONS, GIFTS, CHARITIES AND NON-PROFIT ORGANIZATIONS									
Non-structural									
Additional deduction for gifts of medicine	CIT	S	S	S	S	S	S	S	S
Charitable Donation Tax Credit	PIT	2,365	2,545	2,585	2,650	2,605	2,745	2,815	2,885
Deductibility of charitable donations	CIT	425	315	500	450	415	475	465	490
Deduction for certain contributions by individuals who have taken vows of perpetual poverty	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Exemption from GST for certain supplies made by charities and non-profit organizations	GST	950	990	1,030	1,085	1,150	1,220	1,250	1,250
First-Time Donor's Super Credit	PIT	–	5	4	4	4	4	–	–
Non-taxation of capital gains on donations of cultural property	PIT	5	5	10	10	10	5	5	5
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

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		Estimates				Projections			
		2012	2013	2014	2015	2016	2017	2018	2019
DONATIONS, GIFTS, CHARITIES AND NON-PROFIT ORGANIZATIONS *(cont'd)*									
Non-taxation of capital gains on donations of ecologically sensitive land	PIT	2	2	2	1	3	3	3	3
	CIT	1	1	5	S	S	2	1	1
Non-taxation of capital gains on donations of publicly listed securities	PIT	40	45	70	60	65	70	70	75
	CIT	55	70	100	60	75	85	90	95
Non-taxation of non-profit organizations	PIT								
	CIT	75	100	105	65	55	85	120	145
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	65	65	70	75	60	65	70	70
Rebate for registered charities	GST	290	290	305	320	295	310	325	335
EDUCATION									
Structural									
Deduction for tuition assistance for adult basic education	PIT	3	3	2	1	2	2	2	3
Education Tax Credit	PIT	685	705	725	760	765	400	295	245
Textbook Tax Credit	PIT	110	115	115	120	120	65	50	40
Tuition Tax Credit	PIT	995	1,040	1,120	1,230	1,240	1,340	1,540	1,660
Non-structural									
Exemption from GST for tuition and educational services	GST	585	595	635	675	690	715	740	770
Exemption of scholarship, fellowship and bursary income	PIT	n.a.	210	250	250	270	340	360	370
Rebate for book purchases made by certain organizations	GST	20	20	15	15	15	15	15	15
Rebate for schools, colleges and universities	GST	700	700	710	725	745	785	840	855
Registered Education Savings Plans	PIT	160	170	155	145	130	115	130	160
Student Loan Interest Credit	PIT	45	45	40	40	40	40	40	40
EMPLOYMENT									
Structural									
Apprentice vehicle mechanics' tools deduction	PIT	4	4	3	3	3	3	3	3
Canada Employment Credit	PIT	2,040	2,110	2,185	2,270	2,300	2,380	2,445	2,505
Child care expense deduction	PIT	990	965	1,090	1,355	1,265	1,295	1,340	1,385
Deductibility of certain costs incurred by musicians	PIT	1	2	2	1	2	2	2	2
Deductibility of expenses by employed artists	PIT	S	S	S	S	S	S	S	S
Deduction for tradespeople's tool expenses	PIT	2	2	2	2	2	2	2	2
Deduction of other employment expenses	PIT	970	955	920	930	915	960	1,005	1,040
Deduction of union and professional dues	PIT	860	890	915	970	945	985	1,035	1,070

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		Estimates				Projections			
		2012	2013	2014	2015	2016	2017	2018	2019
EMPLOYMENT *(cont'd)*									
Moving expense deduction	PIT	100	95	100	100	105	110	115	120
Non-taxation of allowances for diplomats and other government employees posted abroad	PIT	25	25	25	25	30	30	n.a.	n.a.
Non-taxation of allowances for members of legislative assemblies and certain municipal officers	PIT	15	15	20	20	20	20	20	–
Non-taxation of benefits in respect of home relocation loans	PIT	S	S	S	S	S	S	–	–
Non-taxation of certain non-monetary employment benefits	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Rebate to employees and partners	GST	65	65	60	55	55	60	65	65
Non-structural									
Apprenticeship Job Creation Tax Credit	PIT	2	2	2	2	2	2	2	2
	CIT	85	90	95	95	95	95	100	100
Employee benefit plans	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Employee stock option deduction	PIT	590	630	745	685	530	635	690	740
Non-taxation of income earned by military and police deployed to international operational missions	PIT	15	15	5	10	10	30	n.a.	n.a.
Northern Residents Deductions	PIT	180	175	180	180	220	225	240	250
Overseas Employment Tax Credit	PIT	70	55	40	25	–	–	–	–
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	-2	S	-1	55	55	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	165	175	180	190	190	100	–	–
FAMILIES AND HOUSEHOLDS									
Structural									
Adoption Expense Tax Credit	PIT	2	2	2	2	2	2	2	2
Canada Caregiver Credit	PIT	–	–	–	–	–	300	310	325
Caregiver Credit	PIT	120	130	140	145	145	–	–	–
Child Tax Credit	PIT	1,550	1,590	1,645	–	–	–	–	–
Eligible Dependant Credit	PIT	775	775	795	870	885	930	945	970
Family Caregiver Tax Credit	PIT	55	65	70	75	75	–	–	–
Goods and Services Tax/Harmonized Sales Tax Credit	GST	3,995	4,090	4,175	4,315	4,440	4,525	4,585	4,680
Infirm Dependant Credit	PIT	5	5	5	5	5	–	–	–
Spouse or Common-Law Partner Credit	PIT	1,635	1,510	1,505	1,440	1,595	1,740	1,790	1,840

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		Estimates				Projections			
		2012	2013	2014	2015	2016	2017	2018	2019
FAMILIES AND HOUSEHOLDS *(cont'd)*									
Non-structural									
Deferral of capital gains through transfers to a spouse, spousal trust or alter ego trust	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Exemption from GST for child care	GST	135	145	150	155	160	165	170	180
Exemption from GST 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	–	–	1,550	1,545	–	–	–	–
Inclusion of the Universal Child Care Benefit in the income of an eligible dependant	PIT	4	2	2	10	5	–	–	–
Investment Tax Credit for Child Care Spaces	PIT	S	S	S	S	S	S	S	S
	CIT	S	S	S	S	S	S	S	S
Non-taxation of up to $10,000 of death benefits	PIT	5	5	5	5	5	5	5	5
Tax treatment of alimony and maintenance payments	PIT	60	65	65	65	75	75	75	75
Zero-rating of feminine hygiene products	GST	–	–	–	15	35	35	35	35
HEALTH									
Structural									
Disability supports deduction	PIT	2	1	3	3	3	3	3	3
Disability Tax Credit	PIT	760	815	890	995	1,015	1,045	1,090	1,125
Medical Expense Tax Credit	PIT	1,165	1,200	1,300	1,370	1,420	1,525	1,640	1,760
Non-structural									
Children's Fitness Tax Credit (before 2015)	PIT	115	115	180	–	–	–	–	–
Exemption from GST for health care services	GST	655	725	795	865	880	915	950	990
Exemption from GST for hospital parking	GST	–	–	15	15	15	15	15	15
Home Accessibility Tax Credit	PIT	–	–	–	–	20	25	30	35
Non-taxation of benefits from private health and dental plans	PIT	2,420	2,520	2,585	2,580	2,480	2,585	2,715	2,840
Rebate for hospitals, facility operators and external suppliers	GST	590	635	650	695	630	665	705	725
Rebate for specially equipped motor vehicles	GST	S	S	S	S	S	S	S	S
Registered Disability Savings Plans	PIT	25	30	35	40	50	60	70	85
Surtax on the profits of tobacco manufacturers	CIT	X	X	X	X	X	X	–	–
Zero-rating of medical and assistive devices	GST	330	335	345	350	360	370	380	390
Zero-rating of prescription drugs	GST	735	755	775	800	835	870	900	935

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Estimates and Projections
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		Estimates				Projections			
		2012	2013	2014	2015	2016	2017	2018	2019
HOUSING									
Structural									
Exemption from GST for sales of used residential housing and other personal-use real property	GST	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Non-structural									
Exemption from GST for certain residential rent	GST	1,695	1,835	2,095	2,345	2,460	2,575	2,705	2,845
Exemption from GST for short-term accommodation	GST	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
First-Time Home Buyers' Tax Credit	PIT	110	105	115	120	115	120	120	120
Non-taxation of capital gains on principal residences	PIT	3,900	4,160	5,110	6,195	7,630	7,100	6,225	6,090
Rebate for new housing	GST	580	595	570	570	515	535	560	520
Rebate for new residential rental property	GST	85	110	125	135	145	140	145	135
INCOME SUPPORT									
Non-structural									
Non-taxation of certain veterans' benefits	PIT	265	255	240	230	215	210	200	195
Non-taxation of Guaranteed Income Supplement and Allowance benefits	PIT	140	140	145	155	185	200	220	240
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	20	20	25	25	30	30	35	35
Non-taxation of social assistance benefits	PIT	170	190	205	250	240	250	265	280
Non-taxation of workers' compensation benefits	PIT	630	620	645	630	645	650	655	665
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	1,995	2,060	2,165	2,240	2,270	2,380	2,445	2,490
Refunds for aboriginal self-governments	GST	5	5	5	10	5	5	5	5
Non-structural									
Logging Tax Credit	PIT	1	1	1	1	1	1	1	1
	CIT	10	15	20	20	25	25	25	25
INTERNATIONAL									
Structural									
Deductibility of countervailing and anti-dumping duties when paid	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Exemption for international shipping and aviation by non-residents	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Non-taxation of certain importations	GST	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

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		Estimates				Projections			
		2012	2013	2014	2015	2016	2017	2018	2019
INTERNATIONAL *(cont'd)*									
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	215	225	250	270	275	290	295	310
Non-structural									
Exemptions from non-resident withholding tax	PIT								
	CIT	4,690	5,135	5,280	5,975	5,750	6,065	6,310	6,530
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	1,060	1,100	1,135	1,170	1,185	1,225	1,270	1,310
Pension income splitting	PIT	1,035	1,065	1,145	1,165	1,115	1,225	1,320	1,415
Pooled Registered Pension Plans	PIT	–	–	–	n.a.	n.a.	n.a.	n.a.	n.a.
Registered Pension Plans	PIT	18,910	20,840	24,920	24,100	25,270	27,475	28,800	29,970
Registered Retirement Savings Plans	PIT	12,325	13,695	15,950	15,295	15,845	16,815	17,495	18,270
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	275	270	255	220	205	190	200	205
Taxation of capital gains upon realization	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Non-structural									
Labour-Sponsored Venture Capital Corporations Credit	PIT	150	145	125	90	140	150	155	165
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	3,330	4,135	5,610	5,735	5,955	6,920	7,070	7,080
	CIT	3,990	4,510	5,365	6,125	6,505	7,300	7,840	8,255
Tax-Free Savings Account	PIT	270	425	565	635	845	1,020	1,140	1,280
SOCIAL									
Non-structural									
Age Credit	PIT	2,725	2,890	3,025	3,170	3,310	3,475	3,650	3,830
Deduction for clergy residence	PIT	90	85	90	90	90	95	95	95
Exemption from GST and rebate for legal aid services	GST	30	30	35	35	35	35	40	40
Exemption from GST for ferry, road and bridge tolls	GST	10	10	10	15	15	15	15	15

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		Estimates				Projections			
		2012	2013	2014	2015	2016	2017	2018	2019
SOCIAL ***(cont'd)***									
Exemption from GST for municipal transit	GST	175	185	185	180	185	195	200	205
Exemption from GST for water, sewage and basic garbage collection services	GST	220	235	240	245	250	260	270	280
Political Contribution Tax Credit	PIT	25	25	30	55	30	30	30	45
Search and Rescue Volunteers Tax Credit	PIT	–	–	2	2	2	2	2	2
Tax-free amount for emergency services volunteers	PIT	3	4	3	3	3	4	4	4
Volunteer Firefighters Tax Credit	PIT	15	15	20	20	20	20	20	20
Zero-rating of basic groceries	GST	3,765	3,895	4,070	4,230	4,415	4,590	4,760	4,930
OTHER									
Structural									
Non-taxation of income from the Office of the Governor General of Canada	PIT	S	–	–	–	–	–	–	–
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 of carrying charges incurred to earn income	PIT	1,085	1,190	1,295	1,385	1,400	1,485	1,580	1,655
	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	6,290	7,375	7,150	6,665	6,430	6,750	6,990	7,040
Partial deduction of and partial input tax credits for meals and entertainment	PIT	195	200	200	215	210	215	215	220
	CIT	280	270	290	295	310	335	350	360
	GST	160	160	165	170	170	180	185	190
Patronage dividend deduction	CIT	240	220	220	170	165	180	195	205
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	8,620	8,895	9,270	9,810	9,805	10,110	10,440	11,360
Tax treatment of Employment Insurance and Quebec Parental Insurance Plan premiums and benefits	PIT	3,540	3,800	3,970	4,220	4,185	3,755	3,935	4,070

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		Estimates				Projections			
		2012	2013	2014	2015	2016	2017	2018	2019
INTERGOVERNMENTAL TAX ARRANGEMENTS									
Structural									
Non-taxation of lottery and gambling winnings	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Quebec Abatement	PIT	4,040	4,130	4,270	4,440	4,525	4,795	5,005	5,180
Transfer of income tax points to provinces	PIT	19,115	20,155	21,120	22,600	22,040	23,600	24,855	25,835
	CIT	2,515	2,655	2,855	2,850	3,120	3,480	3,740	3,940
INTERNATIONAL									
Structural									
Foreign tax credit for individuals	PIT	860	970	1,205	1,445	1,430	1,475	1,490	1,510
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	545	565	820	875	570	570	610	645
Dividend gross-up and tax credit	PIT	4,450	5,055	4,655	5,780	4,430	5,085	5,280	5,250
Investment corporation deduction	CIT	S	S	S	S	S	S	S	S
Refundable capital gains tax for investment and mutual fund corporations	CIT	105	220	535	960	850	815	845	880
OTHER									
Structural									
Credit for the Basic Personal Amount	PIT	30,385	31,535	32,530	33,915	34,380	35,495	36,560	37,615
Non-taxation of veterans' Disability Awards and Critical Injury Benefits	PIT	105	115	115	155	170	320	265	240
Refundable taxes on investment income of private corporations	CIT	45	5	-735	-355	-1,500	-1,570	-1,695	-1,805
Special tax computation for certain retroactive lump-sum payments	PIT	S	4	1	1	1	1	1	1
REFUNDABLE TAX CREDITS CLASSIFIED AS TRANSFER PAYMENTS									
Atlantic Investment Tax Credit (refundable portion)	CIT	15	15	15	20	20	20	20	25
Canada Child Benefit	PIT	10,265	10,400	10,370	10,510	19,900	23,350	23,625	23,930
Canadian Film or Video Production Tax Credit	CIT	260	250	250	260	270	295	310	320
Children's Fitness Tax Credit (after 2014)	PIT	–	–	–	210	140	–	–	–
Film or Video Production Services Tax Credit	CIT	85	100	140	150	145	155	160	165
Refundable Medical Expense Supplement	PIT	140	140	145	150	155	160	165	170
Scientific Research and Experimental Development Investment Tax Credit (refundable portion)	CIT	1,455	1,340	1,275	1,290	1,260	1,360	1,395	1,455
Teacher and Early Childhood Educator School Supply Tax Credit	PIT	–	–	–	–	3	5	5	5
Working Income Tax Benefit	PIT	1,100	1,180	1,165	1,160	1,180	1,180	1,180	1,430

Background Statistics

Federal Revenues, Fiscal Year 2016–17

	Revenues (billions of dollars)	Share of total revenues (%)	Share of gross domestic product (%)
Personal income taxes	143.7	49.0	7.1
Corporate income taxes	42.2	14.4	2.1
Non-resident withholding taxes	7.1	2.4	0.3
Goods and Services Tax	34.4	11.7	1.7
Other excise duties and taxes	17.0	5.8	0.8
Total tax revenues	244.3	83.2	12.0
Non-tax revenues	49.2	16.7	2.4
Total revenues	**293.5**	**100.0**	**14.4**

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, *Fall Economic Statement 2017*.

Federal Personal Income Tax Brackets and Rates, Tax Filers and Taxes Paid, 2015[14]

	Tax Brackets		Tax Filers		Taxes Paid	
	Income range	Rate	Number (millions)	Share (%)	Amount (billions of dollars)	Share (%)
First bracket	Under $44,701	15%	8.5	31	15.2	11
Second bracket	$44,701 - $89,401	22%	6.7	25	47.4	35
Third bracket	$89,401 - $138,586	26%	1.5	6	25.3	19
Fourth bracket	Over $138,586	29%	0.8	3	47.7	35
Taxable filers			17.5	65	135.7	100
Non-taxable filers			9.6	36		
All tax filers			**27.2**	**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 2015 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), 2015

	Taxable Income		Corporations Reporting Income		Taxes Paid	
	Amount (billions of dollars)	Share (%)	Number (thousands)	Share (%)	Amount (billions of dollars)	Share (%)
Canadian-controlled private corporations	164.2	55	905.3	98	21.0	52
Business income taxed at the preferential tax rate for small businesses	79.5	27	740.4	80		
Other business income taxed at the general rate	62.1	21	93.4	10		
Other income	22.5	8	296.2	32		
Other corporations	131.7	45	18.4	2	19.1	48
Business income taxed at the general rate	127.2	43	18.0	2		
Other income	4.5	2	9.1	1		
Total	**295.8**	**100**	**923.8**	**100**	**40.0**	**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.

[14] Effective for the 2016 and subsequent tax years, the rate applying to the second personal income tax bracket was reduced to 20.5%, and a fifth bracket was added to tax income over $200,000 at a rate of 33%.

Changes to Tax Expenditures Since the 2017 Edition

New tax measures were introduced and others modified since the last edition of this report. Proposed changes affecting tax expenditures in this report are described below. As this report considers tax expenditures as of December 31, 2017, changes announced in Budget 2018 are not listed below or taken into account in the estimates and projections.

Personal Income Tax

Canada Caregiver Credit

The Canada Caregiver Credit was introduced in Budget 2017 and replaced the previous system of credits that included the Caregiver Credit, Infirm Dependant Credit and Family Caregiver Tax Credit, each of which had differing base amounts, dependant income thresholds and eligibility rules. The Canada Caregiver Credit amount is:

- $6,883 in respect of infirm dependants who are parents, grandparents, brothers, sisters, aunts, uncles, nieces, nephews, or adult children of the claimant or of the claimant's spouse or common-law partner.
- $2,150 in respect of:
  - an infirm dependent spouse or common-law partner for whom the individual claims the spouse or common-law partner amount;
  - an infirm dependant for whom the individual claims an eligible dependant credit; or
  - an infirm child who is under the age of 18 years at the end of the tax year.

The Canada Caregiver Credit is reduced dollar-for-dollar by the dependant's net income above $16,163 (in 2017). Some differences with the previous system of credits are that the dependant is not required to live with the caregiver in order for the caregiver to claim the credit and the credit is not available in respect of non-infirm seniors who reside with their adult children.

Canada Child Benefit

The Canada Child Benefit provides support to families with children under 18 up to a maximum benefit of $6,400 per child under the age of 6 and $5,400 per child aged 6 through 17, for the 2017-18 benefit year. The 2017 *Fall Economic Statement* announced that the maximum benefit amounts and phase-out thresholds will be indexed to inflation as of the 2018-19 benefit year, rather than as of the 2020-21 benefit year.

Disability Tax Credit

The Disability Tax Credit is a 15% non-refundable tax credit for non-itemizable disability-related costs. To be eligible for the Disability Tax Credit, an individual must have a severe and prolonged impairment in physical or mental functions and the effects of the impairment must be such that the individual is markedly restricted in their ability to perform a basic activity of daily living or would be if not for life sustaining therapy, as certified by an eligible medical practitioner.

Budget 2017 added nurse practitioners to the list of medical practitioners that can certify the impacts of impairments for Disability Tax Credit applicants, effective for Disability Tax Credit certifications made on or after March 22, 2017.

Medical Expense Tax Credit

The Medical Expense Tax Credit is a 15% non-refundable tax credit for certain itemizable, above-average medical or disability-related expenses. Budget 2017 clarified that individuals who require medical intervention in order to conceive a child are eligible to claim the same expenses that would generally be eligible for individuals on account of medical infertility, effective for the 2017 and subsequent taxation years.

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 5, 2017, the Government announced an extension of the credit for an additional year, to flow-through share agreements entered into on or before March 31, 2018. Under the one-year "look-back" rule, funds raised with the benefit of the credit in 2018, for example, can be spent on eligible exploration up to the end of 2019.

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

Members of legislative assemblies and certain municipal officers may receive non-accountable allowances for work expenses that are not included in computing income for tax purposes. The excluded amount is limited to half of the official's salary or other remuneration received in that capacity in the year.

Budget 2017 announced that non-accountable allowances paid to these officials will be included in income for 2019 and subsequent taxation years.

Non-taxation of benefits in respect of home relocation loans

Where a person receives a loan because of their employment, and the interest rate on the loan is below a prescribed rate, that person is deemed to have received a taxable benefit. The amount of the taxable benefit is determined by reference to the difference between these two rates.

Prior to 2018, a deduction was available for the value of any portion of the benefit that was in respect of an eligible home relocation loan. Budget 2017 announced the elimination of this deduction in respect of benefits arising in the 2018 and subsequent taxation years.

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

A zero inclusion rate applies to capital gains arising from a donation of ecologically sensitive 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. Budget 2017 proposed to remove private foundations as eligible recipients of donations of ecologically sensitive land, and to introduce a number of administrative measures designed to better protect such gifts and to broaden slightly the types of gifts which qualify (i.e., certain personal servitudes in Quebec).

Non-taxation of capital gains on principal residences

The non-taxation of capital gains on principal residences allows homeowners disposing of their principal residence to be exempt from capital gains taxation on the disposition. The exemption is intended for Canadian resident individuals and trusts.

On October 3, 2016, the Government announced amendments to the non-taxation of capital gains on principal residences (often referred to as the principal residence exemption) rules, specifically:

- An individual who was not resident in Canada in the year the individual acquired a residence will not—on a disposition of the property after October 2, 2016—be able to claim the exemption for the acquisition year;
- Trusts will be eligible to designate a property as a principal residence for a tax year that begins after 2016 only if certain additional eligibility criteria are met;
- The Canada Revenue Agency (CRA) will require a taxpayer to report the disposition of a property for which the exemption is claimed; and
- The CRA was provided with authority to assess taxpayers beyond the normal assessment limitation period for a tax year in cases where the disposition of a real estate property is not reported in the taxpayer's tax return.

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

Eligible members of the Canadian Armed Forces (CAF) and police officers may claim a deduction against taxable income in respect of income earned while deployed on international high- and moderate-risk operational missions. The maximum amount that an individual may deduct in a taxation year cannot exceed the highest level of pay earned by a non-commissioned member of the CAF.

On May 18, 2017, the Government announced the extension of the deduction to all members of the CAF and police officers for the period over which they are deployed on any international operational mission, regardless of the risk associated with the mission. In addition, it was announced that the maximum amount that an individual may deduct in a taxation year increased to the highest level of pay earned by a Lieutenant-Colonel (General Services Officer) of the CAF. These changes apply to the 2017 and subsequent taxation years.

Public Transit Tax Credit

Prior to July 1, 2017, a non-refundable tax credit was available at the lowest personal income tax rate for the cost of monthly public transit passes or passes of longer duration. Budget 2017 announced the elimination of this credit, effective for transit use after June 30, 2017.

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

A federal tax credit is provided on employee contributions to the Canada Pension Plan. As part of the 2016 agreement to enhance the Canada Pension Plan, a tax deduction will be provided on employee contributions associated with the enhanced portion of the Canada Pension Plan (contributions to the enhanced portion of the Canada Pension Plan will commence in 2019). A tax credit will continue to apply to employee contributions to the base Canada Pension Plan.

Tuition Tax Credit

The tuition tax credit is a 15% non-refundable tax credit in respect of eligible fees for tuition and licensing examinations paid by an individual enrolled at a post-secondary educational institution or in an educational program intended to develop or improve skills in an occupation offered by an educational institution certified by Employment and Social Development Canada.

Budget 2017 expanded the range of courses eligible for the credit to include occupational skills courses that are undertaken at a post-secondary institution in Canada, and allowed the full amount of bursaries received for such courses to qualify for the scholarship exemption (where conditions are otherwise met). These changes took effect as of the 2017 tax year.

Working Income Tax Benefit

The Working Income Tax Benefit (WITB) is a refundable tax credit that supplements the earnings of low-income workers. The refundable credit is equal to 25% of each dollar of earned income in excess of $3,000 to a maximum credit of $1,043 for single individuals without dependants and $1,894 for families (couples and single parents) in 2017. The WITB is phased out at a rate of 15% of each dollar of adjusted net income above thresholds of $11,838 for single individuals without dependants and $16,348 for families in 2017.

As part of the 2016 agreement to enhance the Canada Pension Plan, the WITB will be enhanced, effective for the 2019 taxation year. The 2017 *Fall Economic Statement* announced that the WITB will be further enhanced in 2019, over and above changes associated with the Canada Pension Plan enhancement, and that the details of the design of this incremental enhancement will be provided in Budget 2018.

Corporate Income Tax

Accelerated capital cost allowance for clean energy generation equipment

Budget 2017 expanded the accelerated capital cost allowance under classes 43.1 and 43.2, which provide accelerated tax depreciation for clean energy generation and energy conservation equipment, to include a broader range of geothermal projects and expenses. The measure applies in respect of new property acquired for use after March 21, 2017.

Accelerated deductibility of Canadian Renewable and Conservation Expenses

Budget 2017 expanded the range of geothermal energy project expenses that are eligible as Canadian Renewable and Conservation Expenses, which can be fully deducted in the year incurred. The measure applies in respect of new property acquired for use after March 21, 2017.

Accelerated deductibility of some Canadian Exploration Expenses

Budget 2017 announced modifications to the tax treatment of successful oil and gas exploratory drilling. Consistent with the usual treatment of enduring assets, expenses incurred after 2018 that are associated with oil and gas discovery wells will be treated as Canadian Development Expenses, which are deducted gradually over time, rather than as an immediate deductible Canadian Exploration Expense (CEE), unless and until they are deemed unsuccessful. CEE treatment will continue to be available for exploration expenses such as early stage geophysical and geochemical surveying, as immediate deductibility is generally an efficient and reasonable tax treatment in these cases.

Additional deduction for gifts of medicine

Budget 2017 announced the elimination of the additional deduction for gifts of medicine made on or after March 22, 2017. This measure allowed corporations that donated medicine from their inventory to an eligible charity to claim an additional deduction equal to the lesser of the cost of the donated medicine and 50% of the amount by which the fair market value of the donated medicine exceeded its cost.

This measure does not affect the general income tax deductibility of donations made by corporations to registered charities, including donations of medicine.

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

In computing income for tax purposes, individuals and corporations carrying on the practice of certain professions (i.e., accounting, legal, medical doctor, dental, chiropractic or veterinary professional practice) can either use an accrual accounting method by default, or elect to use a billed-basis accounting method. Budget 2017 proposed to eliminate the ability of designated professionals to elect to use billed-basis accounting, effective for taxation years that begin on or after March 22, 2017. A five-year transitional period to phase in the inclusion of work in progress into income was subsequently proposed on September 8, 2017.

Exemption for insurers of farming and fishing property

Insurers of farming and fishing property benefit from a tax exemption based upon the proportion of their gross premium income, and that of their affiliated insurers, that is earned from the insurance of property used in farming of fishing (including residences of farmers and fishers). Prescribed insurers are provided preferential access to this tax exemption, by not having to take into account the gross premium income of affiliated insurers when determining their eligibility for the tax exemption.

Budget 2017 announced the elimination of the tax exemption for insurers of farming and fishing property for taxation years that begin after 2018.

Investment Tax Credit for Child Care Spaces

The Investment Tax Credit for Child Care Spaces provided a 25% non-refundable tax credit on costs incurred to build or expand child care spaces in licensed child care facilities. The maximum value of the credit was $10,000 per space created.

Budget 2017 announced the elimination of the Investment Tax Credit for Child Care Spaces in respect of expenditures incurred on or after March 22, 2017. To provide transitional relief, the credit remains available in respect of eligible expenditures incurred before 2020, pursuant to a written agreement entered into before March 22, 2017.

Preferential tax rate for small businesses

The first $500,000 of annual income earned by a Canadian-controlled private corporation from an active business carried on in Canada is generally taxed at a preferential corporate income tax rate. On October 16, 2017, the Government announced that the preferential tax rate would be lowered from 10.5% to 10% as of January 1, 2018, and subsequently to 9% as of January 1, 2019. In order to preserve the integration of the personal and corporate income tax systems, the 2017 *Fall Economic Statement* announced that the gross-up factor applicable to non-eligible dividends will be adjusted from 17% to 16% effective January 1, 2018, and to 15% effective January 1, 2019. The corresponding Dividend Tax Credit rate will also be adjusted, moving from 10.5% to 10% effective January 1, 2018, and to 9% effective January 1, 2019.

Reclassification of expenses under flow-through shares

Budget 2017 announced that small oil and gas corporations incurring development expenses will no longer be able to reclassify the first $1 million of Canadian Development Expenses as immediately deductible Canadian Exploration Expenses when they are renounced to flow-through share investors. This will generally apply to expenses incurred after 2018.

Surtax on the profits of tobacco manufacturers

Budget 2017 announced the elimination of the surtax on domestic tobacco manufacturers, effective after March 22, 2017. That tax applied at a rate of 10.5% on profits arising from the manufacture of tobacco or tobacco products in Canada. In order to maintain the intended tax burden of the manufacturers' surtax on tobacco products, Budget 2017 also announced adjustments to tobacco excise duty rates.

Goods and Services Tax

Foreign Convention and Tour Incentive Program

Budget 2017 announced the repeal of the Goods and Services Tax/Harmonized Sales Tax rebate payable to non-resident tourists and tour operators in respect of the accommodation portion of eligible tour packages under the Foreign Convention and Tour Incentive Program. The repeal generally applies in respect of supplies of tour packages or accommodations made after March 22, 2017. As a transitional measure, the rebate was available in respect of a supply of a tour package or accommodations made after March 22, 2017 but before January 1, 2018, if all of the consideration for the supply was paid before January 1, 2018.

Part 3
Descriptions of Tax Expenditures

Introduction

This part presents detailed information on the tax expenditures presented in this report, a list of which can be found in the "List of Tax Expenditures" section. 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, 2017 (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 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

Business - farming and fishing

Business - natural resources

Business - research and development

Business - small businesses

Business - other

Donations, gifts, charities and non-profit organizations

Education

Employment

Environment

Families and households

Health

Housing

Income support

Intergovernmental tax arrangements

International

Retirement

Savings and investment

Social

Other

Canadian Classification of Functions of Government 2014 code

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

Other relevant government programs

This provides background information on spending programs of the federal government that are relevant to the policy area of the tax expenditure. Additional information on these programs can be found in the table at the end of Part 3 and in the Departmental Plans and Departmental Performance Reports of the relevant departments and agencies.[15, 16]

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.

15 These documents can be accessed on the Government of Canada website (www.canada.ca) under "Government-wide reporting". Departmental Plans were entitled "Reports on Plans and Priorities" prior to the 2017–18 release.

16 In August 2017, the Government of Canada announced its plan to dissolve Indigenous and Northern Affairs Canada and create two new departments: Indigenous Services Canada and Crown-Indigenous Relations and Northern Affairs Canada.

Cost information

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

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

Totals may not add due to rounding.

Notes:

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

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

$200 capital gains exemption on foreign exchange transactions

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

Accelerated capital cost allowance for clean energy generation equipment

Description	Specified clean energy generation 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, electric vehicle charging stations must meet a higher power threshold and electrical energy storage equipment must be connected to an electricity generation system that is eligible for Class 43.2. 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	*Income Tax Regulations*, Classes 43.1 and Class 43.2 of Schedule II
Implementation and recent history	• The predecessor Class 34, introduced in 1976, provided an accelerated CCA rate of 50% on a straight-line basis for a range of energy generation and conservation equipment. • Class 43.1 was introduced in Budget 1994, effective for assets acquired after February 21, 1994. • Class 43.2 was introduced in Budget 2005, effective for assets acquired after February 22, 2005 and before 2012. Budget 2007 extended the eligibility for Class 43.2 to assets acquired before 2020. • The range of assets covered by these CCA classes has been expanded several times, most recently in Budget 2017 to include a broader range of geothermal energy projects and equipment.
Objective – category	To encourage or attract investment
Objective	This measure encourages businesses to invest in specified clean energy generation and energy efficiency equipment (*Technical Guide to Class 43.1 and 43.2*, Natural Ressources Canada, 2013).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure may permit the depreciation of a capital asset faster than its useful life.
Subject	Environment Business - other
CCOFOG 2014 code	70435 - Economic affairs - Fuel and energy - Electricity 70439 - Economic affairs - Fuel and energy - Fuel and energy not elsewhere classified
Other relevant government programs	Programs within the mandates of Environment and Climate Change Canada, the Canadian Environmental Assessment Agency, Parks Canada and Natural Resources Canada also support environment-related objectives. Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Personal income tax: Data on acquisitions by unincorporated businesses of specified clean energy generation equipment is not available. Corporate income tax: T2 Corporation Income Tax Return
Estimation method	No estimate is available – see the Annex to Part 1 for an explanation as to why estimates are not available for this measure.
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	*Income Tax Regulations*, subparagraph 1100(1)(a)(xxxiii) and Class 52 of Schedule II
Implementation and recent history	• 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 Global Affairs Canada, Public Services and Procurement Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Personal income tax: Data on 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	*Income Tax Regulations*, paragraph 1100(1)(yb), subsection 1101(4i) and paragraph (b) of Class 47 of Schedule II
Implementation and recent history	• Introduced in 2015 (Prime Minister of Canada news release, February 19, 2015). Effective for capital assets acquired after February 19, 2015 and before 2025.
Objective – category	To encourage or attract investment
Objective	This measure is intended to encourage investment in facilities that liquefy natural gas to supply emerging international and domestic markets (Prime Minister of Canada news release, February 19, 2015).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure may permit the depreciation of a capital asset faster than its useful life.
Subject	Business - natural resources
CCOFOG 2014 code	70455 - Economic affairs - Transport - Pipeline and other transport
Other relevant government programs	Programs within the mandate of Natural Resources Canada also support the natural resource sector. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Personal income tax: Data on investment in liquefied natural gas facilities by unincorporated businesses is not available. Corporate income tax: T2 Corporation Income Tax Return
Estimation method	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 *Income Tax Regulations*). 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	*Income Tax Regulations*, subparagraphs 1100(1)(t) and (ta), subsection 1102(16.1), and Classes 29 and 53 of Schedule II
Implementation and recent history	• The accelerated CCA provided at a rate of 50% on a straight-line basis was introduced in Budget 2007, effective for eligible manufacturing and processing machinery and equipment acquired on or after March 19, 2007. • Extended in Budgets 2008, 2009, 2011 and 2013. • Budget 2015 introduced the 50% accelerated CCA on a declining-balance basis, effective for eligible assets acquired after 2015 and before 2026.
Objective – category	To encourage or attract investment
Objective	This temporary measure provides an incentive for manufacturing and processing businesses to accelerate or increase capital investment (Budget 2008). Providing this incentive for an extended period of time helps to provide businesses with planning certainty for larger projects where the investment may not be completed until several years after the investment decision is made and for longer-term investments with multiple phases (Budget 2015).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure may permit the depreciation of a capital asset faster than its useful life.
Subject	Business - other
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Personal income tax: Data on acquisitions by unincorporated businesses of manufacturing or processing machinery and equipment is not available. Corporate income tax: T2 Corporation Income Tax Return
Estimation method	No estimate is available – see the Annex to Part 1 for an explanation as to why estimates are not available for this measure.
Projection method	No projection is available.
Number of beneficiaries	About 13,900 corporations made additions to the relevant CCA class in 2015. 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	*Income Tax Regulations*, subsection 1100(1) and Classes 41, 41.1 and 41.2 of Schedule II
Implementation and recent history	• Introduced in Budget 1971, effective 1972. • Extended in Budget 1996 to in-situ oil sands projects (that is, projects that use oil wells rather than open-pit mining techniques to extract bitumen). This change ensured that both types of oil sands projects are accorded the same CCA treatment. Budget 1996 also extended the accelerated CCA to expenditures on eligible assets acquired in a taxation year for use in a mine or oil sands project, to the extent that the cost of those assets exceeds 5% of the gross revenue for the year from the mine or project. • Budget 2007 announced the 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 (*Proposals for Tax Reform*, 1969).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure may permit the depreciation of a capital asset faster than its useful life.
Subject	Business - natural resources
CCOFOG 2014 code	70441 - Economic affairs - Mining, manufacturing, and construction - Mining of mineral resources other than mineral fuels 7043 - Economic affairs - Fuel and energy
Other relevant government programs	Programs within the mandate of Natural Resources Canada also support the natural resource sector. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Personal income tax: Data on Class 41 expenditures by unincorporated businesses is not available. Corporate income tax: T2 Corporation Income Tax Return
Estimation method	No estimate is available – see the Annex to Part 1 for an explanation as to why estimates are not available for this measure.
Projection method	No projection is available.
Number of beneficiaries	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 33⅓% on a straight-line basis. Vessels that do not qualify for this treatment are depreciable at a CCA rate of 15% on a declining-balance basis.
Tax	Personal and corporate income tax
Beneficiaries	Businesses
Type of measure	Timing preference
Legal reference	*Income Tax Regulations*, paragraph 1100(1)(v)
Implementation and recent history	• Introduced in 1967 (Order in Council P.C. 1967-1668). Effective for assets acquired on or after March 23, 1967.
Objective – category	To encourage or attract investment
Objective	This measure encourages investment in new vessels built and registered in Canada.
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure may permit the depreciation of a capital asset faster than its useful life.
Subject	Business - other
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Personal income tax: Data on acquisitions of vessels by unincorporated businesses is not available. Corporate income tax: T2 Corporation Income Tax Return
Estimation method	No estimate is available – see the Annex to Part 1 for an explanation as to why estimates are not available for this measure.
Projection method	No projection is available.
Number of beneficiaries	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	*Income Tax Act*, subsection 66.1(6) *Income Tax Regulations*, section 1219
Implementation and recent history	• Introduced in Budget 1996. Effective for expenditures incurred after December 5, 1996. • CRCE treatment has been expanded several times as a result of the broadening of the range of assets covered by CCA classes 43.1 and 43.2. Budget 2017 announced the inclusion of a broader range of geothermal energy projects and equipment.
Objective – category	To encourage or attract investment
Objective	This measure encourages investments in clean energy generation and energy conservation projects (*Technical Guide to Canadian Renewable and Conservation Expenses*, Natural Resources Canada, 2012).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure may permit the depreciation of a capital asset faster than its useful life.
Subject	Environment Business - other
CCOFOG 2014 code	70435 - Economic affairs - Fuel and energy - Electricity 70439 - Economic affairs - Fuel and energy - Fuel and energy not elsewhere classified
Other relevant government programs	Programs within the mandates of Environment and Climate Change Canada, the Canadian Environmental Assessment Agency, Parks Canada and Natural Resources Canada also support environment-related objectives. Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Personal income tax: Data on CRCE incurred by unincorporated businesses is not available. Corporate income tax: T2 Corporation Income Tax Return
Estimation method	No estimate is available – see the Annex to Part 1 for an explanation as to why estimates are not available for this measure.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

Accelerated deductibility of some Canadian Exploration Expenses

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

Additional deduction for gifts of medicine

Description	Corporations that donated medicines from their inventory to an eligible charity could claim an additional deduction equal to the lesser of: • 50% of the amount by which the fair market value of the donated medicine exceeds its cost; and • the cost of the medicine. An eligible charity is a registered charity that meets the conditions prescribed by regulation. In particular, the registered charity was required to: • deliver the medicine received outside Canada; • act in a manner consistent with the principles and objectives of the *Guidelines for Drug Donations* issued by the World Health Organization; • have expertise in delivering medicines to the developing world; and • implement appropriate policies and practices with respect to the delivery of international development assistance. Budget 2017 announced the elimination of the deduction, effective for gifts made on or after March 22, 2017. Unused deductions may continue to be carried forward for up to five years.
Tax	Corporate income tax
Beneficiaries	Corporate donors
Type of measure	Deduction
Legal reference	*Income Tax Act*, paragraph 110.1(1)(a.1)
Implementation and recent history	• Introduced in Budget 2007. Effective for gifts made on or after March 19, 2007. • Amended in Budget 2008 to ensure that the charities to which the medicines are donated have appropriate oversight and accountability practices. • Budget 2017 announced the elimination of the measure, effective for gifts made on or after March 22, 2017.
Objective – category	To achieve a social objective
Objective	This measure provides an incentive for corporations to donate medicines for use in international programs for the distribution of medicines (Budget 2007).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure provides tax recognition for an expense that is not incurred to earn income. The tax benefit from this measure can be obtained in a taxation year other than the year during which it accrues.
Subject	Donations, gifts, charities and non-profit organizations
CCOFOG 2014 code	70711 - Health - Medical products, appliances, and equipment - Pharmaceutical products
Other relevant government programs	Many federal government entities provide direct funding to registered charities, non-profit organizations and international development associations through various programs.
Source of data	T2 Corporation Income Tax Return
Estimation method	T2 micro-simulation model
Projection method	The tax expenditure is projected to grow in line with nominal gross domestic product.
Number of beneficiaries	A small number of corporations (fewer than 20) claim this deduction each year.

Cost Information:

Millions of dollars	2012	2013	2014	2015	2016 (P)	2017 (P)	2018 (P)	2019 (P)
Corporate income tax	S	S	S	S	S	S	S	S

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 $15,670 per child (2017, indexed to inflation). Eligible adoption expenses cover a range of expenses, including adoption agency fees, legal expenses, and travel and living expenses for themselves and the child, but do not include any expenses for which the adoptive parent has been or is entitled to be reimbursed. Eligible adoption expenses may be incurred for domestic adoptions or for a child adopted from outside of Canada. They must also have been incurred during the "adoption period", as defined in the legislation. Parents are able to claim the credit in the taxation year in which the adoption is finalized. The two adoptive parents can split the amount if the total combined claim for eligible expenses for each child is not more than the amount before the split.
Tax	Personal income tax
Beneficiaries	Adoptive parents
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, section 118.01
Implementation and recent history	• Introduced in Budget 2005. Effective for the 2005 and subsequent taxation years. • Budget 2013 extended the adoption period to allow for the eligibility of additional adoption-related expenses (e.g., fees for a mandatory home study and adoption courses). • Budget 2014 increased the maximum eligible expenses claimable to $15,000.
Objective – category	To recognize non-discretionary expenses (ability to pay) To achieve a social objective
Objective	This measure provides tax recognition to parents for costs that are unique to the decision to adopt a child (Budget 2005).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system.
Subject	Families and households
CCOFOG 2014 code	71049 - Social protection - Family and children
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada and Indigenous 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 1,900 individuals claimed this credit in 2015.

Cost Information:

Millions of dollars	**2012**	**2013**	**2014**	**2015**	**2016 (P)**	**2017 (P)**	**2018 (P)**	**2019 (P)**
Personal income tax	2	2	2	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 ($7,225 for 2017). The credit is income-tested—the credit amount is reduced by 15% of net income in excess of an annually indexed threshold amount ($36,430 for 2017). The credit is completely phased out at an income level of $84,597 in 2017. Any unused portion of the credit may be transferred to a spouse or common-law partner.
Tax	Personal income tax
Beneficiaries	Seniors
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, subsection 118(2)
Implementation and recent history	• Introduced as part of the 1987 Tax Reform, effective for the 1988 and subsequent taxation years, to replace the previous age exemption. • The 2006 Tax Fairness Plan increased the Age Credit amount by $1,000 to $5,066 effective for the 2006 taxation year. • Budget 2009 increased the Age Credit amount by $1,000 to $6,408 (indexed thereafter).
Objective – category	To provide income support or tax relief To achieve a social objective
Objective	This measure was introduced to reduce the tax burden borne by elderly Canadians (Budget 1972; Budget 2009).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system. The tax benefit from this measure is transferable between spouses or common-law partners.
Subject	Social Retirement
CCOFOG 2014 code	71029 - Social protection - Old age
Other relevant government programs	Programs within the mandates of Canadian Heritage, Immigration, Refugees and Citizenship Canada, Transport Canada and Public Safety Canada (among other departments) also support various other social objectives. Programs within the mandate of Employment and Social Development Canada also support retirement income security. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 5.5 million individuals claimed this credit in 2015.

Cost Information:

Millions of dollars	2012	2013	2014	2015	2016 (P)	2017 (P)	2018 (P)	2019 (P)
Personal income tax	2,725	2,890	3,025	3,170	3,310	3,475	3,650	3,830

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 ($1,178 in 2017) or 5% of the taxpayer’s income, whichever is greater.
Tax	Personal income tax
Beneficiaries	Apprentice vehicle mechanics
Type of measure	Deduction
Legal reference	*Income Tax Act*, paragraph 8(1)(r) and subsection 8(6)
Implementation and recent history	• Introduced in Budget 2001. Effective for tools acquired after 2001. • In Budget 2007, the threshold for recognition of tool costs was integrated with the new deduction for tradespeople’s tool expenses and Canada Employment Credit.
Objective – category	To recognize expenses incurred to earn employment income
Objective	This measure recognizes that apprentice vehicle mechanics have reduced ability to pay tax relative to other taxpayers with the same income due to the extraordinary portion of the cost of new tools they have to provide as a condition of their employment (Budget 2001; Budget 2007).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure provides tax recognition for an expense that is incurred to earn employment income.
Subject	Employment Education
CCOFOG 2014 code	70412 - Economic affairs - General economic, commercial, and labor affairs - General labor affairs 70959 - Education - Education not definable by level
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support employment. Programs within the mandates of Employment and Social Development Canada, the Social Sciences and Humanities Research Council, the Natural Sciences and Engineering Research Council, the Canadian Institutes of Health Research and Indigenous 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 5,500 individuals claimed this deduction in 2015.

Cost Information:

Millions of dollars	**2012**	**2013**	**2014**	**2015**	**2016 (P)**	**2017 (P)**	**2018 (P)**	**2019 (P)**
Personal income tax	4	4	3	3	3	3	3	3

Apprenticeship Job Creation Tax Credit

Description	Employers can claim a 10% non-refundable tax credit in respect of wages paid to qualifying apprentices in the first two years of their contract, to a maximum of $2,000 per apprentice per year. A qualifying apprentice is defined as someone working in a prescribed trade in the first two years of their apprenticeship contract. This contract must be registered with the federal government or a provincial or territorial government under an apprenticeship program designed to certify or license individuals in the trade. Prescribed trades include the trades currently listed as Red Seal Trades. Unused credits can be carried back 3 years or forward 20 years to reduce taxes payable in those years.
Tax	Personal and corporate income tax
Beneficiaries	Businesses
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, section 127
Implementation and recent history	• Introduced in Budget 2006. Effective in respect of salaries and wages paid to qualifying apprentices on or after May 2, 2006.
Objective – category	To encourage employment
Objective	This measure encourages employers to hire new apprentices and to support apprentices in their training (Budget 2006).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system. The tax benefit from this measure can be obtained in a taxation year other than the year during which it accrues.
Subject	Employment
CCOFOG 2014 code	70412 - Economic affairs - General economic, commercial, and labor affairs - General labor affairs
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support employment. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Personal income tax: T1 Income Tax and Benefit Return Corporate income tax: T2 Corporation Income Tax Return
Estimation method	The estimates are based on actual amounts earned and claimed by employers.
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 1,000 individuals and 12,500 corporations claimed this credit in 2015.

Cost Information:

Millions of dollars	2012	2013	2014	2015	2016 (P)	2017 (P)	2018 (P)	2019 (P)
Personal income tax	2	2	2	2	2	2	2	2
Corporate income tax								
Earned and claimed in current year	60	70	70	70	70	70	70	75
Claimed in current year but earned in prior years	20	20	20	20	20	20	20	20
Earned in current year but carried back to prior years	4	4	5	4	5	5	5	5
Total – corporate income tax	85	90	95	95	95	95	100	100
Total	85	90	95	100	95	100	100	105

Atlantic Investment Tax Credit

Description	A 10% credit is available for qualifying acquisitions of new buildings, machinery and equipment and prescribed energy and conservation property used primarily in qualified activities in the Atlantic provinces, the Gaspé Peninsula and their associated offshore regions. Qualified activities include farming, fishing, logging, manufacturing and processing, the storing of grain, the harvesting of peat, and the production or processing of electrical energy or steam. Unused credits can be carried back 3 years or forward 20 years to reduce taxes payable in those years. Where the credit exceeds the amount of tax payable in a year, 40% of the credit is refundable for small Canadian-controlled private corporations and individuals.
Tax	Personal and corporate income tax
Beneficiaries	Businesses in the Atlantic provinces and the Gaspé region
Type of measure	Credit, refundable and non-refundable
Legal reference	*Income Tax Act*, section 127
Implementation and recent history	• Introduced in Budget 1977. • Budget 2012 announced the reduction of the credit rate from 10% to 5% for assets for use in oil and gas and mining activities acquired in 2014 and 2015. The tax credit 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	Tax credits are treated as deviations from the benchmark tax system. The tax benefit from this measure can be obtained in a taxation year other than the year during which it accrues. The portion of this measure that is refundable is classified as a transfer payment for government accounting purposes, and therefore is not considered to be a tax expenditure.
Subject	Business - other
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Personal income tax: T1 Income Tax and Benefit Return Corporate income tax: T2 Corporation Income Tax Return
Estimation method	The estimates are based on actual amounts earned and claimed by businesses.
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 4,900 individuals and 5,700 corporations claimed this credit in 2015.

Cost Information:

Millions of dollars	2012	2013	2014	2015	2016 (P)	2017 (P)	2018 (P)	2019 (P)
Personal income tax	10	10	10	10	10	10	10	10
Corporate income tax								
Non-refundable portion								
Earned and claimed in current year	100	70	110	60	45	50	55	60
Claimed in current year but earned in prior years	40	155	70	140	110	120	130	135
Earned in current year but carried back to prior years	130	135	10	60	20	15	5	5
Total – non-refundable portion	270	360	190	260	175	185	190	200
Refundable portion	15	15	15	20	20	20	20	25
Total – corporate income tax	285	380	205	285	195	205	210	220
Total	295	390	215	295	205	215	220	230

Canada Caregiver Credit

Description	The Canada Caregiver Credit consolidated and replaced the previous system of caregiver credits (including the Caregiver Credit, Infirm Dependant Credit and Family Caregiver Tax Credit). In 2017, the amount of the credit is: • $6,883 in respect of infirm dependants who are parents/grandparents, brothers/sisters, aunts/uncles, nieces/nephews, adult children of the claimant or of the claimant's spouse or common-law partner; • $2,150 in respect of an infirm dependent spouse or common-law partner in respect of whom the individual claims the spouse or common-law partner amount, an infirm dependant for whom the individual claims an eligible dependant credit, or an infirm child who is under the age of 18 years at the end of the tax year. In cases where an individual claims a spouse or common-law partner amount or an eligible dependant amount in respect of an infirm family member, the individual must claim the Canada Caregiver Credit at the lesser amount ($2,150). Where this results in less tax relief than would be available if the higher amount ($6,833) were claimed, an additional amount will be provided to offset this difference. The value of the non-refundable credit is calculated by applying the lowest personal income tax rate to the credit amount per eligible dependant. The credit is reduced dollar-for-dollar by the dependant's net income above $16,163 (in 2017) and is fully phased out when the dependant's income reaches $23,046 (in 2017). Both the credit amount and the income threshold at which the credit starts to be reduced are indexed to inflation. The dependant is not required to live with the caregiver in order for the caregiver to claim the new credit and no credit is available in respect of non-infirm seniors who reside with their adult children.
Tax	Personal income tax
Beneficiaries	Caregivers
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, subsection 118(1)
Implementation and recent history	• Introduced in 2017, effective for the 2017 and subsequent taxation years.
Objective – category	To recognize non-discretionary expenses (ability to pay)
Objective	This measure recognizes that individuals providing care for infirm family members have reduced ability to pay tax compared to other taxpayers with similar income (Budget 2017).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system.
Subject	Families and households Health
CCOFOG 2014 code	71049 - Social protection - Family and children 71011 - Social protection - Sickness and disability - Sickness 71012 - Social protection - Sickness and disability - Disability
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada and Indigenous 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 and information from Statistics Canada's *Canadian Survey on Disability* and *General Social Survey*
Estimation method	T1 micro-simulation model; estimates for the value of this measure, as well as for the number of individuals with infirm dependants not living in the individual's home and the number of individuals living with non-infirm seniors, were derived using the Statistics Canada survey results.
Projection method	T1 micro-simulation model
Number of beneficiaries	It is estimated that about 520,000 individuals will claim this credit in 2017.

Cost Information:

Millions of dollars	2012	2013	2014	2015	2016 (P)	2017 (P)	2018 (P)	2019 (P)
Personal income tax	–	–	–	–	–	300	310	325

Canada Child Benefit

Description	For the 2017-18 benefit year, the Canada Child Benefit provides a maximum benefit of $6,400 per child under the age of 6 and $5,400 per child aged 6 through 17. The Canada Child Benefit is income-tested based on adjusted family net income with the benefit phase-out rate depending on the number of children. On the portion of adjusted family net income between $30,000 and $65,000, the benefit is phased out at a rate of 7% for a one-child family, 13.5% for a two-child family, 19% for a three-child family and 23% for larger families. Where adjusted family net income exceeds $65,000, remaining benefits are phased out at rates of 3.2% for a one-child family, 5.7% for a two-child family, 8% for a three-child family and 9.5% for larger families, on the portion of income above $65,000. Indexation to inflation of the maximum benefit amounts and phase-out thresholds is to begin as of the 2018-19 benefit year. With indexation, for the 2018-19 benefit year, the maximum amounts will be increased to $6,496 per child under the age of 6 and $5,481 per child aged 6 through 17, and the phase-out thresholds will be increased to $30,450 and $65,975. The Child Disability Benefit is an additional amount provided to families caring for a child eligible for the Disability Tax Credit. For the 2017-18 benefit year, the Child Disability Benefit provides up to $2,730 in benefits per eligible child. The phase-out of this additional amount generally aligns with the Canada Child Benefit. It is phased out at a rate of 3.2% for families with one eligible child and 5.7% for families with more than one eligible child, on adjusted family net income in excess of $65,000. This additional amount, which is included in Canada Child Benefit payments made to eligible families, will also be indexed to inflation as of the 2018-19 benefit year. With indexation, for the 2018-19 benefit year, the Child Disability Benefit amount will be increased to $2,771 and the phase-out threshold to $65,975. Canada Child Benefit payments are made monthly and are non-taxable. The payment cycle runs from July to June.
Tax	Personal income tax
Beneficiaries	Families with minor children
Type of measure	Credit, refundable
Legal reference	*Income Tax Act*, section 122.6
Implementation and recent history	• The Child Tax Benefit (the precursor to the Canada Child Tax Benefit) was introduced in Budget 1992 and replaced, effective January 1993, the former refundable child tax credit, family allowance and non-refundable tax credit. • The Canada Child Tax Benefit and National Child Benefit supplement were introduced in 1998. The Child Disability Benefit was introduced in 2003. • The Canada Child Benefit was introduced in Budget 2016 and replaced the Canada Child Tax Benefit, including the National Child Benefit supplement, and the Universal Child Care Benefit. Payments of the Canada Child Benefit began in July 2016. • The 2017 *Fall Economic Statement* announced the indexation to inflation of the maximum benefit amounts and phase-out thresholds for the Canada Child Benefit as of the 2018-19 benefit year, rather than as of the 2020-21 as was legislated. The Child Disability Benefit will also be indexed to inflation as of the 2018-19 benefit year.
Objective – category	To recognize non-discretionary expenses (ability to pay) To achieve a social objective
Objective	This measure gives families more money to help with the high cost of raising their children.
Category	Refundable tax credit
Reason why this measure is not part of benchmark tax system	This measure is classified as a transfer payment for government accounting purposes, and therefore is not considered to be a tax expenditure.
Subject	Families and households
CCOFOG 2014 code	71049 - Social protection - Family and children
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada and Indigenous 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* T1 Income Tax and Benefit Return
Estimation method	This measure is presented on a fiscal year basis as reported in the *Public Accounts of Canada* (e.g., the amount for 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.
Number of beneficiaries	It is estimated that about 3.2 million families will receive the Canada Child Benefit in 2017.

Cost Information:

Millions of dollars	**2012**	**2013**	**2014**	**2015**	**2016**	**2017 (P)**	**2018 (P)**	**2019 (P)**
Personal income tax	10,265	10,400	10,370	10,510	19,900	23,350	23,625	23,930

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 $1,178 (in 2017) and the individual's employment income for the year. The maximum amount is indexed to inflation.
Tax	Personal income tax
Beneficiaries	Employees
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, subsection 118(10)
Implementation and recent history	• Introduced in Budget 2006. Effective July 1, 2006. The maximum amount in 2006 was $500, doubling to $1,000 on January 1, 2007.
Objective – category	To recognize expenses incurred to earn employment income
Objective	This measure provides general tax recognition of work-related expenses (Budget 2006).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system.
Subject	Employment
CCOFOG 2014 code	70412 - Economic affairs - General economic, commercial, and labor affairs - General labor affairs
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support employment. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 17.7 million individuals claimed this credit in 2015

Cost Information:

Millions of dollars	**2012**	**2013**	**2014**	**2015**	**2016 (P)**	**2017 (P)**	**2018 (P)**	**2019 (P)**
Personal income tax	2,040	2,110	2,185	2,270	2,300	2,380	2,445	2,505

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	*Income Tax Act*, section 125.4
Implementation and recent history	• Introduced in Budget 1995 at a rate of 25% of the cost of eligible salaries and wages incurred after 1994 and up to a maximum of 12% of the total cost of production. It replaced the film tax shelter mechanism for certified Canadian films in place prior to 1995. • The maximum amount of the credit was increased to 15% of total production cost for productions, effective for expenditures incurred on or after November 14, 2003. • Talk shows were made eligible for the Canadian Film or Video Production Tax Credit by removing the reference to "talk shows" from the definition of "excluded production" for the purposes of the credit. This change applies to productions for which the principal photography starts after February 16, 2016.
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 1,300 corporations received this benefit in 2015.

Cost Information:

Millions of dollars	2012	2013	2014	2015	2016 (P)	2017 (P)	2018 (P)	2019 (P)
Corporate income tax	260	250	250	260	270	295	310	320

Capital gains exemption on personal-use property

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

Capital loss carry-overs

Description	Net capital losses may be carried back three years and forward indefinitely to offset capital gains of other years. Notwithstanding these rules, net capital losses realized in the year in which a taxpayer dies may be deductible against all forms of income for that taxation year and the immediately preceding year. Unused net capital losses from prior years carried forward to the year of death may also be deductible against all forms of income for that taxation year and the immediately preceding year.
Tax	Personal and corporate income tax
Beneficiaries	Individual and corporate investors
Type of measure	Timing preference
Legal reference	*Income Tax Act*, subsections 111(1) and 111(2)
Implementation and recent history	• Introduced in Budget 1971. Effective for the 1972 and subsequent taxation years. • Budget 1983 extended the carry-back for capital losses from one year to three years.
Objective – category	To assess tax liability over a multi-year period
Objective	This measure supports investors by reducing the risk associated with investment (Budget 1983).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure is considered part of the benchmark tax system, and therefore is not a tax expenditure.
Subject	Savings and investment
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	n/a
Source of data	Personal income tax: T1 Income Tax and Benefit Return 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 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. Corporate income tax: The estimate for a given year represents the tax relief associated with both the carry-forward to that year of losses incurred in prior years and the carry-back to previous years of losses incurred in that year. The estimate is equal to the amount of losses carried over multiplied by the tax rate applicable in the year in which the losses are applied.
Projection method	Personal income tax: T1 micro-simulation model Corporate income tax: The value of this measure is projected to grow in line with corporate capital gains.
Number of beneficiaries	About 568,000 individuals and 55,000 corporations made use of this measure in 2015 (not counting individuals that carried back losses only).

Cost Information:

Millions of dollars	**2012**	**2013**	**2014**	**2015**	**2016 (P)**	**2017 (P)**	**2018 (P)**	**2019 (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	305	420	530	425	360	475	485	505
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	130	120	110	355	215	180	195	205
Applied to current year	415	445	710	525	350	390	415	440
Total – corporate income tax	545	565	820	875	570	570	610	645
Total	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Caregiver Credit

Description	The Caregiver Credit was replaced with the Canada Caregiver Credit in 2017. The Caregiver Credit provided tax relief to individuals providing in-home care to a parent or grandparent 65 years of age or over or an infirm adult dependent relative, including a child or grandchild, a brother, a sister, an aunt, an uncle, a niece or a nephew. The value of the non-refundable credit was calculated by applying the lowest personal income tax rate to the credit amount per eligible dependant ($4,668 in 2016). The credit was reduced when the dependant's net income exceeded $15,940 and was fully phased out when the dependant's income reached $20,608. Both the credit amount and the income threshold at which the credit started to be reduced were indexed to inflation
Tax	Personal income tax
Beneficiaries	Caregivers
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, paragraph 118(1)(c.1)
Implementation and recent history	• Introduced in 1998. Effective for the 1998 and subsequent taxation years. Repealed in Budget 2017 as of the 2017 taxation year.
Objective – category	To recognize non-discretionary expenses (ability to pay)
Objective	This measure recognizes that individuals providing in-home care for elderly or infirm family members have reduced ability to pay tax compared to other taxpayers with similar income (Budget 1998).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system.
Subject	Families and households Health
CCOFOG 2014 code	71049 - Social protection - Family and children 71011 - Social protection - Sickness and disability - Sickness 71012 - Social protection - Sickness and disability - Disability
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada and Indigenous 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 251,000 individuals claimed this credit in 2015.

Cost Information:

Millions of dollars	**2012**	**2013**	**2014**	**2015**	**2016 (P)**	**2017 (P)**	**2018 (P)**	**2019 (P)**
Personal income tax	120	130	140	145	145	–	–	–

Cash basis accounting

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

Charitable Donation Tax Credit

Description	The Charitable Donation Tax Credit is a non-refundable tax credit on donations to registered charities, registered Canadian amateur athletic associations and other qualified donees. In 2017, the formula for determining the credit for individuals is linked to the lowest, second-highest and highest federal tax rates. The credit rate is 15% on the first $200 of total annual gifts and 29% on total annual gifts over $200, with the exception of donors with taxable income exceeding $202,800 who may claim a 33% tax credit on the portion of total annual donations over $200 made from taxable income greater than $202,800. In general, the credit may be claimed on donations totalling up to 75% of an individual's net income (up to 100% of net income for donations of ecologically sensitive land and cultural property or in certain other circumstances) and may be carried forward for up to 5 years (up to 10 years for donations of ecologically sensitive land).
Tax	Personal income tax
Beneficiaries	Individual donors
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, section 118.1 and subsections 248(30) to (41)
Implementation and recent history	• Introduced in 1917 as a deduction "for amounts paid during the year to the Patriotic and Red Cross Funds, and other patriotic and war funds approved by the Minister." • The general income limit on donations was increased in several stages from 10% in 1970 to 75% in 1997. • In 1988, the deduction for donations made by individuals was converted to a two-tier tax credit as part of the 1987 Tax Reform. • Budget 1994 reduced the threshold to which the higher rate applies from $250 to $200. • Budget 1995 eliminated the net income limit for donations of ecologically sensitive land eligible for the tax credit. • In Budget 2014, the carry-forward period for donations of ecologically sensitive land was extended from 5 to 10 years. • In 2016, the Government amended the Charitable Donation Tax Credit to allow donors with taxable income that is subject to the 33% marginal tax rate to also claim a 33% tax credit on the portion of donations (greater than $200) made from that income. Any donations that exceed the amount of a donor's taxable income that is subject to the 33% marginal tax rate will be subject to the 29% credit rate. This change is effective for the 2016 and subsequent taxation years.
Objective – category	To achieve a social objective
Objective	This measure is designed to support the important work of the charitable sector in meeting the needs of Canadians (*Report of the Royal Commission on Taxation*, vol. 3, 1966; 1987 Tax Reform).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system. The tax benefit from this measure can be obtained in a taxation year other than the year during which it accrues. The tax benefit from this measure is transferable between spouses or common-law partners.
Subject	Donations, gifts, charities and non-profit organizations
CCOFOG 2014 code	705 - Environmental protection; 706 - Housing and community amenities; 707 - Health; 708 - Recreation, culture, and religion; 709 - Education; 710 - Social protection; Other various codes
Other relevant government programs	Many federal government entities provide direct funding to registered charities, non-profit organizations and international development associations through various programs.
Source of data	T1 Income Tax and Benefit Return 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 5.6 million individuals claimed this credit in 2015.

Cost Information:

Millions of dollars	**2012**	**2013**	**2014**	**2015**	**2016 (P)**	**2017 (P)**	**2018 (P)**	**2019 (P)**
By type of donations								
Publicly listed securities	125	145	240	190	215	230	240	255
Ecologically sensitive land	5	5	5	5	10	10	10	10
Cultural property	25	25	30	25	25	20	20	20
Other	2,210	2,365	2,310	2,425	2,350	2,485	2,545	2,605
Total – personal income tax	2,365	2,545	2,585	2,650	2,605	2,745	2,815	2,885

Child care expense deduction

Description	Child care expenses incurred for the purpose of earning business or employment income, taking an occupational training course, pursuing education or carrying on research for which a grant is received are deductible from income, up to a limit. The deduction may not exceed the lesser of (i) the total of the maximum dollar limits for all children ($8,000 per child under age 7, $5,000 per child between 7 and 16 years of age and infirm dependent children over age 16, and $11,000 for a child eligible for the Disability Tax Credit, regardless of their age), (ii) two-thirds of earned income for the year (not applicable to single-parent students), and (iii) the actual amount of child care expenses incurred. The spouse with the lower income must generally claim the deduction. However, the higher-income parent may claim a deduction if the lower-income parent is infirm, confined to a bed or a wheelchair, in prison or a similar situation for at least two weeks, attending a designated educational institution, or living apart due to a breakdown in the relationship for a period of at least 90 days during the year.
Tax	Personal income tax
Beneficiaries	Families with children
Type of measure	Deduction
Legal reference	*Income Tax Act*, section 63
Implementation and recent history	• Announced in Budget 1971. Legislation introduced in 1972 and effective for the 1972 and subsequent taxation years. • Budget 1988 eliminated the overall maximum limit of $8,000 per taxpayer for child care expenses. • Budget 1996 increased the age limit for children from 14 to 16 years. • Maximum dollar amounts increased by $1,000, effective for the 2015 taxation year (Prime Minister of Canada news release, October 30, 2014).
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 1.4 million individuals claimed this deduction in 2015.

Cost Information:

Millions of dollars	**2012**	**2013**	**2014**	**2015**	**2016 (P)**	**2017 (P)**	**2018 (P)**	**2019 (P)**
Personal income tax	990	965	1,090	1,355	1,265	1,295	1,340	1,385

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	*Income Tax Act*, formerly under paragraph 118(1)(b.1)
Implementation and recent history	• 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 3.8 million individuals claimed this credit in 2014.

Cost Information:

Millions of dollars	2012	2013	2014	2015	2016 (P)	2017 (P)	2018 (P)	2019 (P)
Personal income tax	1,550	1,590	1,645	–	–	–	–	–

Children's Arts Tax Credit

Description	Parents could claim a non-refundable tax credit at the lowest personal income tax rate on eligible fees for the enrolment of a child under the age of 16 in an eligible program of artistic, cultural, recreational or developmental activity. The credit could be claimed by either parent. If a child qualified for the Disability Tax Credit, the age limit was raised to under 18 years of age and an additional $500 amount could be claimed, subject to the parents spending a minimum of $100 on registration or membership fees for an eligible program of artistic, cultural, recreational or developmental activity. As well, the requirements for an eligible activity were relaxed to cover a broader range of programs more suited to the challenges experienced by these children. Budget 2016 announced the phase-out of this measure by 2017 (see details below).
Tax	Personal income tax
Beneficiaries	Families with minor children
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, section 118.031 *Income Tax Regulations*, section 9401
Implementation and recent history	• Introduced in Budget 2011. Effective for the 2011 and subsequent taxation years ($500 maximum amount per child for eligible fees). • Budget 2016 reduced the maximum amount of eligible fees to $250, effective for the 2016 taxation year, and eliminated the credit effective for the 2017 taxation year.
Objective – category	To achieve a social objective
Objective	This measure better recognized the costs associated with children's artistic, cultural, recreational and developmental activities (Budget 2011).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system. The tax benefit from this measure was transferable between spouses or common-law partners.
Subject	Arts and culture
CCOFOG 2014 code	70869 - Recreation, culture, and religion - Recreation, culture, and religion not elsewhere classified
Other relevant government programs	Programs within the mandate of Canadian Heritage also support arts and culture. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 655,000 individuals claimed this credit in 2015.

Cost Information:

Millions of dollars	**2012**	**2013**	**2014**	**2015**	**2016 (P)**	**2017 (P)**	**2018 (P)**	**2019 (P)**
Personal income tax	35	40	40	45	30	–	–	–

Children's Fitness Tax Credit

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

Cost Information:

Millions of dollars	2012	2013	2014	2015	2016 (P)	2017 (P)	2018 (P)	2019 (P)
Pre-2015 (non-refundable)	115	115	180	–	–	–	–	–
Post-2014 (refundable)	–	–	–	210	140	–	–	–
Total – personal income tax	115	115	180	210	140	–	–	–

Corporate Mineral Exploration and Development Tax Credit

Description	A 10% non-refundable credit was available to corporations in respect of expenditures incurred in Canada for grassroots exploration and pre-production mine development in relation to the mining of diamonds, base and precious metals as well as industrial minerals that become base or precious metals through refining. Budget 2012 announced the phase-out of this credit to make the tax system more neutral between mining and other industries and, as a result, this credit does not apply after 2015. However, unused credits can be pooled and carried forward, and the use of previously earned credits will continue beyond 2015.
Tax	Corporate income tax
Beneficiaries	Corporations in the mining industry
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, subsection 127(9), paragraph (a.3) of definition of "investment tax credit"
Implementation and recent history	• Introduced in Budget 2003. The credit applied at a rate of 5% in 2003, 7% in 2004 and 10% as of 2005. • Budget 2012 announced the phase-out of this credit. In the case of exploration expenditures, the credit rate was reduced to 5% for expenses incurred in 2013 and is not available for expenses incurred after 2013. In the case of pre-production development expenditures, the credit rate was reduced to 7% for expenses incurred in 2014, 4% for expenses incurred in 2015, and is not available for expenses incurred after 2015.
Objective – category	To encourage or attract investment
Objective	This measure was introduced to improve the international competitiveness of the resource sector and promote the efficient development of Canada's natural resource base (*Improving the Income Taxation of the Resource Sector in Canada*, March 3, 2003).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system.
Subject	Business - natural resources
CCOFOG 2014 code	70441 - Economic affairs - Mining, manufacturing, and construction - Mining of mineral resources other than mineral fuels
Other relevant government programs	Programs within the mandate of Natural Resources Canada also support the natural resource sector. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T2 Corporation Income Tax Return
Estimation method	The cost of this measure in a year is calculated using data on actual credits claimed in the year. The cost in the initial year is partially offset in the following year as the corporation's cumulative Canadian Exploration Expense account is then reduced by the credit claimed the year before.
Projection method	Projections are based on current market conditions.
Number of beneficiaries	About 35 corporations claimed this credit in 2015.

Cost Information:

Millions of dollars	2012	2013	2014	2015	2016 (P)	2017 (P)	2018 (P)	2019 (P)
Corporate income tax	20	10	30	15	15	15	15	15

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 2017) to the Basic Personal Amount ($11,635 in 2017). The credit amount is indexed to inflation.
Tax	Personal income tax
Beneficiaries	Individuals
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, paragraph 118(1)(c)
Implementation and recent history	• Introduced as part of the 1987 Tax Reform, effective for the 1988 and subsequent taxation years, to replace the previous basic personal exemption. • Between 1998 and 2009, the Basic Personal Amount was periodically increased.
Objective – category	To promote the fairness of the tax system
Objective	This measure contributes to tax fairness by ensuring that no tax is paid on a basic amount of income (*Report of the Royal Commission on Taxation*, vol. 3, 1966; Budget 1998).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure is considered part of the benchmark tax system, and therefore is not a tax expenditure.
Subject	Other
CCOFOG 2014 code	n/a
Other relevant government programs	n/a
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 27.1 million individuals claimed this credit in 2015.

Cost Information:

Millions of dollars	2012	2013	2014	2015	2016 (P)	2017 (P)	2018 (P)	2019 (P)
Personal income tax	30,385	31,535	32,530	33,915	34,380	35,495	36,560	37,615

Deductibility of certain costs incurred by musicians

Description	Employed musicians can deduct amounts from their employment income for the expenses they incur for the maintenance, rental and insurance of musical instruments they are required to provide as a term of their employment. The measure also provides for the deduction of capital cost allowance in respect of these instruments.
Tax	Personal income tax
Beneficiaries	Employed musicians
Type of measure	Deduction
Legal reference	*Income Tax Act*, paragraph 8(1)(p)
Implementation and recent history	• Introduced in 1987 as part of the 1987 Tax Reform. Effective for the 1988 and subsequent taxation years.
Objective – category	To recognize expenses incurred to earn employment income
Objective	The deductibility of certain expenses incurred by artists and musicians recognizes that these expenses are necessary to carry on employment in those fields (*Musical Instruments: Income Tax Reform*, 1987).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure provides tax recognition for an expense that is incurred to earn employment income.
Subject	Employment Arts and culture
CCOFOG 2014 code	70412 - Economic affairs - General economic, commercial, and labor affairs - General labor affairs 70829 - Recreation, culture, and religion - Cultural services
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support employment. Programs within the mandate of Canadian Heritage also support arts and culture. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T777 Statement of Employment Expenses
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 3,500 individuals claimed this deduction in 2015.

Cost Information:

Millions of dollars	**2012**	**2013**	**2014**	**2015**	**2016 (P)**	**2017 (P)**	**2018 (P)**	**2019 (P)**
Personal income tax	1	2	2	1	2	2	2	2

Deductibility of charitable donations

Description	Donations made by corporations to registered charities are deductible in computing taxable income within certain limits. In general, a deduction may be claimed on donations totalling up to 75% of a corporation's taxable income. The limit is increased by 25% of the amount of taxable capital gains arising from donations of appreciated capital property and 25% of any capital cost allowance recapture arising from donations of depreciable capital property. The net income restriction does not apply to certain gifts of cultural property or ecologically sensitive land. Donations in excess of the particular limit applied may be carried forward up to 5 years with the exception of gifts of ecologically sensitive land, which may be carried forward up to 10 years.
Tax	Corporate income tax
Beneficiaries	Corporate donors
Type of measure	Deduction
Legal reference	*Income Tax Act*, section 110.1
Implementation and recent history	• Budget 1930 introduced the deductibility of donations to any church, university, college, school or hospital in Canada amounting to no greater than 10% of a taxpayer's net income. By 1933, the deduction applied to donations made to charities. • Budget 1997 increased the deduction limit to 75% of a corporation's net income, reduced to 25% the portion of taxable capital gains arising from the donations of appreciated capital property that can be added to the deduction limit, and added to the deduction limit 25% of recaptured capital cost allowance amounts.
Objective – category	To achieve a social objective
Objective	This measure is designed to support the important work of the charitable sector in meeting the needs of Canadians (*Report of the Royal Commission on Taxation*, vol. 3, 1966).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure provides tax recognition for an expense that is not incurred to earn income. The tax benefit from this measure can be obtained in a taxation year other than the year during which it accrues.
Subject	Donations, gifts, charities and non-profit organizations
CCOFOG 2014 code	705 - Environmental protection; 706 - Housing and community amenities; 707 - Health; 708 - Recreation, culture, and religion; 709 - Education; 710 - Social protection; Other various codes
Other relevant government programs	Many federal government entities provide direct funding to registered charities, non-profit organizations and international development associations through various programs.
Source of data	T2 Corporation Income Tax Return
Estimation method	T2 micro-simulation model
Projection method	The cost of this measure is projected to grow in line with corporate taxable income.
Number of beneficiaries	This measure provided tax relief to about 91,650 corporations in 2015.

Cost Information:

Millions of dollars	**2012**	**2013**	**2014**	**2015**	**2016 (P)**	**2017 (P)**	**2018 (P)**	**2019 (P)**
By type of donations								
Ecologically sensitive land	2	5	3	1	1	2	2	2
Cultural property	35	3	10	20	4	15	15	15
Gifts to the Crown	S	S	S	S	S	S	S	S
Other	385	310	485	430	410	460	445	470
Total – corporate income tax	425	315	500	450	415	475	465	490

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	*Income Tax Act*, paragraph 20(1)(ss)
Implementation and recent history	• Introduced in Budget 1994. Effective for contributions to eligible mine reclamation trusts for taxation years ending after of February 22, 1994. • Budget 1997 extended this measure to similar trusts established for waste disposal sites and quarries for the extraction of aggregate and similar substances, effective for taxation years ending after February 18, 1997. • Budget 2011 further extended this measure to include trusts established for pipeline reclamation, effective for taxation years ending after 2012.
Objective – category	To provide relief for special circumstances
Objective	This measure assists firms that are required to make contributions to a qualifying environmental trust set up for the purpose of funding reclamation costs (Budget 1997).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure provides tax recognition in respect of a contingent expense, resulting in a deferral of tax.
Subject	Environment
CCOFOG 2014 code	70549 - Environmental protection - Protection of biodiversity and landscape
Other relevant government programs	Programs within the mandates of Environment and Climate Change Canada, the Canadian Environmental Assessment Agency, Parks Canada and Natural Resources Canada also support environment-related objectives. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Personal income tax: Data on contributions to qualifying environmental trusts by unincorporated businesses is not available. Corporate income tax: T2 Corporation Income Tax Return
Estimation method	Personal income tax: No estimate is available. Corporate income tax: The cost of this measure is based on net contributions (total contributions minus funds withdrawn) to qualifying environmental trusts.
Projection method	Personal income tax: No projection is available. Corporate income tax: Projections are based on current market conditions and the anticipated impact that National Energy Board pipeline regulations will have on the use of qualifying environmental trusts.
Number of beneficiaries	A small number of corporations/partnerships (fewer than 50) claimed this deduction in 2015. No data is available for unincorporated businesses.

Cost Information:

Millions of dollars	2012	2013	2014	2015	2016 (P)	2017 (P)	2018 (P)	2019 (P)
Personal income tax	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Corporate income tax	-2	S	-1	55	55	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	*Income Tax Act*, subsections 13(27) and 127(11.2)
Implementation and recent history	• Introduced in 1990, applicable to property acquired after 1989.
Objective – category	To reduce administration or compliance costs
Objective	This measure facilitates the application and administration of the capital cost allowances regime and investment tax credits by limiting the period between the acquisition of a capital asset and the time the cost of the asset is recognized for tax purposes.
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure may permit the depreciation of a capital asset faster than its useful life.
Subject	Business - other
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	No data is available.
Estimation method	No estimate is available – see the Annex to Part 1 for an explanation as to why estimates are not available for this measure.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

Deductibility of countervailing and anti-dumping duties when paid

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

Deductibility of earthquake reserves

Description	Federally regulated property and casualty insurance companies can deduct, for income tax purposes, earthquake premium reserves which are set aside pursuant to guidelines established by the Office of the Superintendent of Financial Institutions. These reserves represent a surplus appropriation, and would not otherwise be deductible under the benchmark system.
Tax	Corporate income tax
Beneficiaries	Property and casualty insurers
Type of measure	Timing preference
Legal reference	*Income Tax Act*, paragraph 20(7)(c) *Income Tax Regulations*, the description of L in subsection 1400(3)
Implementation and recent history	• Introduced in Budget 1998. Effective for the 1998 and subsequent taxation years.
Objective – category	To provide relief for special circumstances
Objective	This measure helps ensure that federally regulated property and casualty insurance companies have sufficient financial capacity to pay insured earthquake losses when they occur (Budget 1998).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure provides tax recognition in respect of a contingent expense, resulting in a deferral of tax.
Subject	Business - other
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Data on earthquake premium reserves is provided by the Office of the Superintendent of Financial Institutions.
Estimation method	This tax expenditure is estimated by taking the annual net change in total earthquake premium reserves and multiplying that change by the statutory corporate income tax rate for the year. The net change, and not the amount of the reserve, is of importance because the deduction is effectively applied on a net basis (the taxpayer includes in income the reserve from the previous year, and deducts from income the reserve for the current year).
Projection method	Earthquake premium reserves are projected to grow at the compound annual growth rate observed over the last eight years.
Number of beneficiaries	About 20 corporations claimed this deduction in 2015.

Cost Information:

Millions of dollars	2012	2013	2014	2015	2016 (P)	2017 (P)	2018 (P)	2019 (P)
Corporate income tax	1	S	S	S	S	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	*Income Tax Act*, paragraph 8(1)(q)
Implementation and recent history	• Introduced on May 16, 1990 (Government response to the *Report of the Standing Committee on Communications and Culture Respecting the Status of the Artist*). Effective for amounts paid after 1990.
Objective – category	To recognize expenses incurred to earn employment income
Objective	This measure provides greater certainty to employed artists with respect to the tax treatment of their professional expenses (Government response to the *Report of the Standing Committee on Communications and Culture Respecting the Status of the Artist*, 1990).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure provides tax recognition for an expense that is incurred to earn employment income.
Subject	Employment Arts and culture
CCOFOG 2014 code	70412 - Economic affairs - General economic, commercial, and labor affairs - General labor affairs 70829 - Recreation, culture, and religion - Cultural services
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support employment. Programs within the mandate of Canadian Heritage also support arts and culture. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T777 Statement of Employment Expenses
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 600 individuals claimed this deduction in 2015.

Cost Information:

Millions of dollars	2012	2013	2014	2015	2016 (P)	2017 (P)	2018 (P)	2019 (P)
Personal income tax	S	S	S	S	S	S	S	S

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

Description	Individuals who have taken a vow of perpetual poverty as a member of a religious order may claim a deduction in a year in which they are a member of that religious order for the amount of earned income and pension benefits assigned and paid in the year to the order.
Tax	Personal income tax
Beneficiaries	Individuals who have taken vows of perpetual poverty as members of a religious order
Type of measure	Exemption
Legal reference	*Income Tax Act*, subsection 110(2)
Implementation and recent history	• Introduced in 1949. Effective for the 1949 and subsequent taxation years.
Objective – category	To achieve a social objective To provide relief for special circumstances
Objective	This measure recognizes the special situations of members of religious orders who make vows of poverty and assign all of their income to the religious order.
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base.
Subject	Donations, gifts, charities and non-profit organizations
CCOFOG 2014 code	70849 - Recreation, culture, and religion - Religious and other community services
Other relevant government programs	Many federal government entities provide direct funding to registered charities, non-profit organizations and international development associations through various programs.
Source of data	No 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	*Income Tax Act*, paragraph 8(1)(c)
Implementation and recent history	• Introduced in Budget 1949. Effective for the 1948 and subsequent taxation years. • In 2001, the amount of the deduction when the living accommodation is rented or owned by the clergy was limited to the least of three amounts: the clergy person's total remuneration from employment for the year; one-third of that remuneration or $10,000, whichever is greater; and the fair rental value of the residence (reduced by other amounts deducted in connection with the same residence).
Objective – category	To achieve a social objective
Objective	This measure recognizes the special nature of the contributions and circumstances of members of the clergy (Budget, March 1949).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base.
Subject	Social
CCOFOG 2014 code	70849 - Recreation, culture, and religion - Religious and other community services
Other relevant government programs	Programs within the mandates of Canadian Heritage, Immigration, Refugees and Citizenship Canada, Transport Canada and Public Safety Canada (among other departments) also support various other social objectives. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 27,000 individuals claimed this deduction in 2015.

Cost Information:

Millions of dollars	**2012**	**2013**	**2014**	**2015**	**2016 (P)**	**2017 (P)**	**2018 (P)**	**2019 (P)**
Personal income tax	90	85	90	90	90	95	95	95

Deduction for self-employed artists

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

Deduction for tradespeople's tool expenses

Description	A tradesperson can claim a deduction of up to $500 of the total cost of eligible new tools acquired in a taxation year as a condition of employment that exceeds the amount of the Canada Employment Credit ($1,178 in 2017). The total cost of eligible new tools cannot exceed the total of the employment income earned as a tradesperson and apprenticeship grants received to acquire the tools, which are required to be included in income.
Tax	Personal income tax
Beneficiaries	Tradespeople
Type of measure	Deduction
Legal reference	*Income Tax Act*, paragraph 8(1)(s)
Implementation and recent history	• Introduced in Budget 2006. Effective in respect of eligible new tools acquired on or after May 2, 2006.
Objective – category	To recognize expenses incurred to earn employment income
Objective	This measure provides tax recognition for the extraordinary cost of tools that tradespeople must provide as a condition of employment (Budget 2006).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure provides tax recognition for an expense that is incurred to earn employment income.
Subject	Employment
CCOFOG 2014 code	70412 - Economic affairs - General economic, commercial, and labor affairs - General labor affairs
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support employment. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T777 Statement of Employment Expenses
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 21,000 individuals claimed this deduction in 2015.

Cost Information:

Millions of dollars	**2012**	**2013**	**2014**	**2015**	**2016 (P)**	**2017 (P)**	**2018 (P)**	**2019 (P)**
Personal income tax	2	2	2	2	2	2	2	2

Deduction for tuition assistance for adult basic education

Description	A student can claim a deduction for the amount of tuition assistance received for adult basic education when the tuition assistance has been included in the student's income and the student does not qualify for the Tuition Tax Credit. In order to be eligible, the tuition assistance must be received under a program established under Part II of the *Employment Insurance Act*, a program established under the authority of the *Department of Employment and Social Development Act*, a similar program (in certain circumstances) or a prescribed program.
Tax	Personal income tax
Beneficiaries	Students
Type of measure	Deduction
Legal reference	*Income Tax Act*, paragraph 110(1)(g)
Implementation and recent history	• Introduced in Budget 2001. Effective retroactively to the 1997 and subsequent taxation years.
Objective – category	To recognize education costs
Objective	This measure provides assistance to adults undertaking basic education courses as part of a government training program (Budget 2001).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure provides tax recognition for an expense that is incurred to earn employment income.
Subject	Education
CCOFOG 2014 code	70959 - Education - Education not definable by level
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada, the Social Sciences and Humanities Research Council, the Natural Sciences and Engineering Research Council, the Canadian Institutes of Health Research and Indigenous 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 6,000 individuals claimed this deduction in 2016.

Cost Information:

Millions of dollars	**2012**	**2013**	**2014**	**2015**	**2016 (P)**	**2017 (P)**	**2018 (P)**	**2019 (P)**
Personal income tax	3	3	2	1	2	2	2	3

Deduction of allowable business investment losses

Description	Capital losses arising from the disposition of shares and debt instruments are generally deductible only against capital gains. However, one-half of the capital loss from a deemed disposition of bad debts or shares of a bankrupt small business corporation or from a disposition to an arm's length person of shares or debts of a small business corporation (known as an "allowable business investment loss") may be used to offset other income. Unused allowable business investment losses may be carried back three years and forward 10 years. After 10 years, the loss reverts to an ordinary capital loss and may be carried forward indefinitely. Allowable business investment losses are reduced if the Lifetime Capital Gains Exemption has been claimed in prior years (to the extent that allowable business investment losses have not already been reduced by those exemptions). The amount of the reduction depends on the inclusion rate of capital gains. The amount by which a taxpayer's allowable business investment loss is reduced under this provision is treated as a capital loss for the year in which it arose, and may be carried back three years and forward indefinitely to offset capital gains of other years.
Tax	Personal and corporate income tax
Beneficiaries	Individual and corporate investors
Type of measure	Deduction
Legal reference	*Income Tax Act*, subsection 38(c) and paragraph 39(1)(c)
Implementation and recent history	• Introduced in Budget 1978 (November 16, 1978). Effective for the 1978 and subsequent taxation years.
Objective – category	To encourage or attract investment
Objective	This measure recognizes that small businesses often have difficulty obtaining adequate financing, and provides special assistance for risky investments in such businesses (Budget 1985; Budget 2004).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure permits the deduction of capital losses otherwise than against capital gains.
Subject	Business - small businesses Savings and investment
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandate of Innovation, Science and Economic Development Canada also support small businesses. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Personal income tax: T1 Income Tax and Benefit Return Corporate income tax: T2 Corporation Income Tax Return
Estimation method	The value of this tax expenditure corresponds to the tax relief provided by permitting allowable business investment losses to be deducted from other income in the year they arise. The tax expenditure is overstated since it is assumed that the losses would not have been otherwise deducted against capital gains. Personal income tax: T1 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 average cost of the previous three years, projected to grow in line with nominal gross domestic product.
Number of beneficiaries	About 8,900 individuals and 1,950 corporations claimed this deduction in 2015.

Cost Information:

Millions of dollars	**2012**	**2013**	**2014**	**2015**	**2016 (P)**	**2017 (P)**	**2018 (P)**	**2019 (P)**
Personal income tax	40	30	40	35	25	25	25	25
Corporate income tax	10	10	10	15	10	15	15	15
Total	45	35	50	50	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	*Income Tax Act*, paragraphs 20(1)(c) and (bb)
Implementation and recent history	• Interest on borrowed funds used to earn income was made deductible in 1923, and investment counselling fees in 1951. Interest incurred by corporations to buy shares of other corporations was made deductible in 1972. • Budget 1996 introduced amendments to ensure that fees to establish child support amounts remained deductible. • Budget 2013 removed the deduction in respect of safety deposit box charges for taxation years that began on or after March 21, 2013.
Objective – category	To recognize expenses incurred to earn business or property income
Objective	This measure recognizes that carrying charges are incurred for the purpose of earning income.
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure is considered part of the benchmark tax system, and therefore is not a tax expenditure.
Subject	Business - other Savings and investment
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Personal income tax: T1 Income Tax and Benefit Return 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 1.9 million individuals claimed this deduction in 2015. No data is available for corporations.

Cost Information:

Millions of dollars	**2012**	**2013**	**2014**	**2015**	**2016 (P)**	**2017 (P)**	**2018 (P)**	**2019 (P)**
Personal income tax	1,085	1,190	1,295	1,385	1,400	1,485	1,580	1,655
Corporate income tax	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Deduction of other employment expenses

Description	Under certain conditions, an employee can deduct a number of specific employment expenses in computing income, such as automobile expenses, the cost of meals and lodging for certain transport employees, and legal expenses paid to collect salary.
Tax	Personal income tax
Beneficiaries	Employees
Type of measure	Deduction
Legal reference	*Income Tax Act*, section 8
Implementation and recent history	• Expenses of railway employees, sales expenses and transport employees' expenses were made deductible in Budget 1948, effective for the 1949 and subsequent taxation years. • Travel expenses, motor vehicle travel expenses, and dues and other expenses of performing duties were made deductible in Budget 1951, effective for the 1951 and subsequent taxation years. • Teachers' exchange fund contributions were made deductible in Budget 1957, effective for the 1956 and subsequent taxation years. • Legal expenses of employees were made deductible in Budget 1961, effective for the 1961 and subsequent taxation years. • Aircraft costs were made deductible in Budget 1979, effective for the 1980 and subsequent taxation years.
Objective – category	To recognize expenses incurred to earn employment income
Objective	This measure provides tax recognition for certain expenses incurred for the purpose of earning employment income.
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure provides tax recognition for an expense that is incurred to earn employment income.
Subject	Employment
CCOFOG 2014 code	70412 - Economic affairs - General economic, commercial, and labor affairs - General labor affairs
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support employment. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 780,000 individuals claimed this deduction in 2015.

Cost Information:

Millions of dollars	2012	2013	2014	2015	2016 (P)	2017 (P)	2018 (P)	2019 (P)
Personal income tax	970	955	920	930	915	960	1,005	1,040

Deduction of union and professional dues

Description	A deduction is available in respect of annual union, professional or like dues paid in the year by an employee (or paid by the employer and included in the employee's income) in the course of employment. The deduction does not apply to the extent the employee is, or is entitled to be, reimbursed by the employer.
Tax	Personal income tax
Beneficiaries	Employees
Type of measure	Deduction
Legal reference	*Income Tax Act*, subparagraphs 8(1)(i)(i) and (iv)-(vii)
Implementation and recent history	• Introduced in Budget 1951. Effective for the 1951 and subsequent taxation years.
Objective – category	To recognize expenses incurred to earn employment income
Objective	This measure provides tax recognition for mandatory employment-related expenses.
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure provides tax recognition for an expense that is incurred to earn employment income.
Subject	Employment
CCOFOG 2014 code	70412 - Economic affairs - General economic, commercial, and labor affairs - General labor affairs
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support employment. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 5.7 million individuals claimed this deduction in 2015.

Cost Information:

Millions of dollars	2012	2013	2014	2015	2016 (P)	2017 (P)	2018 (P)	2019 (P)
Personal income tax	860	890	915	970	945	985	1,035	1,070

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	*Income Tax Act*, sections 55, 85, 87 and 88 and subsection 84(2)
Implementation and recent history	• These measures were introduced at various times (1948 for rules related to the recapture of excess capital cost allowance, 1958 for amalgamations, 1972 for capital gains on a transfer of an asset to a corporation and for a corporate winding-up, and 1980 for corporate butterflies). 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 Global Affairs Canada, Public Services and Procurement Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	No data is available.
Estimation method	No estimate is available.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

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

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

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

Description	When a property is transferred to another person, capital gains are generally considered to be realized at the time of the transfer on the basis of the fair market value of the property at that time. However, if an individual transfers capital property to a spouse, spousal trust or alter ego trust (i.e., a trust for the benefit of the transferor), the capital property is deemed to have been disposed of by the individual at its adjusted cost base (or at the undepreciated capital cost in the case of depreciable property), and to have been acquired by the spouse or trust for an amount equal to those deemed amounts. This treatment effectively provides a deferral of the taxable capital gain until the disposition of the property by the spouse or trust, or until the transferee or relevant trust beneficiary dies.
Tax	Personal income tax
Beneficiaries	Individuals, their spouses and common-law partners
Type of measure	Timing preference
Legal reference	*Income Tax Act*, subsection 70(6) and section 73
Implementation and recent history	• Introduced in Budget 1971. Effective for the 1972 and subsequent taxation years. • Extended in 2001 to transfers to alter ego trusts (Department of Finance Canada news release 1999-112, December 17, 1999).
Objective – category	To extend or modify the unit of taxation
Objective	This measure recognizes that it is not always appropriate to treat a transfer of assets between spouses (or to a trust for one's own benefit or for the benefit of a spouse) as a disposition for income tax purposes, and therefore allows families flexibility in structuring their total assets (Budget 1971).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure permits the deferral of the recognition of income or gains for income tax purposes. This measure extends the unit of taxation.
Subject	Families and households
CCOFOG 2014 code	71049 - Social protection - Family and children
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada and Indigenous 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	*Income Tax Act*, section 80.3
Implementation and recent history	• Introduced in Budget 1976. Effective for the 1976 and subsequent taxation years.
Objective – category	To provide relief for special circumstances
Objective	This measure was introduced to allow farmers adequate time to replace their herds, destroyed under statutory authority, without imposing a tax burden in the year of livestock destruction (Budget 1976).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure permits the deferral of the recognition of income or gains for income tax purposes.
Subject	Business - farming and fishing
CCOFOG 2014 code	70421 - Economic affairs - Agriculture, forestry, fishing, and hunting - Agriculture
Other relevant government programs	Programs within the mandates of Agriculture and Agri-Food Canada and Fisheries and Oceans Canada also support the farming and fishing sectors. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Statistics Canada, CANSIM table 002-0076
Estimation method	Personal income tax (unincorporated farms): The value of this measure is calculated as the total deferred income in a given year minus the total amount deferred from the year before, multiplied by the share of farm income accruing to unincorporated farms and the average marginal tax rate applicable to farm income. Corporate income tax (incorporated farms): A similar methodology is used except that the average tax rate used is the estimated average tax rate applicable to meals and entertainment expenses.
Projection method	Projections for 2017 through 2019 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	2012	2013	2014	2015	2016	2017 (P)	2018 (P)	2019 (P)
Personal income tax	S	S	S	1	-1	n.a.	n.a.	n.a.
Corporate income tax	S	S	S	1	S	n.a.	n.a.	n.a.
Total	S	S	S	1	-1	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	*Income Tax Act*, subsections 76(4) and (5)
Implementation and recent history	• Introduced in Budget 1974. Effective for the 1973 and subsequent taxation years. • Consequential amendments to this measure due to the elimination of the Canadian Wheat Board were made in 2012 (first Budget 2012 implementation bill). These amendments removed the previous geographical restriction for the measure and extended it to farmers of the listed grains anywhere in Canada. • Budget 2017 launched a consultation on the ongoing utility of this measure. On November 6, 2017, the Government announced that the income deferral provided under this measure would be maintained.
Objective – category	To achieve an economic objective - other
Objective	By permitting the deferred reporting of income on grain sales, this measure facilitates the orderly delivery of grain to elevators, which helps meet Canada's grain export commitments (Budget May 1974).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure permits the deferral of the recognition of income or gains for income tax purposes.
Subject	Business - farming and fishing
CCOFOG 2014 code	70421 - Economic affairs - Agriculture, forestry, fishing, and hunting - Agriculture
Other relevant government programs	Programs within the mandates of Agriculture and Agri-Food Canada and Fisheries and Oceans Canada also support the farming and fishing sectors. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Statistics Canada, CANSIM table 002-0001
Estimation method	Personal income tax (unincorporated farms): The value of this measure is calculated as the total deferred income from cash purchase tickets in a given year minus the total income from exchanging cash purchase tickets for their cash value, multiplied by the share of farm income accruing to unincorporated farms and the average marginal tax rate applicable to farm income. Corporate income tax (incorporated farms): A similar methodology is used except that the average tax rate used is the estimated average tax rate applicable to meals and entertainment expenses.
Projection method	The projection for 2017 uses data available for the first three quarters of the calendar year. Projections for 2018 and 2019 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	**2012**	**2013**	**2014**	**2015**	**2016**	**2017 (P)**	**2018 (P)**	**2019 (P)**
Personal income tax	20	-10	-20	15	10	5	n.a.	n.a.
Corporate income tax	20	-10	-25	20	10	1	n.a.	n.a.
Total	40	-15	-50	35	20	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	*Income Tax Act*, section 80.3 *Income Tax Regulations*, sections 7305 and 7305.02
Implementation and recent history	• Introduced in 1988 in respect of farmers forced to sell breeding livestock due to drought conditions (Department of Finance Canada news release 88-155, December 12, 1988). Effective for the 1988 and subsequent taxation years. • Expanded in March 2009 to apply to farmers carrying on business in a region of flood or excessive moisture (Department of Finance Canada news release 2009-024, March 5, 2009). Effective for the 2008 and subsequent taxation years. • Budget 2014 extended the measure to bees, and to all types of horses that are over 12 months of age, that are kept for breeding. Effective for the 2014 and subsequent taxation years.
Objective – category	To provide relief for special circumstances
Objective	This measure allows farmers to use the proceeds from the forced sale of livestock due to drought, flood or excessive moisture conditions to fund the acquisition of replacement livestock (Department of Finance Canada news release 88-155, December 12, 1988; Department of Finance Canada news release 2009-024, March 5, 2009; Budget 2014).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure permits the deferral of the recognition of income or gains for income tax purposes.
Subject	Business - farming and fishing
CCOFOG 2014 code	70421 - Economic affairs - Agriculture, forestry, fishing, and hunting - Agriculture
Other relevant government programs	Programs within the mandates of Agriculture and Agri-Food Canada and Fisheries and Oceans Canada also support the farming and fishing sectors. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	No data is available.
Estimation method	No estimate is available.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

Deferral through 10-year capital gain reserve

Description	If the proceeds derived from the sale of a farm or fishing property or small business shares to a child, grandchild or great-grandchild are not all receivable in the year of sale, recognition of a portion of the capital gain realized may be deferred until the year in which the proceeds become receivable. However, a minimum of 10% of the gain must be brought into income per year, creating a maximum 10-year reserve period. This contrasts with the treatment of capital property generally, where the maximum reserve period is five years (see measure "Deferral through five-year capital gain reserve").
Tax	Personal income tax
Beneficiaries	Farming and fishing businesses, individual investors
Type of measure	Timing preference
Legal reference	*Income Tax Act,* subsection 40(1.1)
Implementation and recent history	• Budget 1981 proposed the elimination of capital gain reserves; however, this original proposal was later modified to allow a five-year reserve generally and to introduce the 10-year capital gain reserve for a transfer to a child (Department of Finance Canada news release 81-126). Effective for dispositions of property occurring after November 12, 1981. • Budget 2006 extended the scope of the measure to include fishing property. • Budget 2014 introduced simplifying rules for farmers carrying on farming and fishing businesses in combination.
Objective – category	To achieve an economic objective - other
Objective	This measure eases the intergenerational transfer of farm or fishing property sold to a child (Explanatory Notes for *Act to Amend the Income Tax Act*, December 1982; Budget 2006).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure permits the deferral of the recognition of income or gains for income tax purposes.
Subject	Business - farming and fishing Business - small businesses
CCOFOG 2014 code	70421 - Economic affairs - Agriculture, forestry, fishing, and hunting - Agriculture 70423 - Economic affairs - Agriculture, forestry, fishing, and hunting - Fishing and hunting 70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandates of Agriculture and Agri-Food Canada and Fisheries and Oceans Canada also support the farming and fishing sectors. Programs within the mandate of Innovation, Science and Economic Development Canada also support small businesses. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model. The value of this tax expenditure corresponds to the difference between the amount of tax that would have been payable if capital gain reserves were fully included in income in the year of disposition of the asset and the amount of tax that is payable as reserve amounts are included in income over time.
Projection method	T1 micro-simulation model
Number of beneficiaries	About 10,000 individuals claimed a 10-year capital gain reserve in 2015.

Cost Information:

Millions of dollars	2012	2013	2014	2015	2016 (P)	2017 (P)	2018 (P)	2019 (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	30	25	35	25	35	40	40	40

Deferral through five-year capital gain reserve

Description	In some cases, a taxpayer may receive portions of the payment from the sale of a capital property over a number of years. Under those circumstances, realization of a portion of the capital gain may be deferred until the year in which the proceeds are received. A minimum of 20% of the gain must be brought into income per year, creating a maximum five-year deferral period.
Tax	Personal and corporate income tax
Beneficiaries	Individuals and corporations
Type of measure	Timing preference
Legal reference	*Income Tax Act*, subsection 40(1)
Implementation and recent history	• Budget 1981 proposed the elimination of capital gain reserves; however, this original proposal was later modified with the introduction of the five-year capital gain reserve (Department of Finance Canada news release 81-126). Effective for dispositions of property occurring after November 12, 1981.
Objective – category	To assess tax liability over a multi-year period
Objective	This measure, while limiting tax deferral opportunities, recognizes that where capital gain proceeds are receivable over time, fully taxing gains in the year of sale could result in significant liquidity problems for taxpayers (Explanatory Notes for *Act to Amend the Income Tax Act*, December 1982).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure permits the deferral of the recognition of income or gains for income tax purposes.
Subject	Business - other Savings and investment
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Personal income tax: T1 Income Tax and Benefit Return 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 8,300 individuals claimed a five-year capital gain reserve in 2015. No data is available for corporations.

Cost Information:

Millions of dollars	**2012**	**2013**	**2014**	**2015**	**2016 (P)**	**2017 (P)**	**2018 (P)**	**2019 (P)**
Personal income tax	10	10	10	10	15	15	20	20
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	*Income Tax Act*, subsections 13(4) and 44(1)
Implementation and recent history	• The deferral of capital cost allowance recapture was introduced in 1955. Effective for the 1954 and subsequent taxation years. • The capital gains deferral was introduced in Budget 1971. Effective for the 1972 and subsequent taxation years.
Objective – category	To support business activity
Objective	This measure supports businesses by permitting the deferral of capital gains and capital cost allowance recapture that are incidental to an active business.
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure permits the deferral of the recognition of income or gains for income tax purposes.
Subject	Business - other
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	No data is available.
Estimation method	No estimate is available.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

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

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

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

Description	In computing income for tax purposes, individuals and corporations carrying on the practice of certain professions (i.e., accounting, legal, medical doctor, dental, chiropractic or veterinary professional practice) could either use an accrual accounting method by default, or elect to use a billed-basis accounting method. Under the default accrual method, expenses were required to be be matched with their associated revenues. Under the elective billed-basis method, the expenses relating to work in progress could be deducted as incurred even though the associated revenues were not brought into income until either the revenues were billed and became receivable or were paid. This treatment gave rise to a deferral of tax. Budget 2017 announced the phase-out of this measure.
Tax	Personal and corporate income tax
Beneficiaries	Individuals and corporations carrying on certain professional practices
Type of measure	Timing preference
Legal reference	*Income Tax Act*, section 34
Implementation and recent history	• Introduced in Budget 1971. Effective for fiscal years ending after December 31, 1971. • Budget 2017 proposed the elimination of the ability for designated professionals to elect to use billed-basis accounting, effective for taxation years that begin on or after March 22, 2017. A five-year transitional period to phase in the inclusion of work in progress into income was subsequently proposed on September 8, 2017.
Objective – category	To reduce administration or compliance costs
Objective	This measure recognizes the inherent difficulty in valuing unbilled time and work in progress (*Summary of 1971 Tax Reform Legislation*, 1971).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure permits the deferral of the recognition of income or gains for income tax purposes.
Subject	Business - other
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	No data is available.
Estimation method	No estimate is available.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

Deferred Profit-Sharing Plans

Description	A Deferred Profit-Sharing Plan (DPSP) is an arrangement under which an employer contributes profits from their business to a trust for the benefit of a designated group of employees. Employers may make tax-deductible contributions to a DPSP on behalf of their employees. The contributions are not immediately taxed in the hands of the employee, and the investment income is not taxed as it is earned. Withdrawals are included in the income of the employee for tax purposes. Employer contributions are limited to 18% of an employee's earnings up to one-half of the defined contribution Registered Pension Plan (RPP) dollar limit for the year ($13,115 for 2017). 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 ($26,230 for 2017).
Tax	Personal income tax
Beneficiaries	Employees with a Deferred Profit-Sharing Plan
Type of measure	Timing preference
Legal reference	*Income Tax Act*, section 147
Implementation and recent history	• In 1961, amendments were introduced to provide that an employee would not be subject to income tax on amounts contributed to a profit-sharing plan on their behalf by their employer until actually received as proceeds from the plan. • In 1989, a number of amendments to the DPSP tax rules were introduced that, among other changes, increased the limit on deductible employer contributions and prohibited employee contributions (*Saving for Retirement: A Guide to the Tax Legislation and Regulations,* Department of Finance Canada, 1989).
Objective – category	To encourage savings To achieve an economic objective - other
Objective	The tax treatment of these plans encourages additional retirement savings, and fosters co-operation between employers and their workers by encouraging employees to participate in their employer's business (Budget 1960).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure permits the deferral of the recognition of income or gains for income tax purposes.
Subject	Retirement Savings and investment
CCOFOG 2014 code	71029 - Social protection - Old age
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support retirement income security. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	No data is available.
Estimation method	No estimate is available.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

Disability supports deduction

Description	Attendant care as well as certain other disability supports expenses incurred to carry on a business or for education or employment purposes are deductible from income unless they have been reimbursed by a non-taxable payment (e.g., insurance payment). Generally, the deduction is limited to the lesser of the amounts paid for eligible expenses and the taxpayer's earned income. Students are additionally entitled to claim the deduction against up to $15,000 of non-earned income, subject to the length of their educational program. Individuals do not have to be eligible for the Disability Tax Credit in order to claim the deduction, although other criteria may apply for eligibility of certain types of disability supports. Expenses claimed under the disability supports deduction cannot be claimed under the Medical Expense Tax Credit.
Tax	Personal income tax
Beneficiaries	Individuals with disabilities
Type of measure	Deduction
Legal reference	*Income Tax Act*, section 64
Implementation and recent history	• Introduced in Budget 2004, effective for the 2004 and subsequent taxation years, replacing the previous attendant care deduction.
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 2,000 individuals claimed this deduction in 2015.

Cost Information:

Millions of dollars	**2012**	**2013**	**2014**	**2015**	**2016 (P)**	**2017 (P)**	**2018 (P)**	**2019 (P)**
Personal income tax	2	1	3	3	3	3	3	3

Disability Tax Credit

Description	The Disability Tax Credit provides tax relief for non-itemizable disability-related costs in respect of an eligible individual that has been certified by a qualified medical practitioner as having a severe and prolonged disability. The value of the non-refundable credit is calculated by applying the lowest personal income tax rate to the disability credit amount ($8,113 in 2017). The credit amount is indexed to inflation and can be transferred to a supporting spouse, parent, grandparent, child, grandchild, brother, sister, aunt, uncle, nephew or niece of the individual. Families caring for eligible children with severe and prolonged impairments may claim an additional amount as a supplement to the credit. The value of the supplement is calculated by applying the lowest personal income tax rate to the supplement amount ($4,733 in 2017) and is reduced dollar-for-dollar by the amount of child care or attendant care expenses in excess of $2,772 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	*Income Tax Act*, subsection 118.3(1)
Implementation and recent history	• Introduced in 1944 as a $480 deduction for blind persons. • Expanded in 1985 to individuals with severe disabilities. • Replaced by a non-refundable tax credit as part of the 1987 Tax Reform. • Introduction in 2000 of the supplement for children. • Budget 2005 extended eligibility to individuals who face multiple restrictions that together have a substantial impact on their everyday lives and to more individuals requiring extensive life-sustaining therapy on an ongoing basis. • Budget 2017 expanded the list of medical practitioners that can certify eligibility for the Disability Tax Credit to include nurse practitioners, effective for certifications made on or after March 22, 2017.
Objective – category	To recognize non-discretionary expenses (ability to pay)
Objective	This measure improves tax fairness by recognizing the effect of a severe and prolonged disability on an individual's ability to pay tax (Budget 1997; Budget 2005).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system. This measure extends the unit of taxation.
Subject	Health
CCOFOG 2014 code	71012 - Social protection - Sickness and disability - Disability
Other relevant government programs	Programs within the mandates of Health Canada, the Canadian Food Inspection Agency, the Canadian Institutes of Health Research, the Public Health Agency of Canada and Veterans Affairs Canada also support health-related objectives. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	In total, 1.2 million individuals claimed an amount for the Disability Tax Credit for 2015. This includes about 815,000 eligible persons who claimed all or some portion of the credit for themselves, 160,000 individuals who claimed all or some portion of the credit on behalf of an eligible spouse or common-law partner, and 275,000 individuals who claimed all or some portion of the credit transferred from an eligible person (such as a parent for a minor child). Because multiple individuals can share the amount of the credit in respect of an eligible person, the total number of individuals claiming the credit exceeds the total number of eligible persons who were able to use or transfer the amount in 2015. These numbers reflect the 2015 tax year assessments or reassessments up to June 30, 2017.

Cost Information:

Millions of dollars	2012	2013	2014	2015	2016 (P)	2017 (P)	2018 (P)	2019 (P)
Personal income tax	760	815	890	995	1,015	1,045	1,090	1,125

Dividend gross-up and tax credit

Description	Income earned by corporations is subject to corporate income tax and, on distribution as dividends to individuals, personal income tax. The result is that dividends received by Canadian taxpayers are taxed at both the corporate and the personal levels. The Dividend Tax Credit (DTC), provided within the personal income tax system, is intended to compensate a taxable individual for corporate income taxes that are presumed to have been paid. The DTC is generally meant to ensure that income earned by a corporation and paid out to an individual as a dividend will be subject to the same amount of tax as income earned directly by the individual. The DTC mechanism calculates a proxy for pre-tax corporate profits and then provides a tax credit to individuals in recognition of corporate-level tax. Under this approach, an individual is first required to include the grossed-up amount of taxable dividends (i.e., the proxy for pre-tax profits) in income. Using the grossed-up amount, the tax system in effect treats the individual as having directly earned the amount that the corporation is presumed to have earned in order to pay the dividend. The DTC then compensates the individual for the amount of corporate-level tax presumed to have been paid on the grossed-up amount. The tax system has two DTC rates and gross-up factors to recognize the two different corporate income tax rates that generally apply to corporations. The enhanced DTC (15.0198% in 2017) and gross-up (38% in 2017) are applied to dividends distributed to an individual from corporate income taxed at the general corporate tax rate (eligible dividends). The ordinary DTC (10.5217% in 2017) and gross-up (17% in 2017) are applied to dividends distributed to an individual from corporate income not taxed at the general corporate tax rate (ineligible dividends).
Tax	Personal income tax
Beneficiaries	Individual investors
Type of measure	Other; credit, non-refundable
Legal reference	*Income Tax Act*, sections 82 and 121
Implementation and recent history	• Introduction of a DTC in 1949, followed by an increase of the tax credit in 1953. • The 1971 Tax Reform introduced the gross-up factor and adjustments to the DTC effective for the 1972 and subsequent taxation years. • Budgets 1977 and 1986 as well as the 1987 Tax Reform announced changes to the gross-up and DTC. • Budget 2006 established, for dividends paid after 2005, a new gross-up factor and an enhanced DTC rate for eligible dividends. • Budget 2008 adjusted the enhanced DTC and gross-up factor to reflect the scheduled federal general corporate income tax rate reductions that were announced in the 2007 Economic Statement. • Budget 2013 adjusted the gross-up factor and DTC rate applicable to non-eligible dividends to ensure the appropriate tax treatment of such dividends. • Budget 2015 adjusted the gross-up factor and DTC rate applicable to non-eligible dividends in conjunction with reductions in the preferential income tax rate for small businesses. • Budget 2016 announced that the gross-up factor and DTC rate applicable to non-eligible dividends would remain at 17% and 10.5% respectively after 2016. • The 2017 *Fall Economic Statement* adjusted the gross-up factor and DTC rate applicable to non-eligible dividends in conjunction with reductions in the preferential income tax rate for small businesses.
Objective – category	To prevent double taxation
Objective	These measures contribute to the integration of the corporate and personal income tax systems.
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure is considered part of the benchmark tax system, and therefore is not a tax expenditure.
Subject	Savings and investment
CCOFOG 2014 code	n/a
Other relevant government programs	n/a

Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 3.8 million individuals claimed this credit in 2015.

Cost Information:

Millions of dollars	**2012**	**2013**	**2014**	**2015**	**2016 (P)**	**2017 (P)**	**2018 (P)**	**2019 (P)**
Personal income tax	4,450	5,055	4,655	5,780	4,430	5,085	5,280	5,250

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	*Income Tax Regulations*, section 1201
Implementation and recent history	• 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 (*Proposals for Tax Reform*, 1969; *Summary of 1971 Tax Reform Legislation*; Budget, May 6, 1974; Budget, November 18, 1974).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure permitted the deduction of an amount that exceeded the expense actually incurred to earn income.
Subject	Business - natural resources
CCOFOG 2014 code	70441 - Economic affairs - Mining, manufacturing, and construction - Mining of mineral resources other than mineral fuels 70431 - Economic affairs - Fuel and energy - Coal and other solid mineral fuels 70432 - Economic affairs - Fuel and energy - Petroleum and natural gas
Other relevant government programs	Programs within the mandate of Natural Resources Canada also support the natural resource sector. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Personal income tax: Data on earned depletion balances of unincorporated businesses is not available, but such balances are not expected to be significant. Corporate income tax: T2 Corporation Income Tax Return
Estimation method	Personal income tax: No estimate is available. Corporate income tax: The cost of this measure is equal to the amount of earned depletion claimed, multiplied by the general corporate income tax rate.
Projection method	Personal income tax: No projection is available. Corporate income tax: Projections are based on current market conditions.
Number of beneficiaries	A small number of corporations (fewer than 20) claimed this deduction in 2015. No data is available for unincorporated businesses.

Cost Information:

Millions of dollars	2012	2013	2014	2015	2016 (P)	2017 (P)	2018 (P)	2019 (P)
Personal income tax	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Corporate income tax	S	S	S	S	S	S	S	S
Total	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Education Tax Credit

Description	A student could claim a non-refundable tax credit at the lowest personal income tax rate on an amount of $400 per month of study for full-time students and $120 per month of study for part-time students. The credit had to be claimed on the tax return of the student. If the student did not need to use all of the credit, the unused amount could be transferred to a supporting individual or carried forward to a subsequent taxation year. Budget 2016 announced the elimination of this measure as of 2017. Amounts carried forward from prior years may still be claimed.
Tax	Personal income tax
Beneficiaries	Students and individuals supporting them
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, subsection 118.6(2)
Implementation and recent history	• Introduced as a deduction in Budget 1972. Effective for the 1972 and subsequent taxation years. • Replaced by a non-refundable tax credit and made transferable to spouses, parents or grandparents as part of the 1987 Tax Reform. • Budget 1997 introduced a provision allowing unused education amounts to be carried forward for use in a subsequent year. • The October 2000 Economic Statement and Budget Update announced the doubling of the amounts used to calculate the Education Tax Credit to $400 per month of full-time study and $120 per month of part-time study. • Budget 2011 reduced the 13-week minimum duration requirement applying to studies undertaken by Canadians at foreign universities to three consecutive weeks. • Budget 2016 announced the elimination of this measure as of 2017.
Objective – category	To recognize education costs
Objective	This measure provided students with assistance by recognizing non-tuition costs associated with full- and part-time education (Budget 1972).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system. This measure extended the unit of taxation. The tax benefit from this measure could be obtained in a taxation year other than the year during which it accrued.
Subject	Education
CCOFOG 2014 code	70939 - Education - College education 70949 - Education - University education
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada, the Social Sciences and Humanities Research Council, the Natural Sciences and Engineering Research Council, the Canadian Institutes of Health Research and Indigenous 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 claimed this credit in 2015.

Cost Information:

Millions of dollars	2012	2013	2014	2015	2016 (P)	2017 (P)	2018 (P)	2019 (P)
Personal income tax	685	705	725	760	765	400	295	245

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 ($11,635 for 2017, 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	*Income Tax Act*, paragraph 118(1)(b)
Implementation and recent history	• Introduced as part of the 1987 Tax Reform, to replace the previous exemption. Effective for the 1988 and subsequent taxation years. • Until 2007, the Eligible Dependant Credit amount was less than the Basic Personal Amount, and was reduced dollar-for-dollar by the net income of the dependant in excess of the income threshold applicable for the taxation year. • Budget 2007 introduced two changes to this credit: (i) the credit amount was set equal to the Basic Personal Amount; and (ii) the income threshold was eliminated, resulting in the credit amount being reduced dollar-for-dollar by the net income of the dependant. These changes became effective in 2007.
Objective – category	To recognize non-discretionary expenses (ability to pay)
Objective	This measure recognizes that a taxpayer without a spouse or common-law partner who is supporting a dependent young child, parent or grandparent or other dependent relative due to mental or physical infirmity has a reduced ability to pay tax relative to a taxpayer with the same income and no such dependant (*Report of the Royal Commission on Taxation*, vol. 3, 1966).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system.
Subject	Families and households Health
CCOFOG 2014 code	71049 - Social protection - Family and children 71012 - Social protection - Sickness and disability - Disability
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada and Indigenous 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 964,000 individuals claimed this credit in 2015.

Cost Information:

Millions of dollars	**2012**	**2013**	**2014**	**2015**	**2016 (P)**	**2017 (P)**	**2018 (P)**	**2019 (P)**
Personal income tax	775	775	795	870	885	930	945	970

Employee benefit plans

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

Employee stock option deduction

Description	When individuals acquire company shares under an employee stock option plan, they are deemed to have received a taxable benefit from employment equal to the difference between the fair market value of the shares at the time they are acquired and the amount paid to acquire them. Provided certain conditions are met, individuals may deduct one-half of the employment benefit earned on employee stock options from income for tax purposes, thereby benefiting from the same effective tax rate that investors receive on capital gains.
Tax	Personal income tax
Beneficiaries	Employees
Type of measure	Deduction
Legal reference	*Income Tax Act*, subsections 7(1) and (1.1) and paragraphs 110(1)(d) and (d.1)
Implementation and recent history	• Introduced in Budget 1977 for employee stock options granted by Canadian-controlled private corporations (CCPCs). Effective April 1, 1977. • Extended in Budget 1984 to employee stock options granted by corporations other than CCPCs, effective February 15, 1984. • Budget 2010 eliminated the ability for both the employee and the employer to claim a deduction in relation to the same employment benefit under certain arrangements where employees surrendered their stock options to the employer in exchange for cash payments or other benefits.
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 35,000 individuals claimed this deduction in 2015.

Cost Information:

Millions of dollars	**2012**	**2013**	**2014**	**2015**	**2016 (P)**	**2017 (P)**	**2018 (P)**	**2019 (P)**
Personal income tax	590	630	745	685	530	635	690	740

Exemption for insurers of farming and fishing property

Description	Insurers of farming and fishing property could benefit from a tax exemption provided they did not engage in any business other than insurance. The proportion of an insurer's taxable income for a taxation year that was exempt was determined based on the proportion that the insurer's gross premium income (net of reinsurance ceded) earned for the year from the insurance of property used in farming or fishing or residences of farmers or fishers was of the insurer's total gross premium income (net of reinsurance ceded) for the year: • If the proportion was 90% or more, all of the insurer's taxable income was exempt from tax; • If the proportion was less than 90% but not less than 25%, only that proportion of the insurer's taxable income was exempt from tax; • If the proportion was less than 25% but not less than 20%, one half of that proportion of the insurer's taxable income was exempt from tax; • If the proportion was less than 20%, no exemption was available.
Tax	Corporate income tax
Beneficiaries	Insurers of farming and fishing property
Type of measure	Exemption
Legal reference	*Income Tax Act*, paragraph 149(1)(t) and subsections 149(4.1) to (4.3) *Income Tax Regulations*, subsection 4802(2)
Implementation and recent history	• Introduced in 1954, the original provision exempted all of an insurer's taxable income from tax if the proportion of its gross premium income (net of reinsurance ceded) from the insurance of property used in farming or fishing or residences of farmers or fishers was more than 50%. • This measure was amended in 1989, with the effect that if the proportion was between 25% and 90%, only that proportion of the insurer's taxable income became exempt from tax. • Amendments in 1996 introduced the remaining elements that, together, constitute the rules currently in effect. • Budget 2017 announced the elimination of this measure, effective for taxation years that begin after 2018.
Objective – category	To achieve an economic objective - other
Objective	This exemption encourages insurers to provide insurance service in all rural districts (1945 Royal Commission on Co-operatives).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base. This measure exempts from tax certain taxpayers.
Subject	Business - farming and fishing
CCOFOG 2014 code	70421 - Economic affairs - Agriculture, forestry, fishing, and hunting - Agriculture 70423 - Economic affairs - Agriculture, forestry, fishing, and hunting - Fishing and hunting
Other relevant government programs	Programs within the mandates of Agriculture and Agri-Food Canada and Fisheries and Oceans Canada also support the farming and fishing sectors. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T2 Corporation Income Tax Return
Estimation method	The tax expenditure is estimated by multiplying the eligible amount of exempt income with the tax rate for each claimant.
Projection method	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 2015.

Cost Information:

Millions of dollars	2012	2013	2014	2015	2016 (P)	2017 (P)	2018 (P)	2019 (P)
Corporate income tax	10	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	*Income Tax Act*, paragraph 81(1)(c)
Implementation and recent history	• Introduced in 1926 for income of a non-resident person from the operation of a ship in international traffic. • Extended in 1945 to income of a non-resident person from the operation of an aircraft in international traffic.
Objective – category	To prevent double taxation
Objective	This measure is provided to prevent international double taxation.
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base.
Subject	International
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	n/a
Source of data	No data is available.
Estimation method	No estimate is available.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

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

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

Cost Information:

Millions of dollars	**2012**	**2013**	**2014**	**2015**	**2016 (P)**	**2017 (P)**	**2018 (P)**	**2019 (P)**
Corporate income tax	10	10	4	1	S	4	5	5

Exemption from GST and rebate for legal aid services

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

Cost Information:

Millions of dollars	**2012**	**2013**	**2014**	**2015**	**2016 (P)**	**2017 (P)**	**2018 (P)**	**2019 (P)**
Goods and Services Tax	30	30	35	35	35	35	40	40

Exemption from GST for certain residential rent

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

Cost Information:

Millions of dollars	2012	2013	2014	2015	2016 (P)	2017 (P)	2018 (P)	2019 (P)
Goods and Services Tax	1,695	1,835	2,095	2,345	2,460	2,575	2,705	2,845

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

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

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

Cost Information:

Millions of dollars	2012	2013	2014	2015	2016 (P)	2017 (P)	2018 (P)	2019 (P)
Goods and Services Tax	950	990	1,030	1,085	1,150	1,220	1,250	1,250

Exemption from GST for child care

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

Cost Information:

Millions of dollars	**2012**	**2013**	**2014**	**2015**	**2016 (P)**	**2017 (P)**	**2018 (P)**	**2019 (P)**
Goods and Services Tax	135	145	150	155	160	165	170	180

Exemption from GST for domestic financial services

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

Exemption from GST for ferry, road and bridge tolls

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

Cost Information:

Millions of dollars	**2012**	**2013**	**2014**	**2015**	**2016 (P)**	**2017 (P)**	**2018 (P)**	**2019 (P)**
Goods and Services Tax	10	10	10	15	15	15	15	15

Exemption from GST for health care services

Description	Basic health care services are exempt under the GST, including: • services provided by physicians, dentists and certain other health care practitioners whose profession is regulated by the governments of at least five provinces; • services covered by a provincial health insurance plan; and • institutional health care services provided in a health care facility, including accommodation, meals provided with accommodation, rentals of medical equipment to patients or residents of the facility, and a number of other supplies.
Tax	Goods and Services Tax
Beneficiaries	Individuals with medical conditions
Type of measure	Exemption
Legal reference	Part II of Schedule V to the *Excise Tax Act*
Implementation and recent history	• This measure has been in effect since the inception of the GST in 1991. • The list of exempt services is periodically amended. Most recently, Budget 2014 announced the addition of acupuncturists and naturopathic doctors to the list of health care practitioners whose professional services are exempt from the GST. • Budget 2013 clarified that the GST applies to reports, examinations and other services that are not performed for the purpose of the protection, maintenance or restoration of the health of a person or for palliative care.
Objective – category	To achieve a social objective
Objective	This measure recognizes that most health services are provided by the public sector in a non-commercial context.
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	GST exemptions are deviations from a broadly defined value-added tax base.
Subject	Health
CCOFOG 2014 code	7072 - Health - Outpatient services 7073 - Health - Hospital services
Other relevant government programs	Programs within the mandates of Health Canada, the Canadian Food Inspection Agency, the Canadian Institutes of Health Research, the Public Health Agency of Canada and Veterans Affairs Canada also support health-related objectives. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Statistics Canada, Supply and Use Tables and National Income and Expenditure Accounts
Estimation method	Goods and Services Tax model. The value of this tax expenditure corresponds to the forgone GST on 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:

Millions of dollars	2012	2013	2014	2015	2016 (P)	2017 (P)	2018 (P)	2019 (P)
Goods and Services Tax	655	725	795	865	880	915	950	990

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

Exemption from GST for hospital parking

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

Cost Information:

Millions of dollars	**2012**	**2013**	**2014**	**2015**	**2016 (P)**	**2017 (P)**	**2018 (P)**	**2019 (P)**
Goods and Services Tax	–	–	15	15	15	15	15	15

Exemption from GST for municipal transit

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

Cost Information:

Millions of dollars	**2012**	**2013**	**2014**	**2015**	**2016 (P)**	**2017 (P)**	**2018 (P)**	**2019 (P)**
Goods and Services Tax	175	185	185	180	185	195	200	205

Exemption from GST for personal care services

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

Cost Information:

Millions of dollars	2012	2013	2014	2015	2016 (P)	2017 (P)	2018 (P)	2019 (P)
Goods and Services Tax	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

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

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

Description	Generally, the GST applies to newly constructed residential housing and residential trailer parks when they are first sold or leased for residential purposes. Subsequent sales of used residential housing or used residential trailer parks are tax-exempt. In addition, most sales of other personal-use real property, such as vacant land, are tax-exempt when sold by individuals. This exemption is consistent with the tax treatment of personal-use property and services not supplied in the course of commercial activities. The sale of farmland to a family member who is acquiring the property for personal use is also tax-exempt.
Tax	Goods and Services Tax
Beneficiaries	Households
Type of measure	Exemption
Legal reference	Sections 2-5.3 and 9-12 of Part I of Schedule V to the *Excise Tax Act*
Implementation and recent history	• This measure has been in effect since the inception of the GST in 1991.
Objective – category	To reduce administration or compliance costs To achieve an economic objective - other
Objective	This measure is intended to preserve the affordability of housing while ensuring that the tax regime is not overly complex (*Goods and Services Tax: Technical Paper*, August 1989).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	GST exemptions are deviations from a broadly defined value-added tax base.
Subject	Housing
CCOFOG 2014 code	70619 - Housing and community amenities - Housing development
Other relevant government programs	Programs within the mandate of the Canada Mortgage and Housing Corporation 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 from GST for short-term accommodation

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

Cost Information:

Millions of dollars	**2012**	**2013**	**2014**	**2015**	**2016 (P)**	**2017 (P)**	**2018 (P)**	**2019 (P)**
Goods and Services Tax	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

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

Exemption from GST for tuition and educational services

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

Cost Information:

Millions of dollars	2012	2013	2014	2015	2016 (P)	2017 (P)	2018 (P)	2019 (P)
Goods and Services Tax	585	595	635	675	690	715	740	770

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

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

Cost Information:

Millions of dollars	**2012**	**2013**	**2014**	**2015**	**2016 (P)**	**2017 (P)**	**2018 (P)**	**2019 (P)**
Goods and Services Tax	220	235	240	245	250	260	270	280

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	*Income Tax Act*, section 33.1
Implementation and recent history	• 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 Global Affairs Canada, Public Services and Procurement Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	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	2012	2013	2014	2015	2016 (P)	2017 (P)	2018 (P)	2019 (P)
Corporate income tax	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 an elementary or secondary school educational program or a program in respect of which the student is defined as a "qualifying student". A $500 tax exemption is available for scholarship, fellowship and bursary income that does not qualify for the full exemption.
Tax	Personal income tax
Beneficiaries	Students
Type of measure	Exemption
Legal reference	*Income Tax Act*, paragraph 56(1)(n) and subsection 56(3)
Implementation and recent history	• Introduced in Budget 1971. Effective for the 1972 and subsequent taxation years. • Budget 2000 increased the tax exemption for scholarship, fellowship and bursary income to $3,000 from $500. • Budget 2006 removed the $3,000 limit to establish a full exemption for post-secondary scholarship, fellowship and bursary income. • Budget 2007 extended the tax exemption to scholarship, fellowship and bursary income received by elementary and secondary school students.
Objective – category	To encourage investment in education
Objective	This measure encourages Canadians to experience exceptional education opportunities by providing additional tax assistance to students (*Summary of 1971 Tax Reform Legislation*, 1971).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base.
Subject	Education
CCOFOG 2014 code	70959 - Education - Education not definable by level
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada, the Social Sciences and Humanities Research Council, the Natural Sciences and Engineering Research Council, the Canadian Institutes of Health Research and Indigenous 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	T4A Statement of Pension, Retirement, Annuity, and Other Income
Estimation method	The value of this measure is calculated by multiplying the total non-taxable scholarship amount by an assumed marginal tax rate.
Projection method	The value of this measure is projected based on historical growth.
Number of beneficiaries	About 1,110,000 individuals received a non-taxable scholarship amount in 2015.

Cost Information:

Millions of dollars	2012	2013	2014	2015	2016 (P)	2017 (P)	2018 (P)	2019 (P)
Personal income tax	n.a.	210	250	250	270	340	360	370

Exemptions from non-resident withholding tax

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

Cost Information:

Millions of dollars	**2012**	**2013**	**2014**	**2015**	**2016 (P)**	**2017 (P)**	**2018 (P)**	**2019 (P)**
By type of payments								
Dividends	2,480	2,810	2,855	3,395	3,195	3,370	3,505	3,625
Interest	1,550	1,555	1,670	1,535	1,635	1,725	1,795	1,860
Rents and royalties	435	490	415	635	535	565	590	610
Management fees	225	280	340	410	380	405	420	435
Total – personal and corporate income tax	4,690	5,135	5,280	5,975	5,750	6,065	6,310	6,530

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	*Income Tax Act*, paragraph 18(1)(a)
Implementation and recent history	• This measure has been in effect since 1917.
Objective – category	To reduce administration or compliance costs
Objective	This measure reduces administration costs for the Canada Revenue Agency and compliance costs for taxpayers.
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure may permit the depreciation of a capital asset faster than its useful life.
Subject	Business - other
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	No data is available.
Estimation method	No estimate is available – see the Annex to Part 1 for an explanation as to why estimates are not available for this measure.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

Expensing of current expenditures on scientific research and experimental development

Description	Eligible current expenditures on scientific research and experimental development (SR&ED) performed in Canada may be fully deducted in the year they are incurred. These expenditures give rise to new knowledge, technology and other intangible assets that are expected to generate benefits over multiple years. Under the benchmark tax system, such expenditures would be capitalized and depreciated over the time period the assets created are expected to generate revenues. A similar measure was formerly available in respect of capital expenditures on SR&ED (see measure "Expensing of purchases of capital equipment used for scientific research and experimental development"). A tax credit is also available in respect of these expenses (see measure "Scientific Research and Experimental Development Investment Tax Credit").
Tax	Personal and corporate income tax
Beneficiaries	Businesses conducting eligible scientific research and experimental development
Type of measure	Timing preference
Legal reference	*Income Tax Act*, section 37
Implementation and recent history	• Introduced in 1944.
Objective – category	To encourage or attract investment
Objective	This measure is intended to encourage the performance of scientific research and experimental development in Canada by the private sector and to assist small businesses to perform scientific research and experimental development (Budget 1996).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure may permit the depreciation of a capital asset faster than its useful life.
Subject	Business - research and development
CCOFOG 2014 code	7048 - Economic affairs - R&D Economic affairs
Other relevant government programs	Programs within the mandates of Innovation, Science and Economic Development Canada, the National Research Council Canada and the federal granting councils also support research and development. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	The calculation of the cost of this tax expenditure would require information on the intangible assets created through expenditures on SR&ED. Such information is not available. Information on current SR&ED expenditures by unincorporated businesses is also not available.
Estimation method	No estimate is available – see the Annex to Part 1 for an explanation as to why estimates are not available for this measure.
Projection method	No projection is available.
Number of beneficiaries	About 18,400 corporations incurred eligible expenditures in 2015. 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	*Income Tax Act*, paragraph 18(1)(a)
Implementation and recent history	• This measure has been in effect since 1917.
Objective – category	To encourage employment
Objective	This measure encourages employers to invest in employee training by increasing the after-tax returns on such investment.
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure may permit the depreciation of a capital asset faster than its useful life.
Subject	Business - other
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	No data is available.
Estimation method	No estimate is available – see the Annex to Part 1 for an explanation as to why estimates are not available for this measure.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

Expensing of incorporation expenses

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

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	*Income Tax Act*, paragraph 37(1)(b)
Implementation and recent history	• 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, the National Research Council Canada and the federal granting councils also support research and development. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Personal income tax: 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	No data is available.

Family Caregiver Tax Credit

Description	The Family Caregiver Tax Credit was replaced with the Canada Caregiver Credit in 2017. The Family Caregiver Tax Credit provided tax relief to caregivers of dependants with a mental or physical infirmity, including spouses or common-law partners and minor children. In its last year, 2016, the value of the credit was calculated by applying the lowest personal income tax rate to the credit amount of $2,121. The credit amount was indexed to inflation and could be claimed under one of the following dependency-related credits: Spouse or Common-Law Partner Credit, Eligible Dependant Credit, Caregiver Credit and Child Tax Credit (these last two credits were repealed as of the 2017 and 2015 taxation years respectively). With the exception of a dependant who was a minor child of the claimant, the amount was reduced dollar-for-dollar by the dependant's net income above a certain threshold.
Tax	Personal income tax
Beneficiaries	Caregivers
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, subsection 118(1)
Implementation and recent history	• Introduced in Budget 2011. Effective for the 2012 and subsequent taxation years. • Budget 2017 announced the repeal of the credit for the 2017 and subsequent taxation years.
Objective – category	To recognize non-discretionary expenses (ability to pay)
Objective	This measure recognizes the sacrifices that many Canadians make to care for their children, spouses, parents and other family members with infirmities (Budget 2011).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system.
Subject	Families and households Health
CCOFOG 2014 code	71049 - Social protection - Family and children 71011 - Social protection - Sickness and disability - Sickness 71012 - Social protection - Sickness and disability - Disability
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada and Indigenous 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 279,500 individuals claimed this credit in 2015.

Cost Information:

Millions of dollars	**2012**	**2013**	**2014**	**2015**	**2016 (P)**	**2017 (P)**	**2018 (P)**	**2019 (P)**
Personal income tax	55	65	70	75	75	–	–	–

Family Tax Cut

Description	The Family Tax Cut was a non-refundable credit that allowed, 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 provided up to $2,000 in tax relief to couples with children under the age of 18. The value of the credit was 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 could claim the credit. This credit was repealed as of the 2016 taxation year.
Tax	Personal income tax
Beneficiaries	Couples with children
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, section 119.1
Implementation and recent history	• Introduced in 2014 (Prime Minister of Canada news release, October 30, 2014). Effective for the 2014 and subsequent taxation years. • Budget 2016 eliminated income splitting for couples with children under the age of 18 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 eliminated or significantly reduced 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 extended the unit of taxation.
Subject	Families and households
CCOFOG 2014 code	71049 - Social protection - Family and children
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada and Indigenous 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 1.7 million couples claimed this credit in 2015.

Cost Information:

Millions of dollars	**2012**	**2013**	**2014**	**2015**	**2016 (P)**	**2017 (P)**	**2018 (P)**	**2019 (P)**
Personal income tax	–	–	1,550	1,545	–	–	–	–

Film or Video Production Services Tax Credit

Description	Corporations can claim a 16% refundable tax credit in respect of salaries and wages paid to Canadian residents for film or video production services provided in Canada in respect of accredited productions that do not have sufficient Canadian content to qualify for the Canadian Film or Video Production Tax Credit. The Canadian Audio-Visual Certification Office of the Department of Canadian Heritage is responsible for certifying productions that are eligible for the credit.
Tax	Corporate income tax
Beneficiaries	Corporations in the film and video production industry
Type of measure	Credit, refundable
Legal reference	*Income Tax Act*, section 125.5
Implementation and recent history	• Introduced at a rate of 11% in 1997, to coincide with the elimination of film production services tax shelters (Department of Finance Canada news release, July 30, 1997). • The credit rate was increased to 16% in Budget 2003, for expenditures incurred after February 18, 2003.
Objective – category	To support business activity To support competitiveness
Objective	The Film or Video Production Services Tax Credit makes Canada a more attractive place for film production by complementing the existing Canadian Film or Video Production Tax Credit and by allowing a greater range of productions (usually foreign-owned) to qualify for assistance (Department of Finance Canada news release, July 30, 1997).
Category	Refundable tax credit
Reason why this measure is not part of benchmark tax system	This measure is classified as a transfer payment for government accounting purposes, and therefore is not considered to be a tax expenditure.
Subject	Arts and culture
CCOFOG 2014 code	70829 - Recreation, culture, and religion - Cultural services
Other relevant government programs	Programs within the mandate of Canadian Heritage also support arts and culture. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T2 Corporation Income Tax Return
Estimation method	The estimates are based on actual amounts earned and claimed by businesses.
Projection method	The cost of this measure is projected to grow in line with nominal gross domestic product.
Number of beneficiaries	About 300 corporations received this benefit in 2015.

Cost Information:

Millions of dollars	**2012**	**2013**	**2014**	**2015**	**2016 (P)**	**2017 (P)**	**2018 (P)**	**2019 (P)**
Corporate income tax	85	100	140	150	145	155	160	165

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	*Income Tax Act*, subsections 118.1(3.1) and (3.2)
Implementation and recent history	• Introduced in Budget 2013. Effective for gifts made on or after March 21, 2013, that are claimed in any one taxation year from 2013 to 2017. • Budget 2017 confirmed that the credit will expire in 2017 as planned.
Objective – category	To achieve a social objective
Objective	This measure encourages charitable giving by new donors (Budget 2013).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system. The tax benefit from this measure can be obtained in a taxation year other than the year during which it accrues. The tax benefit from this measure is transferable between spouses or common-law partners.
Subject	Donations, gifts, charities and non-profit organizations
CCOFOG 2014 code	705 - Environmental protection; 706 - Housing and community amenities; 707 - Health; 708 - Recreation, culture, and religion; 709 - Education; 710 - Social protection; Other various codes
Other relevant government programs	Many federal government entities provide direct funding to registered charities, non-profit organizations and international development associations through various programs.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 79,000 individuals claimed this credit in 2015.

Cost Information:

Millions of dollars	2012	2013	2014	2015	2016 (P)	2017 (P)	2018 (P)	2019 (P)
Personal income tax	–	5	4	4	4	4	–	–

First-Time Home Buyers' Tax Credit

Description	First-time home buyers who acquire a qualifying home after January 27, 2009 can obtain up to $750 in tax relief by claiming the First-Time Home Buyers' Tax Credit. The value of this non-refundable credit is calculated by multiplying the credit amount of $5,000 by the lowest personal income tax rate (15% in 2017). Any unused portion of the credit may be claimed by an individual's spouse or common-law partner. An individual is considered to be a first-time home buyer if neither the individual nor the individual's spouse or common-law partner owned and lived in another home in the calendar year of the home purchase or in any of the four preceding calendar years. A qualifying home is one that is generally considered to be a housing unit that an individual or an individual's spouse or common-law partner intends to occupy as a principal residence no later than one year after its acquisition. The First-Time Home Buyers' Tax Credit is also available for certain acquisitions of a home by or for the benefit of an individual who is eligible for the Disability Tax Credit, even if the first-time home buyer condition is not met.
Tax	Personal income tax
Beneficiaries	Individual first-time home buyers
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, section 118.05
Implementation and recent history	• Introduced in Budget 2009. Effective for the 2009 and subsequent taxation years.
Objective – category	To achieve a social objective
Objective	This measure assists first-time home buyers with the cost associated with the purchase of a home (Budget 2009).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system. The tax benefit from this measure is transferable between spouses or common-law partners.
Subject	Housing
CCOFOG 2014 code	70619 - Housing and community amenities - Housing development
Other relevant government programs	Programs within the mandate of the Canada Mortgage and Housing Corporation 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 198,000 individuals claimed this credit in 2015.

Cost Information:

Millions of dollars	**2012**	**2013**	**2014**	**2015**	**2016 (P)**	**2017 (P)**	**2018 (P)**	**2019 (P)**
Personal income tax	110	105	115	120	115	120	120	120

Flow-through share deductions

Description	Flow-through shares are an authorized tax shelter arrangement that allows a corporation to transfer certain unused tax deductions to equity investors. An investor buying a flow-through share, in addition to receiving an equity interest in the issuing corporation, is entitled to claim deductions on account of Canadian Exploration Expenses (100% immediate deduction, including for Canadian Renewable and Conservation Expenses) and Canadian Development Expenses (deductible at 30% per year) transferred to the investor by the corporation. Investors are willing to pay more for such shares than for regular equity because of the flow-through tax deductions. Flow-through shares are typically issued by corporations which are not yet profitable and therefore not able to immediately use the deductions themselves. It facilitates the raising of capital by allowing such firms to sell their equity at a premium. A flow-through share is deemed to have a zero cost base for income tax purposes, based on the fact that the shareholder will have claimed a flow-through deduction as high as the full cost of the share. As a result of the zero cost base, the gain realized on the sale of the share will be equal to the share's full value at the time of sale rather than the change in its value since the time of acquisition.
Tax	Personal and corporate income tax
Beneficiaries	Investors in flow-through shares and businesses in the oil and gas, mining and renewable energy sectors
Type of measure	Other
Legal reference	*Income Tax Act*, subsections 66(12.6) and 66(12.62)
Implementation and recent history	• Flow-through share deductions have existed in various forms since the 1950s. • The current flow-through share regime was introduced in Budget 1986 and implemented on March 1, 1986.
Objective – category	To encourage or attract investment
Objective	This measure assists corporations in the oil and gas, mining and renewable energy sectors to raise capital for eligible exploration, development and project start-up expenses by issuing their shares (*Improving the Income Taxation of the Resource Sector in Canada*, 2003).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure extends the unit of taxation.
Subject	Business - natural resources
CCOFOG 2014 code	70432 - Economic affairs - Fuel and energy - Petroleum and natural gas 70441 - Economic affairs - Mining, manufacturing, and construction - Mining of mineral resources other than mineral fuels 70435 - Economic affairs - Fuel and energy - Electricity 70439 - Economic affairs - Fuel and energy - Fuel and energy not elsewhere classified
Other relevant government programs	Programs within the mandate of Natural Resources Canada also support the natural resource sector. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return T2 Corporation Income Tax Return
Estimation method	See the Annex to Part 1 of this report for an explanation of the method used to estimate the value of this measure.
Projection method	Projections are based on current market conditions.
Number of beneficiaries	This measure provided tax relief to about 46,000 individuals and 275 corporations in 2015.

Cost Information:

Millions of dollars	**2012**	**2013**	**2014**	**2015**	**2016 (P)**	**2017 (P)**	**2018 (P)**	**2019 (P)**
Personal income tax	165	100	105	60	100	105	110	100
Corporate income tax	40	25	25	25	30	30	35	30
Total	200	125	130	85	125	135	145	130

Foreign Convention and Tour Incentive Program

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

Cost Information:

Millions of dollars	2012	2013	2014	2015	2016 (P)	2017 (P)	2018 (P)	2019 (P)
Goods and Services Tax	15	10	15	20	25	25	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	*Income Tax Act*, section 126
Implementation and recent history	• This measure has been in place since 1927.
Objective – category	To prevent double taxation
Objective	This measure ensures that foreign income is not subject to double taxation (June 1987 Tax Reform White Paper).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure is considered part of the benchmark tax system, and therefore is not a tax expenditure.
Subject	International
CCOFOG 2014 code	n/a
Other relevant government programs	n/a
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 1.5 million individuals claimed this credit in 2015.

Cost Information:

Millions of dollars	**2012**	**2013**	**2014**	**2015**	**2016 (P)**	**2017 (P)**	**2018 (P)**	**2019 (P)**
Personal income tax	860	970	1,205	1,445	1,430	1,475	1,490	1,510

Goods and Services Tax/Harmonized Sales Tax Credit

Description	A refundable income tax credit (now known as the GST/HST Credit) was established at the time of the introduction of the GST to ensure that low-income families would be better off under the new sales tax regime than under the former federal sales tax. The amount of the credit depends on family size and income. Specifically, for the period from July 2015 to June 2016, based on net family income reported for the 2014 taxation year: • 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. 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.
Tax	Income tax, in respect of Goods and Services Tax
Beneficiaries	Households
Type of measure	Credit, refundable
Legal reference	*Income Tax Act*, section 122.5
Implementation and recent history	• This measure has been in effect since the inception of the GST in 1991.
Objective – category	To promote the fairness of the tax system To provide income support or tax relief
Objective	This measure alleviates the regressive features of consumption taxation.
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system.
Subject	Families and households
CCOFOG 2014 code	71099 - Social protection - Social protection not elsewhere classified
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada and Indigenous 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 receive this benefit each year.

Cost Information:

Millions of dollars	**2012**	**2013**	**2014**	**2015**	**2016 (P)**	**2017 (P)**	**2018 (P)**	**2019 (P)**
Goods and Services Tax	3,995	4,090	4,175	4,315	4,440	4,525	4,585	4,680

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	*Income Tax Act*, paragraph 12(1)(b)
Implementation and recent history	• This tax expenditure is the result of an interpretation of the *Income Tax Act* that has been effective since the early 1970s.
Objective – category	To provide relief for special circumstances
Objective	This measure is intended to alleviate potential cash-flow difficulties for construction contractors.
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure permits the deferral of the recognition of income or gains for income tax purposes.
Subject	Business - other
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Personal income tax: Data on holdbacks payable and receivable by unincorporated businesses is not available. Corporate income tax: T2 Corporation Income Tax Return
Estimation method	Personal income tax: No estimate is available. Corporate income tax: T2 micro-simulation model This tax expenditure may be positive or negative, depending on the tax rates applicable to contractors and clients and on whether holdbacks receivable exceed or are smaller than holdbacks payable. Total holdbacks receivable may not equal total holdbacks payable when related amounts receivable and payable are not assigned to the same calendar year (because the taxation years of contractors and clients end in different calendar years) or because no data is available in respect of amounts receivable and payable by unincorporated businesses.
Projection method	Personal income tax: No projection is available. Corporate income tax: The cost of this measure is projected to grow in line with nominal gross domestic product.
Number of beneficiaries	About 6,100 corporations claimed this deduction in 2015. No data is available for unincorporated businesses.

Cost Information:

Millions of dollars	**2012**	**2013**	**2014**	**2015**	**2016 (P)**	**2017 (P)**	**2018 (P)**	**2019 (P)**
Personal income tax	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Corporate income tax	45	60	80	50	10	15	15	15
Total	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Home Accessibility Tax Credit

Description	The Home Accessibility Tax Credit provides a non-refundable tax credit of 15% on up to $10,000 of eligible home renovation or alteration expenses per calendar year in respect of a qualifying individual, to a maximum of $10,000 per eligible dwelling. Qualifying individuals are persons with disabilities who are eligible for the Disability Tax Credit and seniors (65 years of age or older). Qualifying individuals, as well as eligible family members who are supporting the qualifying individual, may claim eligible expenses in respect of an eligible dwelling. The eligible dwelling must be the principal residence of the qualifying individual at any time during the taxation year. The dwelling must also be owned by the qualifying individual, their spouse or common-law partner, or an eligible family member in respect of the qualifying individual with whom the qualifying individual ordinarily inhabits that dwelling. Eligible expenses are home renovation or alteration expenses to the eligible dwelling incurred in order to allow the qualifying individual to gain access to the dwelling, allow the qualifying individual to be more mobile or functional within the dwelling, or reduce the risk of harm to the qualifying individual within the dwelling or in gaining access to the dwelling. Improvements must also be of an enduring nature and be integral to the eligible dwelling. Examples of eligible expenditures include costs associated with the purchase and installation of wheelchair ramps, walk-in bathtubs, wheel-in showers and grab bars.
Tax	Personal income tax
Beneficiaries	Seniors and persons with disabilities
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, section 118.041
Implementation and recent history	• Introduced in Budget 2015. Effective for eligible expenditures for work performed and paid for or goods acquired on or after January 1, 2016.
Objective – category	To achieve a social objective To recognize non-discretionary expenses (ability to pay)
Objective	This measure recognizes the particular impact that the costs of improving the safety, accessibility and functionality of a dwelling can have for seniors and persons with disabilities, and the additional benefits of independent living (Budget 2015).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system. This measure extends the unit of taxation.
Subject	Health Housing
CCOFOG 2014 code	70769 - Health - Health not elsewhere classified 71069 - Social protection - Housing
Other relevant government programs	Programs within the mandates of Health Canada, the Canadian Food Inspection Agency, the Canadian Institutes of Health Research, the Public Health Agency of Canada and Veterans Affairs Canada also support health-related objectives. Programs within the mandate of the Canada Mortgage and Housing Corporation 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	2012	2013	2014	2015	2016 (P)	2017 (P)	2018 (P)	2019 (P)
Personal income tax	–	–	–	–	20	25	30	35

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

Description	The Universal Child Care Benefit (UCCB) provided families with $160 per month for each child under the age of 6 and $60 per month for children aged 6 through 17. In two-parent families, the UCCB was included in the income of the lower-income spouse or common-law partner. A single parent had the option of including the aggregate UCCB amount received in his or her income or in the income of the dependant for whom the Eligible Dependant Credit was claimed. In most cases, the dependant was not subject to tax. If a single parent was unable to claim the Eligible Dependant Credit, he or she had the option of including the aggregate UCCB amount in the income of one of the children for whom the UCCB was paid. The UCCB was replaced by the Canada Child Benefit in July 2016.
Tax	Personal income tax
Beneficiaries	Single-parents with minor children
Type of measure	Other
Legal reference	*Income Tax Act*, subsection 56(6.1)
Implementation and recent history	• The UCCB was introduced in Budget 2006 as a monthly $100 benefit for each child under the age of 6. For a single-parent family, the UCCB was generally included in the single parent's income and taxed at his or her marginal tax rate for the 2006 to 2009 taxation years. • Inclusion of the UCCB in the eligible dependant's income was introduced in Budget 2010, effective for the 2010 and subsequent taxation years. • Effective January 1, 2015, the UCCB was increased to $160 per month for children under the age of 6, and the new benefit of $60 per month for children aged 6 through 17 was introduced (Prime Minister of Canada news release, October 30, 2014). • The Canada Child Benefit was introduced in Budget 2016 and replaced the Canada Child Tax Benefit, including the National Child Benefit supplement, and the Universal Child Care Benefit. Payments of the Canada Child Benefit began in July 2016.
Objective – category	To provide income support or tax relief To ensure a neutral tax treatment across similar situations
Objective	This measure was intended to give single parents comparable tax treatment on the same UCCB amounts as single-earner two-parent families with the same income (Budget 2010).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure extended the unit of taxation.
Subject	Families and households
CCOFOG 2014 code	71049 - Social protection - Family and children
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada and Indigenous 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 298,000 individuals designated this amount to a dependant in 2015.

Cost Information:

Millions of dollars	2012	2013	2014	2015	2016 (P)	2017 (P)	2018 (P)	2019 (P)
Personal income tax	4	2	2	10	5	–	–	–

Income tax exemption for certain public bodies

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

Infirm Dependant Credit

Description	The Infirm Depedant Credit was replaced with the Canada Caregiver Credit in 2017. The Infirm Dependant Credit provided tax relief to individuals providing support to an infirm adult relative. The credit could be claimed by taxpayers supporting a child or grandchild, a spouse or common-law partner's child or grandchild, parent, grandparent, brother, sister, aunt, uncle, niece or nephew who was 18 years of age or over and dependent due to a mental or physical infirmity. The amount the supporting relative could claim depended on the net income of the dependant. The value of the credit was calculated by applying the lowest personal income tax rate to an amount of $6,788 (in 2016). The value of the Infirm Dependant Credit was reduced dollar-for-dollar when the dependant's net income exceeded $6,807 (in 2016). Both the credit amount and income threshold were indexed to inflation.
Tax	Personal income tax
Beneficiaries	Caregivers
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, paragraph 118(1)(d)
Implementation and recent history	• Introduced as part of the 1987 Tax Reform, effective for the 1988 and subsequent taxation years, to replace the previous deduction from income. • Budget 2011 increased the amount of the Infirm Dependant Credit by $2,000 (indexed to inflation), through the introduction of the Family Caregiver Tax Credit. • Indexation was introduced for this credit for the 1996 and subsequent taxation years. • Budget 2017 announced the repeal of the credit for the 2017 and subsequent taxation years.
Objective – category	To recognize non-discretionary expenses (ability to pay)
Objective	This measure recognizes that a taxpayer supporting an adult dependant who is physically or mentally infirm has a reduced ability to pay tax relative to a taxpayer with the same income and no such dependant (*Report of the Royal Commission on Taxation*, vol. 3, 1966).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system.
Subject	Families and households Health
CCOFOG 2014 code	71049 - Social protection - Family and children 71012 - Social protection - Sickness and disability - Disability
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada and Indigenous 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 2015.

Cost Information:

Millions of dollars	**2012**	**2013**	**2014**	**2015**	**2016 (P)**	**2017 (P)**	**2018 (P)**	**2019 (P)**
Personal income tax	5	5	5	5	5	–	–	–

Investment corporation deduction

Description	An investment corporation is a Canadian public corporation whose activities are limited to owning portfolio investments, whose revenues must be substantially from Canadian sources, and that is required to distribute substantially all of its income (other than net taxable capital gains) in the form of dividends to shareholders in the taxation year in which the income is earned. An investment corporation is permitted to deduct from its tax otherwise payable an amount equal to 20% of its taxable income minus taxed capital gains. This special deduction achieves a degree of integration between the personal and corporate income tax systems.
Tax	Corporate income tax
Beneficiaries	Investment corporations
Type of measure	Preferential tax rate
Legal reference	*Income Tax Act*, subsection 130(1)
Implementation and recent history	• Introduced in 1946. • The deduction rate was initially set at 15% and has changed several times since then. Most recently, the deduction rate was set at 20% (up from 16⅔%) for years commencing after June 30, 1988.
Objective – category	To prevent double taxation To encourage or attract investment
Objective	This measure encourages investment in Canada rather than abroad by achieving a degree of integration between the personal and corporate tax systems so that investment in Canadian properties is taxed at a lower rate than investment abroad (Budget 1960).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure is considered part of the benchmark tax system, and therefore is not a tax expenditure.
Subject	Savings and investment
CCOFOG 2014 code	n/a
Other relevant government programs	n/a
Source of data	T2 Corporation Income Tax Return
Estimation method	The cost of this measure corresponds to the amount reported on line 620 of form 200 of the T2 Corporation Income Tax Return.
Projection method	The cost of this measure would be expected to be fairly stable; as such no growth is assumed over the projection period.
Number of beneficiaries	No corporations claimed this deduction in 2015.

Cost Information:

Millions of dollars	**2012**	**2013**	**2014**	**2015**	**2016 (P)**	**2017 (P)**	**2018 (P)**	**2019 (P)**
Corporate income tax	S	S	S	S	S	S	S	S

Investment Tax Credit for Child Care Spaces

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

Millions of dollars	2012	2013	2014	2015	2016 (P)	2017 (P)	2018 (P)	2019 (P)
Personal income tax	S	S	S	S	S	S	S	S
Corporate income tax	S	S	S	S	S	S	S	S
Total	S	S	S	S	S	S	S	S

Labour-Sponsored Venture Capital Corporations Credit

Description	Labour-Sponsored Venture Capital Corporations (LSVCCs) are investment funds, sponsored by unions or other labour organizations, that make venture capital investments in small and medium-sized businesses. A tax credit is provided to individuals for the acquisition of shares of LSVCCs, up to an annual eligible share purchase limit of $5,000.
Tax	Personal income tax
Beneficiaries	Individual investors
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, section 127.4 *Income Tax Regulations*, section 6701
Implementation and recent history	• Implemented in Budget 1985. Effective for shares purchased by individuals after May 23, 1985. The rate of the tax credit was set at 20%, up to an annual eligible share purchase limit of $3,500 (maximum annual credit of $750). • Budget 1992 increased the annual eligible share purchase limit to $5,000 (for a maximum federal credit of $1,000). • Budget 1996 reduced the tax credit rate to 15% from 20%, and the annual eligible share purchase limit to $3,500 from $5,000 (for a maximum federal credit of $525). • For the 1998 and subsequent taxation years, the annual eligible share purchase limit was increased to $5,000 from $3,500 (for a maximum federal credit of $750) (Department of Finance Canada news release 1998-086, August 31, 1998). • Budget 2013 announced the reduction of the tax credit rate from 15% to 10% for the 2015 taxation year and to 5% for the 2016 taxation year, and the elimination of the tax credit for the 2017 and subsequent taxation years. • Budget 2016 restored the tax credit to 15% for provincially registered LSVCCs for the 2016 and subsequent taxation years.
Objective – category	To achieve an economic objective - other
Objective	This measure was introduced to foster entrepreneurship by encouraging investment by individuals in labour-sponsored venture capital organizations, set up to maintain or create jobs and stimulate the economy (Budget 1985).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system.
Subject	Savings and investment
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	n/a
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	Projections for this measure are based on expected LSVCC share purchases. The projections reflect policy changes and observed historical growth.
Number of beneficiaries	About 311,000 individuals claimed this credit in 2015.

Cost Information:

Millions of dollars	**2012**	**2013**	**2014**	**2015**	**2016 (P)**	**2017 (P)**	**2018 (P)**	**2019 (P)**
Personal income tax	150	145	125	90	140	150	155	165

Lifetime Capital Gains Exemption

Description	The Lifetime Capital Gains Exemption (LCGE) provides a tax exemption in computing taxable income in respect of capital gains realized by individuals on the disposition of qualified farm or fishing property and qualified small business shares. As only half of capital gains are included in income for income tax purposes, a $1 capital gains exemption under the LCGE translates into an effective reduction in taxable income of 50 cents. An individual may shelter capital gains realized on the disposition of qualified small business shares up to a lifetime limit of $835,716 in 2017, which is indexed to inflation. In the case of capital gains realized on the disposition of qualified farm or fishing property made after April 20, 2015, the lifetime capital gains limit is the greater of $1 million and the indexed lifetime limit for qualified small business shares.
Tax	Personal income tax
Beneficiaries	Individual owners of incorporated small businesses or incorporated or unincorporated farming and fishing businesses
Type of measure	Exemption
Legal reference	*Income Tax Act,* section 110.6
Implementation and recent history	• Introduced in Budget 1985. The $500,000 LCGE on qualified farm property was effective starting in 1985. The $500,000 LCGE on other capital gains, including small business corporation shares, was phased in between 1985 and 1990. • The 1987 Tax Reform capped the LCGE for capital gains other than gains on qualified farm property and small business corporation shares at $100,000 in 1988. • Budget 1992 excluded real property (except real property used in an active business) from the $100,000 LCGE on other capital gains. • Budget 1994 eliminated the $100,000 LCGE on other capital gains. • Budget 2006 extended the $500,000 LCGE to include qualified fishing property, effective May 2, 2006. • Budget 2007 increased the LCGE limit to $750,000, effective March 19, 2007. • Budget 2013 increased the LCGE limit to $800,000 for 2014, and indexed the LCGE limit to inflation effective for 2015 and subsequent years. • Budget 2015 increased the LCGE limit for qualified farm or fishing property to $1 million, effective April 21, 2015. For taxation years after 2015, the LCGE for qualified farm or fishing property will be maintained at $1 million until the indexed LCGE applicable to capital gains realized on the disposition of qualified small business shares exceeds $1 million. At that time, the same LCGE limit, indexed to inflation, will apply to the three types of property.
Objective – category	To encourage or attract investment To encourage savings To achieve an economic objective - other
Objective	This measure was introduced to bolster risk taking and investment in small businesses, to provide an incentive to invest in the development of productive farm and fishing businesses, and to help small business owners and farm and fishing business owners better ensure their financial security for retirement (Budget 1985; The Lifetime Capital Gains Exemption: An Evaluation, Department of Finance Canada, 1995; Budget 2006; Budget 2007).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base.
Subject	Business - farming and fishing Business - small businesses
CCOFOG 2014 code	70421 - Economic affairs - Agriculture, forestry, fishing, and hunting - Agriculture 70423 - Economic affairs - Agriculture, forestry, fishing, and hunting - Fishing and hunting 70499 - Economic affairs - Economic affairs not elsewhere classified

Other relevant government programs	Programs within the mandates of Agriculture and Agri-Food Canada and Fisheries and Oceans Canada also support the farming and fishing sectors. Programs within the mandate of Innovation, Science and Economic Development Canada also support small businesses. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 63,000 individuals claimed this deduction in 2015.

Cost Information:

Millions of dollars	2012	2013	2014	2015	2016 (P)	2017 (P)	2018 (P)	2019 (P)
By type of property								
Small business shares	605	580	700	760	735	835	850	855
Farm and fishing property	470	525	565	615	630	730	750	760
Total – personal income tax	1,070	1,100	1,260	1,380	1,365	1,565	1,600	1,615

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	*Income Tax Act*, section 127
Implementation and recent history	• Introduced in Budget 1962. Effective for taxation years commencing after 1961. • The Budget 1962 announcement followed discussions with provinces concerning the impact of provincial logging taxes on forest sector businesses. Budget 1962 expressed the hope that provinces imposing a logging tax would provide a provincial income tax credit equal to one-third of the logging tax. Both British Columbia and Quebec currently provide a partial credit against provincial income tax in respect of their logging tax.
Objective – category	To implement intergovernmental tax arrangements
Objective	This measure, along with parallel credits provided by provinces that impose logging taxes, is intended to provide relief to the forest industry for provincial logging taxes (Budget 1962).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system.
Subject	Intergovernmental tax arrangements
CCOFOG 2014 code	70422 - Economic affairs - Agriculture, forestry, fishing, and hunting - Forestry
Other relevant government programs	n/a
Source of data	Personal income tax: T1 Income Tax and Benefit Return 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 500 individuals and 680 corporations claimed this credit in 2015.

Cost Information:

Millions of dollars	**2012**	**2013**	**2014**	**2015**	**2016 (P)**	**2017 (P)**	**2018 (P)**	**2019 (P)**
Personal income tax	1	1	1	1	1	1	1	1
Corporate income tax	10	15	20	20	25	25	25	25
Total	10	20	25	20	25	25	25	25

Medical Expense Tax Credit

Description	The Medical Expense Tax Credit provides tax relief for qualifying above-average medical or disability-related expenses incurred by individuals on behalf of themselves, a spouse or a common-law partner, or a dependent relative. The value of the credit is calculated by applying the lowest personal income tax rate to the amount of qualifying medical expenses in excess of the lesser of 3% of net income and $2,268 (in 2017, indexed to inflation). The credit can be claimed in respect of expenses paid in any period of 12 consecutive months that ends in the taxation year in which the claim is made. Medical expense claims made on behalf of a spouse or common-law partner or minor children may be pooled with the medical expenses of the taxpayer, subject to the minimum expense threshold. There is no upper limit on the amount that can be claimed, except for certain specific expenses. For medical expenses paid on behalf of dependent relatives other than minor children, caregivers are able to claim qualifying medical expenses that exceed the lesser of 3% of the dependant's net income and $2,268 (in 2017, indexed to inflation). For purposes of the credit, a dependant is defined as a child, grandchild, parent, grandparent, brother, sister, uncle, aunt, niece or nephew who is dependent on the taxpayer for support.
Tax	Personal income tax
Beneficiaries	Individuals, caregivers
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, section 118.2 *Income Tax Regulations*, section 5700
Implementation and recent history	• Introduced as the Medical Expense Deduction in Budget 1942, and replaced by a non-refundable credit as part of the 1987 Tax Reform, applicable to the 1988 and subsequent taxation years. • The maximum eligible amount that can be claimed on behalf of dependent relatives other than minor children was eliminated in Budget 2011 for the 2011 and subsequent taxation years in order to allow caregivers to receive full tax recognition for eligible medical expenses. • 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. • Budget 2017 clarified the application of the Medical Expense Tax Credit so that individuals who require medical intervention in order to conceive a child are eligible to claim the same expenses that would generally be eligible for individuals on account of medical infertility, effective for the 2017 and subsequent taxation years.
Objective – category	To recognize non-discretionary expenses (ability to pay)
Objective	This measure recognizes the effect of above-average medical and disability-related expenses on the ability of an individual to pay income tax (Budget 1942; Budget 1997; Budget 2005).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system. The tax benefit from this measure is transferable between spouses or common-law partners.
Subject	Health
CCOFOG 2014 code	7071 - Health - Medical products, appliances, and equipment 7072 - Health - Outpatient services 7073 - Health - Hospital services
Other relevant government programs	Programs within the mandates of Health Canada, the Canadian Food Inspection Agency, the Canadian Institutes of Health Research, the Public Health Agency of Canada and Veterans Affairs Canada also support health-related objectives. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 4.8 million individuals claimed this credit in 2015.

Cost Information:

Millions of dollars	2012	2013	2014	2015	2016 (P)	2017 (P)	2018 (P)	2019 (P)
Personal income tax	1,165	1,200	1,300	1,370	1,420	1,525	1,640	1,760

Mineral Exploration Tax Credit for flow-through share investors

Description	Flow-through shares facilitate the financing of exploration by allowing companies to transfer unused tax deductions to investors. In addition to claiming regular flow-through deductions, individuals (other than trusts) who invest in flow-through shares of a corporation can claim a 15% non-refundable tax credit in respect of specified mineral exploration expenses incurred by the corporation and transferred to the individual under a flow-through share agreement. Expenses eligible for the credit are specified surface grassroots exploration expenses (i.e., seeking new resources away from an existing mine site) in respect of a mineral resource (other than a coal or oil sands deposit) in Canada. A “look-back” rule allows corporations to raise funds by issuing flow-through shares in one calendar year and spending the funds in the following calendar year, while allowing the investor to claim the flow-through deduction and the Mineral Exploration Tax Credit in the year the share investment is made. See the description of the measure “Flow-through share deductions” for additional information about flow-through shares.
Tax	Personal income tax
Beneficiaries	Individual investors (other than trusts) in flow-through shares
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, subsection 127(9), paragraph (a.2) of definition of “investment tax credit” and definition of “flow-through mining expenditure”
Implementation and recent history	• Introduced as part of the October 2000 Economic Statement and Budget Update. Effective in respect of expenditures incurred after October 17, 2000 and before 2004. • This measure has been extended on a number of occasions, most recently on March 5, 2017 for an additional year, to March 31, 2018.
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 200 companies issued flow-through shares and more than 10,000 individuals claimed the credit in 2015.

Cost Information:

Millions of dollars	**2012**	**2013**	**2014**	**2015**	**2016 (P)**	**2017 (P)**	**2018 (P)**	**2019 (P)**
Personal income tax	45	20	30	25	45	45	-10	-3

Moving expense deduction

Description	If a move is an "eligible relocation", the related "eligible moving expenses" are deductible in computing employment or self-employment income earned at the new location. Eligible moving expenses include travel costs, the costs of transporting or storing household effects, meals and temporary accommodation and the cost of selling a former residence. Eligible moving expenses may also be deducted from a student's taxable income from scholarships, bursaries and research grants if the expenses are incurred to begin full-time attendance at a post-secondary educational institution. Among other things, to be an "eligible relocation" requires that a taxpayer move at least 40 kilometres closer to the new place of employment or study. Most moving expense reimbursements provided by employers are not included in income; however, to the extent that certain employer-provided reimbursements are included in income, the moving expense deduction is allowed to the same extent as permitted for self-paid expenses.
Tax	Personal income tax
Beneficiaries	Employees and self-employed individuals, students
Type of measure	Deduction
Legal reference	*Income Tax Act*, section 62 and the definition "eligible relocation" in subsection 248(1)
Implementation and recent history	• Introduced in Budget 1971. Effective for the 1972 and subsequent taxation years.
Objective – category	To recognize expenses incurred to earn employment income
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 94,000 individuals claimed this deduction in 2015.

Cost Information:

Millions of dollars	**2012**	**2013**	**2014**	**2015**	**2016 (P)**	**2017 (P)**	**2018 (P)**	**2019 (P)**
Personal income tax	100	95	100	100	105	110	115	120

Non-capital loss carry-overs

Description	Non-capital losses, including farm and fishing non-capital losses, may be carried back or forward and deducted against all sources of income. For losses incurred in or after 2006, the carry-back period is three years and the carry-forward period 20 years.
Tax	Personal and corporate income tax
Beneficiaries	Businesses
Type of measure	Timing preference
Legal reference	*Income Tax Act*, subsection 111(1)
Implementation and recent history	• The ability to carry forward non-capital losses was introduced in 1942 and the ability to carry back non-capital losses was introduced in 1944. • Budget 2006 extended the carry-forward period to 20 years from 10 years for non-capital losses arising in and after 2006.
Objective – category	To assess tax liability over a multi-year period
Objective	This measure supports businesses and investors by reducing the risk associated with investment, and provides tax relief for cyclical businesses (Budget 1983; Budget 2004; Budget 2006).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure is considered part of the benchmark tax system, and therefore is not a tax expenditure.
Subject	Business - other
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Personal income tax: T1 Income Tax and Benefit Return 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 50,000 individuals and 425,000 corporations made use of this measure in 2015 (not counting individuals that carried back losses only).

Cost Information:

Millions of dollars	2012	2013	2014	2015	2016 (P)	2017 (P)	2018 (P)	2019 (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	20	20	20	20	20
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	10	10	20	15	20	20	20	20
Applied to current year	50	45	50	45	40	45	45	45
Total – corporate income tax	60	60	65	60	60	60	60	60
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	70	65	70	75	70	70	75	75
Total – personal income tax	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Corporate income tax								
Carried back	1,845	3,395	2,100	2,300	2,345	2,280	2,255	2,090
Applied to current year	4,390	3,920	4,985	4,305	4,025	4,410	4,675	4,890
Total – corporate income tax	6,235	7,315	7,085	6,610	6,370	6,690	6,930	6,980
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	85	80	85	95	90	90	95	100
Total – personal income tax	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Corporate income tax								
Carried back	1,855	3,410	2,115	2,320	2,360	2,295	2,270	2,105
Applied to current year	4,435	3,965	5,035	4,350	4,065	4,455	4,720	4,935
Total – corporate income tax	6,290	7,375	7,150	6,665	6,430	6,750	6,990	7,040
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	*Income Tax Act*, sections 19 to 19.1
Implementation and recent history	• Introduced in Budget 1965. Effective for expenses in respect of advertising in non-Canadian newspapers and periodicals made after December 31, 1965. • This measure was broadened to cover advertising on non-Canadian broadcast media, effective after September 21, 1976. • Following the 1999 Canada-U.S. Agreement on Magazines, expenses incurred to advertise in periodicals published after May 2000 are fully deductible if the periodicals contain at least 80% original editorial content. If the periodicals contain less than 80% original editorial content, then 50% of advertising expenses are deductible.
Objective – category	To achieve an economic objective - other
Objective	This measure is intended to ensure that control of periodicals and newspapers remains in the hands of Canadians and supports the continued existence of a viable and original Canadian magazine industry (*House of Commons Debates*, vol. 3, 1965; Department of Finance Canada news release, June 19, 1995).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure disallows the deduction of an expense that is incurred to earn business income.
Subject	Business - other
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Personal income tax: No data is available on expenses incurred by unincorporated businesses to advertise in non-Canadian media. Corporate income tax: T2 Corporation Income Tax Return
Estimation method	Personal income tax: No estimate is available. Corporate income tax: T2 micro-simulation model
Projection method	Personal income tax: No projection is available. Corporate income tax: The cost of this measure is projected to grow in line with nominal gross domestic product.
Number of beneficiaries	About 390 corporations reported non-deductible advertising expenses in 2015. No data is available for unincorporated businesses.

Cost Information:

Millions of dollars	**2012**	**2013**	**2014**	**2015**	**2016 (P)**	**2017 (P)**	**2018 (P)**	**2019 (P)**
Personal income tax	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Corporate income tax	S	S	S	S	S	S	S	S
Total	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

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

Description	Diplomats and other government employees posted abroad can claim an exemption for the allowances received to cover the additional costs associated with living outside Canada.
Tax	Personal income tax
Beneficiaries	Diplomats and other government employees posted abroad
Type of measure	Exemption
Legal reference	*Income Tax Act*, subparagraph 6(1)(b)(iii)
Implementation and recent history	• Introduced in 1943.
Objective – category	To recognize expenses incurred to earn employment income
Objective	This measure recognizes the additional costs incurred by diplomats and other government personnel employed outside Canada.
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base.
Subject	Employment
CCOFOG 2014 code	70412 - Economic affairs - General economic, commercial, and labor affairs - General labor affairs
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support employment. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Global Affairs Canada and National Defence data
Estimation method	The value of this tax expenditure is estimated by multiplying total exempt allowances by the estimated marginal tax rates of recipients.
Projection method	The projection for 2017 is based on partial year data and historical growth. Projections for 2018 and 2019 are not provided as the value of this measure cannot be reliably forecast for these years.
Number of beneficiaries	More than 4,000 individuals received non-taxable allowances in 2015.

Cost Information:

Millions of dollars	**2012**	**2013**	**2014**	**2015**	**2016**	**2017 (P)**	**2018 (P)**	**2019 (P)**
Personal income tax	25	25	25	25	30	30	n.a.	n.a.

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

Description	Elected members of provincial and territorial legislative assemblies and of incorporated municipalities, elected officers of municipal utilities boards, commissions, corporations, or similar bodies, and members of public or separate school boards may receive allowances for expenses incident to the discharge of their duties. Such allowances are not included in income so long as they do not exceed half of the salary or other remuneration received in that capacity in the year. This exemption was repealed as of the 2019 tax year.
Tax	Personal income tax
Beneficiaries	Members of provincial and territorial legislative assemblies and of incorporated municipalities; elected officers of municipal utilities boards, commissions, corporations, or similar bodies; and members of public or separate school boards
Type of measure	Exemption
Legal reference	*Income Tax Act*, subsections 81(2) and (3)
Implementation and recent history	• The exemptions for members of provincial and territorial legislative assemblies and for other municipal officers were introduced in 1947 and 1949 respectively. • Budget 2017 announced the repeal of this measure, effective for the 2019 and subsequent taxation years.
Objective – category	To recognize expenses incurred to earn employment income
Objective	This measure recognizes the additional costs incurred by members of legislative assemblies and certain municipal officers in the course of their duties.
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base.
Subject	Employment
CCOFOG 2014 code	70412 - Economic affairs - General economic, commercial, and labor affairs - General labor affairs
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support employment. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return and T4 Statement of Remuneration Paid
Estimation method	Allowances reported on T4 slips are matched against T1 returns and incremental tax is calculated on the basis of the individual's taxable income with and without the allowance.
Projection method	The cost of this measure is projected to grow in line with allowances.
Number of beneficiaries	About 25,000 individuals received non-taxable allowances in 2015.

Cost Information:

Millions of dollars	2012	2013	2014	2015	2016 (P)	2017 (P)	2018 (P)	2019 (P)
Personal income tax	15	15	20	20	20	20	20	–

Non-taxation of benefits from private health and dental plans

Description	Employer-paid benefits for private health and dental plans are deductible business expenses but are not a taxable employee benefit. In the case of self-employed individuals, they can claim a deduction in computing income from a business for amounts paid under a private health services plan for the benefit of the individual, the individual's spouse or common-law partner and members of the individual's household, subject to certain restrictions.
Tax	Personal income tax
Beneficiaries	Employees and self-employed individuals
Type of measure	Exemption (for employer-paid benefits); deduction (for self-employed individuals)
Legal reference	*Income Tax Act*, subparagraph 6(1)(a)(i), section 18 and section 20.01
Implementation and recent history	• The exemption of employee health plans was introduced in 1948. • The deduction for self-employed individuals was introduced in Budget 1998, applicable to amounts paid or payable in a fiscal period beginning after 1997.
Objective – category	To achieve a social objective
Objective	This measure improves access to supplementary health and dental benefits (Budget 1998).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base. This measure provides tax recognition for an expense that is not incurred to earn income.
Subject	Health
CCOFOG 2014 code	7072 - Health - Outpatient services
Other relevant government programs	Programs within the mandates of Health Canada, the Canadian Food Inspection Agency, the Canadian Institutes of Health Research, the Public Health Agency of Canada and Veterans Affairs Canada also support health-related objectives. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Canadian Life and Health Insurance Association Inc., *Health Insurance Benefits in Canada* and *Premium & Retail Tax on Life & Health Insurance* Conference Board of Canada, *Benefits Benchmarking*
Estimation method	The value of this tax expenditure is calculated as the tax revenue forgone from the non-taxation of employer-provided health related insurance premiums and benefits. These amounts are estimated using statistics provided by the Canadian Health and Life Insurance Association, in conjunction with survey information from the Conference Board of Canada. The estimated number of policy holders, along with the average value of benefits, is imputed into the T1 model using survey information from Statistics Canada to reflect estimated coverage by family type and income level. If these employer-paid amounts were taxable benefits, they would be eligible expenses under the Medical Expense Tax Credit; this interaction is taken into account in the estimation of the tax expenditure.
Projection method	T1 micro-simulation model
Number of beneficiaries	It is estimated that about 12.8 million individuals received employer-paid health or dental benefits in 2015.

Cost Information:

Millions of dollars	**2012**	**2013**	**2014**	**2015**	**2016 (P)**	**2017 (P)**	**2018 (P)**	**2019 (P)**
Personal income tax	2,420	2,520	2,585	2,580	2,480	2,585	2,715	2,840

Non-taxation of benefits in respect of home relocation loans

Description	The benefit associated with a home relocation loan provided to an employee by an employer was required to be included in income for tax purposes, but an offsetting deduction from net income was provided. The amount of the deduction was the lesser of the amount of the taxable benefit and the deemed interest benefit on the first $25,000 of a five-year interest-free loan. This approach effectively exempted such benefits from taxation, while ensuring that they were taken into account in determining income-tested credits and benefits. This deduction was repealed as of the 2018 taxation year.
Tax	Personal income tax
Beneficiaries	Employees
Type of measure	Exemption
Legal reference	*Income Tax Act*, paragraph 110(1)(j)
Implementation and recent history	• Introduced in Budget 1985. Effective for home relocation loans received after May 23, 1985. • Budget 2017 announced the repeal of this measure, effective for the 2018 and subsequent taxation years.
Objective – category	To encourage employment To recognize expenses incurred to earn employment income
Objective	This measure is intended to facilitate mobility by allowing employers to compensate relocated employees facing higher living costs at the new location (Budget 1985).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base. This measure provides tax recognition for an expense that is incurred to earn employment income.
Subject	Employment
CCOFOG 2014 code	70412 - Economic affairs - General economic, commercial, and labor affairs - General labor affairs
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support employment. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 1,100 individuals claimed this deduction in 2015.

Cost Information:

Millions of dollars	2012	2013	2014	2015	2016 (P)	2017 (P)	2018 (P)	2019 (P)
Personal income tax	S	S	S	S	S	S	–	–

Non-taxation of capital dividends

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

Non-taxation of capital gains on donations of cultural property

Description	Certain objects certified by the Canadian Cultural Property Export Review Board as being of cultural importance to Canada are exempt from capital gains tax when disposed of by sale or donation within 24 month of certification to a cultural institution, such as a museum or art gallery, designated under the *Cultural Property Export and Import Act*. Recipient cultural institutions are required to hold the cultural property for at least 10 years. Such donations are also eligible for the Charitable Donation Tax Credit (for individuals) or deduction (for corporations).
Tax	Personal and corporate income tax
Beneficiaries	Individual and corporate donors
Type of measure	Exemption
Legal reference	*Income Tax Act*, subsections 118.1(1) and 110.1(1) and paragraph 39(1)(a)(i.1)
Implementation and recent history	• Introduced in 1977. • Budget 1998 extended the holding period for certified cultural property from 5 to 10 years, effective February 23, 1998.
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 410 certificates to individuals in 2015-16. No data is available for corporations.

Cost Information:

Millions of dollars	**2012**	**2013**	**2014**	**2015**	**2016 (P)**	**2017 (P)**	**2018 (P)**	**2019 (P)**
Personal income tax	5	5	10	10	10	5	5	5
Corporate income tax	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

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

Millions of dollars	**2012**	**2013**	**2014**	**2015**	**2016 (P)**	**2017 (P)**	**2018 (P)**	**2019 (P)**
Charitable Donation Tax Credit	25	25	30	25	25	20	20	20
Deductibility of charitable donations	35	3	10	20	4	15	15	15
Non-taxation of capital gains – personal income tax	5	5	10	10	10	5	5	5
Non-taxation of capital gains – corporate income tax	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

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

Description	A zero inclusion rate applies to capital gains arising from a donation of ecologically sensitive land (including a conservation easement, covenant or, in the province of Quebec, a personal servitude the rights to which the land is subject and which has a term of not less than 100 years, or a real servitude on such land) to a public conservation charity (other than a private foundation) or certain other qualified donees if the fair market value of the land is certified by the Minister of the Environment. These donations are also eligible for the Charitable Donation Tax Credit (for individuals) or deduction (for corporations).
Tax	Personal and corporate income tax
Beneficiaries	Individual and corporate donors
Type of measure	Exemption
Legal reference	*Income Tax Act*, subsections 110.1(1), 118.1(1) and 38(a.2), and section 207.31
Implementation and recent history	• Budget 1995 eliminated the net income limit for donations of ecologically sensitive land eligible for the tax credit. • Budget 2000 reduced by half the normal inclusion rate applicable to capital gains arising in respect of gifts of ecologically sensitive land and related easements, covenants and servitudes. • Budget 2006 further reduced the inclusion rate to 0%. • Budget 2014 extended the carry-forward period for donations of ecologically sensitive land from 5 to 10 years. • Budget 2017 removed private foundations as eligible recipients of donations of ecologically sensitive land, and introduced a number of administrative measures designed to better protect such gifts and broaden slightly the types of gifts which qualify (i.e., certain personal servitudes in Quebec).
Objective – category	To achieve a social objective
Objective	This measure encourages Canadians to protect ecologically sensitive land, including areas containing habitats for species at risk, by donating such property to conservation charities and certain other qualified donees (Budget 2000; Budget 2006).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base.
Subject	Donations, gifts, charities and non-profit organizations Environment
CCOFOG 2014 code	70549 - Environmental protection - Protection of biodiversity and landscape
Other relevant government programs	Many federal government entities provide direct funding to registered charities, non-profit organizations and international development associations through various programs. Programs within the mandates of Environment and Climate Change Canada, the Canadian Environmental Assessment Agency, Parks Canada and Natural Resources Canada also support environment-related objectives. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Personal income tax: Data from Environment and Climate Change Canada's Ecological Gifts Program Corporate income tax: T2 Corporation Income Tax Return
Estimation method	Personal income tax: The value of this measure is estimated by multiplying the exempt capital gains by the capital gains inclusion rate and an assumed marginal tax rate. Corporate income tax: T2 micro-simulation model
Projection method	Personal income tax: Future donations of ecologically sensitive land are projected based on historical growth. Corporate income tax: Projections are based on the average of the last three historical years. The tax expenditure is projected to grow in line with nominal gross domestic product.
Number of beneficiaries	This measure provided tax relief to a small number of corporations (fewer than 20) in 2015. 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:

Millions of dollars	2012	2013	2014	2015	2016 (P)	2017 (P)	2018 (P)	2019 (P)
Personal income tax	2	2	2	1	3	3	3	3
Corporate income tax	1	1	5	S	S	2	1	1
Total	3	2	5	2	4	5	4	4

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

Millions of dollars	2012	2013	2014	2015	2016 (P)	2017 (P)	2018 (P)	2019 (P)
Charitable Donation Tax Credit	5	5	5	5	10	10	10	10
Deductibility of charitable donations	2	5	3	1	1	2	2	2
Non-taxation of capital gains – personal income tax	2	2	2	1	3	3	3	3
Non-taxation of capital gains – corporate income tax	1	1	5	S	S	2	1	1
Total	10	15	15	5	15	15	15	15

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

Description	A zero inclusion rate applies to capital gains arising from a donation of publicly listed securities made to a qualified donee, which effectively exempts such gains from income tax. Donations of publicly listed securities are also eligible for the Charitable Donation Tax Credit (for individuals) or deduction (for corporations).
Tax	Personal and corporate income tax
Beneficiaries	Individual and corporate donors
Type of measure	Exemption
Legal reference	*Income Tax Act*, paragraphs 38(a.1) and (a.4), sections 38.3 and 38.4
Implementation and recent history	• Budget 1997 introduced a temporary reduction of half the normal inclusion rate applicable to capital gains arising from a donation of publicly listed securities to a registered charity that is not a private foundation. This measure was made permanent in Budget 2001. • Budget 2006 reduced the inclusion rate to 0%. • Budget 2007 extended the zero inclusion rate to capital gains arising on donations of publicly listed securities to private foundations. • Budget 2008 extended the zero inclusion rate to donations of unlisted exchangeable securities if exchanged for publicly listed securities and donated within 30 days of the exchange.
Objective – category	To achieve a social objective
Objective	This measure was introduced to facilitate the transfer of certain publicly listed securities to charities to help them respond to the needs of Canadians (Budget 1997).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base.
Subject	Donations, gifts, charities and non-profit organizations
CCOFOG 2014 code	705 - Environmental protection; 706 - Housing and community amenities; 707 - Health; 708 - Recreation, culture, and religion; 709 - Education; 710 - Social protection; Other various codes
Other relevant government programs	Many federal government entities provide direct funding to registered charities, non-profit organizations and international development associations through various programs.
Source of data	Personal income tax: T1 Income Tax and Benefit Return Corporate income tax: T2 Corporation Income Tax Return
Estimation method	Personal income tax: The value of this measure is estimated by multiplying the exempt capital gains on publicly listed shares by the capital gains inclusion rate and the top marginal tax rate. Corporate income tax: T2 micro-simulation model
Projection method	Personal income tax: Projections for publicly listed securities are made based on historical donation levels and projected growth in capital gains. Corporate income tax: The tax expenditure is projected to grow in line with nominal gross domestic product.
Number of beneficiaries	This measure provided tax relief to about 790 corporations in 2015. The number of individuals who obtained tax relief is unknown; however, about 5,200 individuals made donations of publicly listed shares in that year.

Cost Information:

Millions of dollars	2012	2013	2014	2015	2016 (P)	2017 (P)	2018 (P)	2019 (P)
Personal income tax	40	45	70	60	65	70	70	75
Corporate income tax	55	70	100	60	75	85	90	95
Total	95	115	170	115	140	150	160	170

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	2012	2013	2014	2015	2016 (P)	2017 (P)	2018 (P)	2019 (P)
Charitable Donation Tax Credit	125	145	240	190	215	230	240	255
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	70	60	65	70	70	75
Non-taxation of capital gains – corporate income tax	55	70	100	60	75	85	90	95
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	*Income Tax Act*, paragraph 40(2)(b), definition of "principal residence", and section 54 *Income Tax Regulations*, section 2301
Implementation and recent history	• Introduced as part of the 1972 Tax Reform. • Amended in Budget 1981 so that, for years after 1981, a family may only treat one property as its principal residence for a taxation year. • Amended on October 3, 2016 to require the reporting of dispositions (and introduce an indefinite reassessment period for unreported dispositions) and to limit the types of trusts that are eligible to designate a property as a principal residence for a taxation year beginning after 2016.
Objective – category	To achieve a social objective To achieve an economic objective - other
Objective	This measure recognizes that principal homes are generally purchased to provide basic shelter and not as an investment, and increases flexibility in the housing market by facilitating the movement of families from one principal residence to another in response to their changing circumstances (*Summary of 1971 Tax Reform Legislation*, 1971; Budget 1981).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base.
Subject	Housing
CCOFOG 2014 code	70619 - Housing and community amenities - Housing development
Other relevant government programs	Programs within the mandate of the Canada Mortgage and Housing Corporation 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:

Millions of dollars	2012	2013	2014	2015	2016 (P)	2017 (P)	2018 (P)	2019 (P)
Personal income tax	3,900	4,160	5,110	6,195	7,630	7,100	6,225	6,090

Non-taxation of certain importations

Description	Goods imported into Canada are generally taxable. However, a number of goods do not attract GST upon importation, including: • goods, other than 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 *Excise Tax Act* *Non-Taxable Imported Goods (GST/HST) Regulations*
Implementation and recent history	• This measure has been in effect since the inception of the GST in 1991. • The list of non-taxable importations has been periodically amended. Most recently: • 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	• Administrative positions have evolved over time.
Objective – category	To reduce administration or compliance costs
Objective	This measure recognizes the significant administrative and compliance costs that would be incurred in taxing certain non-monetary employment benefits.
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base.
Subject	Employment
CCOFOG 2014 code	70412 - Economic affairs - General economic, commercial, and labor affairs - General labor affairs
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support employment. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	No data is available.
Estimation method	No estimate is available.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

Non-taxation of certain veterans' benefits

Description	A number of benefits paid to veterans and Canadian Armed Forces members are tax free. These include the War Veterans Allowance, Disability Pensions, the Canadian Forces Income Support Benefit, the Caregiver Recognition Benefit, and certain other amounts payable under the *Pension Act* (as well as pension payments from allied countries that grant similar relief), the *Civilian War-related Benefits Act,* the *Gallantry Awards Order* and section 9 of the *Aeronautics Act.*
Tax	Personal income tax
Beneficiaries	Veterans, members of the Canadian Armed Forces and their families
Type of measure	Exemption
Legal reference	*Income Tax Act*, paragraphs 81(1)(d), (d.1) and (e)
Implementation and recent history	• Introduced in Budget 1942. Effective for pensions being administered on July 31, 1942. • Extended to the Canadian Forces Income Support Benefit in 2005, effective April 1, 2006. • Extended to the Family Caregiver Relief Benefit in 2015 (renamed the Caregiver Recognition Benefit in 2017), effective for the 2015 and subsequent taxation years.
Objective – category	To provide income support or tax relief
Objective	This measure recognizes that these benefits provide a basic level of support to veterans of Canada's military engagements and their families (Budget 1942; New Veterans Charter, 2006).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base.
Subject	Income support
CCOFOG 2014 code	70219 - Defense - Military defense
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada and Veterans Affairs Canada also support income security. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Data from Veterans Affairs Canada
Estimation method	The value of this tax expenditure is estimated by multiplying actual expenditures on exempt veterans' benefits by estimates of the marginal tax rates applicable to recipients.
Projection method	Projections for this tax expenditure are based on forecasted expenditures on exempt veterans' benefits.
Number of beneficiaries	More than 115,000 individuals did not include these amounts in income in 2016-17.

Cost Information:

Millions of dollars	**2012**	**2013**	**2014**	**2015**	**2016 (P)**	**2017 (P)**	**2018 (P)**	**2019 (P)**
Personal income tax	265	255	240	230	215	210	200	195

Non-taxation of Guaranteed Income Supplement and Allowance benefits

Description	The Guaranteed Income Supplement is an income-tested benefit payable to low-income seniors as part of the Old Age Security program. There is also an income-tested Allowance that is provided to an eligible spouse, common-law partner, widow or widower aged 60 to 64. The Guaranteed Income Supplement and Allowance benefits are effectively non-taxable. Although these benefits must be included in income, an offsetting deduction from net income is provided. This approach ensures that such payments are taken into account in determining other income-tested credits and benefits.
Tax	Personal income tax
Beneficiaries	Low-income seniors
Type of measure	Exemption
Legal reference	*Income Tax Act*, paragraph 110(1)(f)
Implementation and recent history	• Introduced in Budget 1971. Effective for the 1971 and subsequent taxation years.
Objective – category	To provide income support or tax relief
Objective	This measure recognizes that these income-tested payments provide a basic level of support to elderly Canadians with little income other than the Old Age Security pension (Budget 1971).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base.
Subject	Income support Retirement
CCOFOG 2014 code	71029 - Social protection - Old age
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada and Veterans Affairs Canada also support income security. Programs within the mandate of Employment and Social Development Canada also support retirement income security. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	Of the approximately 2 million beneficiaries of the Guaranteed Income Supplement and Allowance benefits in 2015, it is estimated that about 600,000 individuals would have been in a taxable position in the absence of this measure.

Cost Information:

Millions of dollars	**2012**	**2013**	**2014**	**2015**	**2016 (P)**	**2017 (P)**	**2018 (P)**	**2019 (P)**
Personal income tax	140	140	145	155	185	200	220	240

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

Description	Income earned by members of the Canadian Armed Forces and police officers deployed on international operational missions must be included in income for tax purposes, but an offsetting deduction from net income is provided. This approach effectively exempts such income from taxation, while ensuring that it is taken into account in determining income-tested credits and benefits.
Tax	Personal income tax
Beneficiaries	Members of the Canadian Armed Forces and police officers deployed on international operational missions
Type of measure	Exemption
Legal reference	*Income Tax Act*, subparagraph 110(1)(f)(v) Income Tax Regulations, section 7500
Implementation and recent history	• The deduction was introduced in Budget 2004 for high-risk operational missions. Effective for the 2004 and subsequent taxation years. • On April 14, 2004, the Government announced that the deduction would be extended to moderate-risk missions (National Defence news release NR-04.028, April 14, 2004). • On May 18, 2017, the Government announced that the deduction would be extended to all international operational missions, effective for the 2017 and subsequent taxation years (National Defence news release, May 18, 2017). The maximum deduction was increased to the pay level of a Lieutenant-Colonel (General Services Officer).
Objective – category	To achieve a social objective
Objective	This measure is intended to provide special recognition for Canadian Armed Forces personnel and police serving their country on international operational missions (Budget 2004; National Defence news release NR-04.028, April 14, 2004; National Defence news release, May 18, 2017).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base.
Subject	Employment
CCOFOG 2014 code	70219 - Defense - Military defense 70319 - Public order and safety - Police services
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support employment. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Data from National Defence,the Royal Canadian Mounted Police, and the Canada Revenue Agency.
Estimation method	The value of this measure is estimated by multiplying total exempt earnings by an estimate of the marginal tax rate of the individuals that benefit from this measure. The estimates and projection are calculated based on administrative data from the Canada Revenue Agency and National Defence.
Projection method	Outer-year projections are not provided as the value of this measure cannot be reliably forecast for these years.
Number of beneficiaries	Fewer than 3,000 individuals received tax-deductible income in respect of international high- or moderate-risk operational missions in 2015.

Cost Information:

Millions of dollars	**2012**	**2013**	**2014**	**2015**	**2016**	**2017 (P)**	**2018 (P)**	**2019 (P)**
Personal income tax	15	15	5	10	10	30	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	*Income Tax Act*, paragraph 81(1)(n) (repealed)
Implementation and recent history	• 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:

Millions of dollars	**2012**	**2013**	**2014**	**2015**	**2016 (P)**	**2017 (P)**	**2018 (P)**	**2019 (P)**
Personal income tax	S	–	–	–	–	–	–	–

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

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

Non-taxation of life insurance companies' foreign income

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

Non-taxation of lottery and gambling winnings

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

Non-taxation of non-profit organizations

Description	A non-profit organization that is a club, society or association that is not a charity and that is organized and operated exclusively for social welfare, civic improvement, pleasure or for any other purpose except profit, qualifies for an exemption from income tax if it meets certain conditions. To be eligible, it is generally required that no part of the income of the organization be payable to, or otherwise available for the personal benefit of, any proprietor, member or shareholder of the organization. The exemption applies to both incorporated and unincorporated organizations. A tax expenditure results to the extent that the organization has income that would otherwise be taxable, such as investment income or profits from commercial activities.
Tax	Personal and corporate income tax
Beneficiaries	Non-profit organizations
Type of measure	Exemption
Legal reference	*Income Tax Act*, paragraph 149(1)(l)
Implementation and recent history	• Non-profit organizations have been exempt from federal income tax since the inception of the federal income tax in 1917.
Objective – category	To achieve a social objective
Objective	This measure provides tax relief for non-profit organizations in recognition of the important role they play in Canadian society.
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax certain taxpayers.
Subject	Donations, gifts, charities and non-profit organizations
CCOFOG 2014 code	705 - Environmental protection; 706 - Housing and community amenities; 707 - Health; 708 - Recreation, culture, and religion; 709 - Education; 710 - Social protection; Other various codes
Other relevant government programs	Many federal government entities provide direct funding to registered charities, non-profit organizations and international development associations through various programs.
Source of data	T1044 Non-Profit Organization (NPO) Information Return T2 Corporation Income Tax Return
Estimation method	Net income of non-profit organizations is estimated based on a presumed market rate of return on the organization's net assets. It is assumed that that income, in the absence of the tax exemption, would be subject to the same average effective tax rates as those of typical taxable corporations. This represents a lower bound estimate.
Projection method	The cost of this measure is projected based on the estimated growth of nominal gross domestic product and the average yield on 10-year benchmark bonds.
Number of beneficiaries	About 24,000 non-profit organizations with positive net assets filed a T1044 return in 2014.

Cost Information:

Millions of dollars	**2012**	**2013**	**2014**	**2015**	**2016 (P)**	**2017 (P)**	**2018 (P)**	**2019 (P)**
Total – personal and corporate income tax	75	100	105	65	55	85	120	145

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

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

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

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

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

Description	Pension payments or compensation received in respect of an injury, disability or death associated with the service of a member in the Royal Canadian Mounted Police (RCMP) are exempt from tax.
Tax	Personal income tax
Beneficiaries	RCMP members and their families
Type of measure	Exemption
Legal reference	*Income Tax Act*, paragraph 81(1)(i)
Implementation and recent history	• Introduced in 1958. Effective for the 1958 and subsequent taxation years.
Objective – category	To provide income support or tax relief
Objective	This measure recognizes that these benefits represent, to a large extent, compensation to members of Canada's national police force and their families for a loss suffered by members in the course of their duties.
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base.
Subject	Income support Employment
CCOFOG 2014 code	71011 - Social protection - Sickness and disability - Sickness 71012 - Social protection - Sickness and disability - Disability 71039 - Social protection - Survivors
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada and Veterans Affairs Canada also support income security. Programs within the mandate of Employment and Social Development Canada also support employment. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	*Public Accounts of Canada*
Estimation method	The value of this measure is estimated based on amounts paid to compensate members of the RCMP for injuries received in the performance of duty, as reported in the Public Accounts.
Projection method	The projection is based on the historical trend in the value of payments.
Number of beneficiaries	More than 13,000 individuals did not include these amounts in income in 2016-17.

Cost Information:

Millions of dollars	**2012**	**2013**	**2014**	**2015**	**2016 (P)**	**2017 (P)**	**2018 (P)**	**2019 (P)**
Personal income tax	20	20	25	25	30	30	35	35

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	*Income Tax Act*, paragraph 149(1)(f)
Implementation and recent history	• Charities have been exempt from federal income tax since the inception of the federal income tax in 1917.
Objective – category	To achieve a social objective
Objective	This measure provides tax relief for registered charities in recognition of the important role they play in Canadian society (*The Tax Treatment of Charities*, Discussion Paper, June 23, 1975).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax certain taxpayers.
Subject	Donations, gifts, charities and non-profit organizations
CCOFOG 2014 code	705 - Environmental protection; 706 - Housing and community amenities; 707 - Health; 708 - Recreation, culture, and religion; 709 - Education; 710 - Social protection; Other various codes
Other relevant government programs	Many federal government entities provide direct funding to registered charities, non-profit organizations and international development associations through various programs.
Source of data	No data is available.
Estimation method	No estimate is available.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

Non-taxation of social assistance benefits

Description	Social assistance payments generally must be included in income for tax purposes, but an offsetting deduction from net income is provided. This approach effectively exempts such benefits from taxation, while ensuring that they are taken into account in determining income-tested credits and benefits. Some other forms of benefits (e.g., payments to foster parents, benefits in kind) are not included in income, and are therefore exempt from taxation. If an individual lived with a spouse or common-law partner when the payments were received, the person with the higher net income must report all of the payments.
Tax	Personal income tax
Beneficiaries	Low-income individuals
Type of measure	Exemption
Legal reference	*Income Tax Act*, paragraph 110(1)(f)
Implementation and recent history	• To be consistent with the treatment of payments made under the Guaranteed Income Supplement, Budget 1981 made social assistance payments includable in income and deductible in computing taxable income, effective for the 1982 and subsequent taxation years.
Objective – category	To provide income support or tax relief
Objective	This measure recognizes the nature of social assistance as a payment of last resort (Budget 1981).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base.
Subject	Income support
CCOFOG 2014 code	71099 - Social protection - Social protection not elsewhere classified
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada and Veterans Affairs Canada also support income security. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model. The estimates do not include the non-taxation of social assistance benefits that are not included in income.
Projection method	T1 micro-simulation model
Number of beneficiaries	About 1.6 million individuals reported having received social assistance payments in 2015.

Cost Information:

Millions of dollars	**2012**	**2013**	**2014**	**2015**	**2016 (P)**	**2017 (P)**	**2018 (P)**	**2019 (P)**
Personal income tax	170	190	205	250	240	250	265	280

Non-taxation of strike pay

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

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

Description	Up to $10,000 of the total death benefit paid by a deceased person's employer or former employer in respect of the deceased person's employment service is exempt from tax in the hands of recipient individuals. The excess must be included in the recipients' income.
Tax	Personal income tax
Beneficiaries	Individuals receiving death benefits
Type of measure	Exemption
Legal reference	*Income Tax Act*, subparagraph 56(1)(a)(iii) and subsection 248(1), definition of "death benefit"
Implementation and recent history	• The exemption of up to $10,000 of a death benefit was introduced in Budget 1959, applicable to amounts received on or after the death of an employee that occurred after April 9, 1959.
Objective – category	To achieve a social objective To provide income support or tax relief
Objective	This measure alleviates the hardship faced by dependants upon the death of a supporting individual (Budget 1959).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base.
Subject	Families and households Income support
CCOFOG 2014 code	71039 - Social protection - Survivors
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada and Indigenous 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	T4A Statement of Pension, Retirement, Annuity, and Other Income
Estimation method	An estimate of forgone tax revenue is calculated by multiplying the exempt portion of death benefits paid in a year by the average marginal tax rate of individuals receiving such amounts.
Projection method	The projection assumes no growth in exempt death benefit amounts.
Number of beneficiaries	About 7,000 death benefits were paid in 2015. The number of individuals who benefited from the non-taxation of a portion of the death benefit in that year is unknown.

Cost Information:

Millions of dollars	**2012**	**2013**	**2014**	**2015**	**2016 (P)**	**2017 (P)**	**2018 (P)**	**2019 (P)**
Personal income tax	5	5	5	5	5	5	5	5

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	*Income Tax Act*, paragraph 118(1)(d.1)
Implementation and recent history	• The Disability Award was made tax-free when it was introduced in 2005 as part of the New Veterans Charter. • The Critical Injury Benefit was made tax-free when it was introduced in 2015 (Veterans Affairs Canada news release, March 30, 2015).
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	There were about 64,000 active Disability Award beneficiaries in 2016-17, although these were not necessarily in receipt of an Award payment in the particular year. Only a small number of individuals received Critical Injury Benefits.

Cost Information:

Millions of dollars	**2012**	**2013**	**2014**	**2015**	**2016 (P)**	**2017 (P)**	**2018 (P)**	**2019 (P)**
Personal income tax	105	115	115	155	170	320	265	240

Non-taxation of workers' compensation benefits

Description	Compensation received under the employees' or workers' compensation law of Canada or a province in respect of an injury, disability or death must generally be included in income, but an offsetting deduction for the purposes of the calculation of taxable income is provided. This approach effectively exempts such benefits from taxation, while ensuring that they are taken into account in determining income-tested credits and benefits.
Tax	Personal income tax
Beneficiaries	Employees
Type of measure	Exemption
Legal reference	*Income Tax Act*, subparagraph 110(1)(f)(ii)
Implementation and recent history	• The first Workers' Compensation Boards were established in 1915, and workers' compensation benefits have been non-taxable since the inception of the income tax in 1917. • Prior to 1982, workers' compensation payments were excluded from income. From 1982 onward, workers' compensation benefits have been included in total income and deductible in computing taxable income.
Objective – category	To provide income support or tax relief
Objective	This measure provides assistance to workers suffering on-the-job injuries.
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base.
Subject	Income support Employment
CCOFOG 2014 code	71012 - Social protection - Sickness and disability - Disability 71099 - Social protection - Social protection not elsewhere classified
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada and Veterans Affairs Canada also support income security. Programs within the mandate of Employment and Social Development Canada also support employment. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 575,000 individuals reported having received workers' compensation benefits in 2015.

Cost Information:

Millions of dollars	2012	2013	2014	2015	2016 (P)	2017 (P)	2018 (P)	2019 (P)
Personal income tax	630	620	645	630	645	650	655	665

Northern Residents Deductions

Description	Individuals residing in prescribed areas in Canada for a specified period may claim the Northern Residents Deductions. Two different deductions can be claimed: a residency deduction of up to $22 a day, and a deduction for two 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	*Income Tax Act*, section 110.7 *Income Tax Regulations*, sections 7303.1 and 7304
Implementation and recent history	• Introduced in Budget 1986. Effective for the 1987 and subsequent taxation years. • The current design of the Northern Residents Deductions was introduced in 1990 (Department of Finance Canada news release, December 7, 1990). • Budget 2008 increased the maximum daily residency deduction by 10%, from $15.00 to $16.50. • Budget 2016 increased the maximum daily residency deduction by 33%, from $16.50 to $22.00.
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 2015.

Cost Information:

Millions of dollars	**2012**	**2013**	**2014**	**2015**	**2016 (P)**	**2017 (P)**	**2018 (P)**	**2019 (P)**
Personal income tax	180	175	180	180	220	225	240	250

Overseas Employment Tax Credit

Description	An employee who was a resident of Canada and was 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 was 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	*Income Tax Act*, section 122.3 *Income Tax Regulations*, sections 3400 and 6000
Implementation and recent history	• 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 was 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 3,900 individuals claimed this credit in 2015.

Cost Information:

Millions of dollars	2012	2013	2014	2015	2016 (P)	2017 (P)	2018 (P)	2019 (P)
Personal income tax	70	55	40	25	–	–	–	–

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	*Income Tax Act*, section 67.1 *Excise Tax Act*, section 236
Implementation and recent history	• The 1987 Tax Reform limited the deductibility of meals and entertainment expenses to 80% of the expenses incurred. • Budget 1994 reduced the deductibility limit from 80% to 50%. • Budget 2007 increased the deductibility limit to 80% for expenses incurred by long-haul truck drivers. • The rule limiting input tax credits for these expenses has been in place since the inception of the GST. The allowable amount is periodically amended, concurrently with the income tax rules.
Objective – category	n/a
Objective	n/a
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	Meals and entertainment expenses that are incurred by businesses for the purpose of earning business income may be viewed as also having an element of personal consumption. A tax expenditure would arise to the extent that a deduction is granted for the personal consumption portion of meals and entertainment expenses, or that an input tax credit is granted for the GST paid in respect of that portion. However, the personal consumption portion of meals and entertainment expenses cannot be determined, therefore it is not known the extent to which the partial deduction and input tax credits for meals and entertainment expenses depart from the benchmark tax system.
Subject	Business - other
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return T2 Corporation Income Tax Return
Estimation method	The estimates are based on actual expenses incurred by individuals 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 809,000 individuals and 775,000 corporations in 2015.

Cost Information:

Millions of dollars	**2012**	**2013**	**2014**	**2015**	**2016 (P)**	**2017 (P)**	**2018 (P)**	**2019 (P)**
Personal income tax	195	200	200	215	210	215	215	220
Corporate income tax	280	270	290	295	310	335	350	360
Goods and Services Tax	160	160	165	170	170	180	185	190
Total	635	630	660	675	695	730	750	775

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	• Introduced in Budget 1971. Effective for the 1972 and subsequent taxation years. • The 1987 Tax Reform increased the capital gains inclusion for the 1988 and subsequent taxation years. In general terms, the inclusion rate increased to two-thirds from one-half for 1988 and 1989, and to three-quarters from two-thirds for the 1990 and subsequent taxation years. • The capital gains inclusion rate was reduced to two-thirds from three-quarters effective February 28, 2000 (Budget 2000), and reduced again to one-half from two-thirds, effective October 18, 2000 (2000 Economic Statement and Budget Update).
Objective – category	To encourage or attract investment To encourage savings To support competitiveness
Objective	This measure provides incentives to Canadians to save and invest, and ensures that Canada's treatment of capital gains is broadly comparable to that of other countries (*Proposals for Tax Reform*, 1969; *The White Paper: Tax Reform 1987*; Budget 2000; 2000 Economic Statement and Budget Update).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base.
Subject	Savings and investment
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	n/a
Source of data	Personal income tax: T1 Income Tax and Benefit Return 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 Canada's forecast for the growth of taxable capital gains.
Number of beneficiaries	About 2.7 million individuals and 205,000 corporations reported capital gains in 2015.

Cost Information:

Millions of dollars	2012	2013	2014	2015	2016 (P)	2017 (P)	2018 (P)	2019 (P)
Personal income tax	3,330	4,135	5,610	5,735	5,955	6,920	7,070	7,080
Corporate income tax	3,990	4,510	5,365	6,125	6,505	7,300	7,840	8,255
Total	7,320	8,650	10,970	11,860	12,455	14,220	14,910	15,335

Partial inclusion of U.S. Social Security benefits

Description	Individuals who are resident in Canada and receiving U.S. Social Security benefits since before 1996 (and their surviving spouses and common-law partners who are eligible to receive survivor benefits) can deduct 50% of those benefits in computing income. Other recipients of U.S. Social Security benefits can deduct 15% of the benefits received.
Tax	Personal income tax
Beneficiaries	Seniors
Type of measure	Exemption
Legal reference	*Income Tax Act*, section 110(1)(h) Canada-United States Tax Convention, article XVIII, paragraph 5(a)
Implementation and recent history	• From 1984 to 1996, under the Canada-United States Tax Convention, Canada had the sole right to tax U.S. Social Security benefits of Canadian residents. However, the Convention also required that half of these benefits be tax-exempt in Canada. This exemption was introduced to take into account how the benefits would have been taxed in the U.S. if paid to U.S. residents. Before 1996, the U.S. exempted up to 50% of U.S. Social Security benefits. • The 1995 Protocol to the Canada-United States Tax Convention granted the United States the exclusive right to tax the benefits of Canadian residents, effective for 1996 and 1997. • Under the 1997 Protocol, Canada regained exclusive taxing jurisdiction over U.S. Social Security benefits of Canadian residents, generally effective retroactively to January 1, 1996. Concurrently, 15% of those benefits became tax-exempt because the U.S. was exempting up to 15% of U.S. Social Security benefits since 1996. • Budget 2010 reinstated the 50% exemption for all Canadians and their spouses and common-law partners who have been in receipt of benefits since before January 1, 1996, effective for benefits received on or after January 1, 2010.
Objective – category	To provide income support or tax relief
Objective	This measure increases from 15% to 50% the percentage of U.S. Social Security payments that Canadian residents who have received such benefits since before January 1, 1996 can exclude from their taxable income in order to exempt the same proportion of U.S. Social Security benefits that the U.S. exempted before 1996.
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base.
Subject	Retirement
CCOFOG 2014 code	71029 - Social protection - Old age
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support retirement income security. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	No 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	*Income Tax Act*, section 135
Implementation and recent history	• 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 Global Affairs Canada, Public Services and Procurement Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T2 Corporation Income Tax Return
Estimation method	T2 micro-simulation model. 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 820 corporations claimed this deduction in 2015.

Cost Information:

Millions of dollars	2012	2013	2014	2015	2016 (P)	2017 (P)	2018 (P)	2019 (P)
Corporate income tax	240	220	220	170	165	180	195	205

Patronage dividends paid as shares by agricultural cooperatives

Description	While patronage dividends not in respect of consumer goods and services are generally taxable when received, members of an agricultural cooperative are permitted to defer paying tax on a patronage dividend paid by the cooperative in the form of an eligible share until the disposition (or deemed disposition) of the share. In addition, when an eligible agricultural cooperative pays a patronage dividend to a member in the form of an eligible share, the withholding obligation in respect of the patronage dividend is deferred until the share is redeemed. In general terms, in order to issue eligible shares, agricultural cooperatives must be established in Canada and have as their principal business activity farming or the provision of goods or services required for farming in Canada. In order to be an eligible share, the share must be issued after 2005 and before 2021, and generally must not be redeemable or retractable within five years of its issue.
Tax	Personal and corporate income tax
Beneficiaries	Members of agricultural cooperatives
Type of measure	Timing preference
Legal reference	*Income Tax Act*, section 135.1
Implementation and recent history	• Introduced in Budget 2005. Effective in respect of eligible shares issued after 2005 and before 2016. • Budget 2015 extended this measure to apply in respect of eligible shares issued before 2021.
Objective – category	To encourage or attract investment
Objective	The objective of this measure is to aid the capitalization of agricultural cooperatives (Budget 2005).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure permits the deferral of the recognition of income or gains for income tax purposes.
Subject	Business - farming and fishing
CCOFOG 2014 code	70421 - Economic affairs - Agriculture, forestry, fishing, and hunting - Agriculture
Other relevant government programs	Programs within the mandates of Agriculture and Agri-Food Canada and Fisheries and Oceans Canada also support the farming and fishing sectors. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T2 Corporation Income Tax Return
Estimation method	This tax expenditure is calculated by multiplying the reported amount of patronage dividends paid as shares by agricultural cooperatives by the average marginal personal income tax rate for farmers.
Projection method	The cost of this tax expenditure is fairly stable; as such no growth is assumed over the projection period.
Number of beneficiaries	This measure provided tax relief to about 30 corporations in 2015. No data is available for unincorporated agricultural cooperatives.

Cost Information:

Millions of dollars	2012	2013	2014	2015	2016 (P)	2017 (P)	2018 (P)	2019 (P)
Personal income tax	2	1	1	S	2	1	1	1
Corporate income tax	4	3	3	S	5	3	3	3
Total	5	4	4	S	5	4	4	4

Pension Income Credit

Description	The Pension Income Credit is a non-refundable credit that provides tax relief to taxpayers receiving eligible pension income. The value of the credit is calculated by applying the lowest personal income tax rate to the first $2,000 of eligible pension income. Any unused portion of the credit may be transferred to a spouse or common-law partner. Eligible pension income is generally limited to certain types of income from registered plans, such as a lifetime pension from a Registered Pension Plan and, for individuals who are age 65 or over, income from a Pooled Registered Pension Plan, a Registered Retirement Savings Plan annuity, a Registered Retirement Income Fund or a Life Income Fund. Variable benefits payments from a defined contribution Registered Pension Plan are also eligible for individuals who are age 65 or over.
Tax	Personal income tax
Beneficiaries	Seniors and pensioners receiving eligible pension income
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, subsections 118(3) and (7)
Implementation and recent history	• Introduced as part of the 1987 Tax Reform, effective for the 1988 and subsequent taxation years, to replace the previous pension deduction. • The maximum amount of income eligible for the Pension Income Credit was doubled from $1,000 to $2,000 in Budget 2006.
Objective – category	To provide income support or tax relief To achieve a social objective
Objective	This measure was introduced to provide additional protection against inflation for the retirement income of elderly Canadians (Budget November 1974).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system. The tax benefit from this measure is transferable between spouses or common-law partners.
Subject	Retirement
CCOFOG 2014 code	71029 - Social protection - Old age
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support retirement income security. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 5 million individuals claimed this credit in 2015.

Cost Information:

Millions of dollars	**2012**	**2013**	**2014**	**2015**	**2016 (P)**	**2017 (P)**	**2018 (P)**	**2019 (P)**
Personal income tax	1,060	1,100	1,135	1,170	1,185	1,225	1,270	1,310

Pension income splitting

Description	Canadian residents receiving income that qualifies for the Pension Income Credit can allocate up to one-half of that income to their resident spouse or common-law partner for income tax purposes. Income that is eligible for the Pension Income Credit and pension income splitting is generally limited to certain types of income from registered plans, such as a lifetime pension from a Registered Pension Plan and, for individuals who are age 65 or over, income from a Pooled Registered Pension Plan, a Registered Retirement Savings Plan annuity, a Registered Retirement Income Fund or a Life Income Fund. Variable benefits payments from a defined contribution Registered Pension Plan are also eligible only for individuals who are age 65 or over. Income from a Retirement Compensation Arrangement (which is not eligible for the Pension Income Credit) 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	*Income Tax Act*, section 60.03
Implementation and recent history	• Introduced as part of the 2006 Tax Fairness Plan. Effective for the 2007 and subsequent taxation years. • Income from a Retirement Compensation Arrangement became eligible for pension income splitting, subject to specified conditions, as of the 2013 taxation year.
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 1.3 million couples split pension income in 2015.

Cost Information:

Millions of dollars	**2012**	**2013**	**2014**	**2015**	**2016 (P)**	**2017 (P)**	**2018 (P)**	**2019 (P)**
Personal income tax	1,035	1,065	1,145	1,165	1,115	1,225	1,320	1,415

Political Contribution Tax Credit

Description	Individuals who make monetary contributions to a registered party, a registered association or a candidate as defined in the *Canada Elections Act* can claim the Political Contribution Tax Credit in respect of their contributions. This non-refundable credit is calculated as 75% of the first $400 contributed, 50% of the next $350 contributed, and 33⅓% of the next $525 contributed. The maximum credit available is $650.
Tax	Personal income tax
Beneficiaries	Individuals
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, subsection 127(3)
Implementation and recent history	• Introduced as part of the *Election Expenses Act* of 1974. • In 2003, the amount to which the 75% credit applies was extended to $400, effective January 1, 2004. • Corporations were prohibited from making political contributions in 2007, following the adoption of the *Federal Accountability Act*.
Objective – category	To achieve a social objective
Objective	This measure encourages broad citizen participation in the electoral process.
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system.
Subject	Social
CCOFOG 2014 code	70111 - General public services - Executive and legislative organs, financial and fiscal affairs, external affairs - Executive and legislative organs
Other relevant government programs	Programs within the mandates of Canadian Heritage, Immigration, Refugees and Citizenship Canada, Transport Canada and Public Safety Canada (among other departments) also support various other social objectives. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return 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 267,000 individuals claimed this credit in 2015.

Cost Information:

Millions of dollars	**2012**	**2013**	**2014**	**2015**	**2016 (P)**	**2017 (P)**	**2018 (P)**	**2019 (P)**
Personal income tax	25	25	30	55	30	30	30	45

Pooled Registered Pension Plans

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

Cost Information:

Millions of dollars	**2012**	**2013**	**2014**	**2015**	**2016 (P)**	**2017 (P)**	**2018 (P)**	**2019 (P)**
Personal income tax	–	–	–	n.a.	n.a.	n.a.	n.a.	n.a.

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

Preferential tax rate for small businesses

Description	The first $500,000 of annual income earned by a Canadian-controlled private corporation (CCPC) from an active business carried on in Canada is taxed at a preferential federal corporate income tax rate of 10%. 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	*Income Tax Act*, section 125
Implementation and recent history	• A lower federal corporate tax rate was introduced in Budget 1949 to assist smaller corporations. In general terms, a low 10% rate applied to business income up to $10,000 while additional income was taxed at a 33% rate. All corporations were eligible for this lower rate, regardless of size; however, only one corporation in a controlled corporate group could claim that lower rate. • Eligibility rules to this lower rate were modified as part of the 1972 Tax Reform to limit access to CCPCs and provide for the sharing of the small business limit among associated corporations. • Budget 1994 introduced rules to phase out the preferential tax rate for CCPCs with taxable capital of at least $10 million. • The annual business limit was increased in stages from $200,000 in 2002 to $300,000 in 2005. It was increased to $400,000 effective 2007. • The 2007 Economic Statement reduced the preferential tax rate from 12% to 11% effective 2008 (compared to the general corporate income tax rate of 19.5% in 2008). The federal corporate surtax (equivalent to 1.12 percentage points of tax) was also eliminated for all corporations as of 2008. • Budget 2009 increased the annual income limit to $500,000 (from $400,000), effective 2009. • Budget 2015 announced a series of reductions to the preferential tax rate, including a reduction from 11% to 10.5% in 2016. • On October 16, 2017 the Government announced a further reduction in the preferential tax rate to 10% as of January 1, 2018, and to 9% as of January 1, 2019.
Objective – category	To encourage or attract investment 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. A rate of 10.5% is used for projection years.
Number of beneficiaries	This measure provided tax relief to about 744,000 corporations in 2015.

Cost Information:

Millions of dollars	**2012**	**2013**	**2014**	**2015**	**2016 (P)**	**2017 (P)**	**2018 (P)**	**2019 (P)**
Corporate income tax	3,160	2,945	3,115	3,255	3,760	4,195	5,550	6,325

Public Transit Tax Credit

Description	A non-refundable tax credit was available at the lowest personal income tax rate for the cost of monthly public transit passes or passes of longer duration. The credit could be claimed by the individual or the individual's spouse or common-law partner in respect of eligible transit costs of the individual, the individual's spouse or common-law partner, and the individual's children who were under 19 years of age. This credit was eliminated, effective for transit use after June 30, 2017.
Tax	Personal income tax
Beneficiaries	Individuals
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, section 118.02
Implementation and recent history	• Introduced in Budget 2006. Effective July 1, 2006 and subsequent taxation years. • Budget 2007 extended the credit to innovative fare products like electronic fare cards and weekly passes when used on an ongoing basis. • Budget 2017 announced the elimination of this measure, effective for transit use occurring after June 30, 2017.
Objective – category	To achieve a social objective
Objective	This measure is intended to encourage public transit use, as increasing public transit use will ease traffic congestion in urban areas and improve the environment (Budget 2006).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system. The tax benefit from this measure is transferable between spouses or common-law partners.
Subject	Environment Social
CCOFOG 2014 code	70456 - Economic affairs - Transport - Public Transit 70539 - Environmental protection - Pollution abatement
Other relevant government programs	Programs within the mandates of Environment and Climate Change Canada, the Canadian Environmental Assessment Agency, 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 1.8 million individuals claimed this credit in 2015.

Cost Information:

Millions of dollars	2012	2013	2014	2015	2016 (P)	2017 (P)	2018 (P)	2019 (P)
Personal income tax	165	175	180	190	190	100	–	–

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

Cost Information:

Millions of dollars	2012	2013	2014	2015	2016 (P)	2017 (P)	2018 (P)	2019 (P)
Personal income tax	4,040	4,130	4,270	4,440	4,525	4,795	5,005	5,180

Rebate for book purchases made by certain organizations

Description	A 100% rebate is provided in respect of GST paid on books acquired by: • schools, universities, public colleges and municipalities; • charities and qualifying non-profit organizations that operate public lending libraries; and • designated charities and qualifying non-profit organizations whose primary purpose is the promotion of literacy. The rebate is not available when the books are acquired for resale.
Tax	Goods and Services Tax
Beneficiaries	Schools, colleges, universities, municipalities, certain charities and certain non-profit organizations
Type of measure	Rebate
Legal reference	*Excise Tax Act*, section 259.1
Implementation and recent history	• Introduced on October 23, 1996 (Department of Finance Canada news release 1996-076). Effective in respect of GST paid after that date. • Budget 2012 extended the rebate to include books acquired to be given away by designated literacy organizations.
Objective – category	To achieve a social objective
Objective	This measure recognizes the important role played by public libraries, educational institutions and other community organizations in helping people learn how to read and improve their reading skills (Department of Finance Canada news release 1996-076, October 23, 1996).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	GST rebates effectively reduce the value added subject to tax, and are therefore deviations from a broadly defined value-added tax base.
Subject	Education
CCOFOG 2014 code	70959 - Education - Education not definable by level
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada, the Social Sciences and Humanities Research Council, the Natural Sciences and Engineering Research Council, the Canadian Institutes of Health Research and Indigenous 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	2012	2013	2014	2015	2016 (P)	2017 (P)	2018 (P)	2019 (P)
Goods and Services Tax	20	20	15	15	15	15	15	15

Rebate for hospitals, facility operators and external suppliers

Description	Hospitals provide primarily tax-exempt services, and as such are unable to claim input tax credits for GST paid on most of their purchases. However, public hospitals are eligible for a rebate of 83% of the GST paid on purchases related to their supply of exempt services. Since 2005, government-funded charities and non-profit organizations that provide health care services similar to those traditionally performed in hospitals or supply ancillary support services to hospitals and eligible health care facilities ("facility operators and external suppliers") are also eligible for an 83% rebate of the GST paid on purchases related to their exempt health care supplies.
Tax	Goods and Services Tax
Beneficiaries	Public hospitals, facility operators and external suppliers
Type of measure	Rebate
Legal reference	*Excise Tax Act*, subsection 259(3)
Implementation and recent history	• The rebate for public hospitals has been in effect since the inception of the GST in 1991. • Budget 2005 extended the 83% rebate to facility operators and external suppliers to accommodate the restructuring by provinces and territories of the delivery of health care services that has resulted in some services formerly provided by hospitals being performed by other non-profit organizations.
Objective – category	To achieve a social objective
Objective	The rebate for public hospitals was implemented at the time of inception of the GST to ensure that the sales tax burden did not increase as a result of moving to the GST from the previous federal sales tax (*Goods and Services Tax: Technical Paper*, August 1989).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	GST rebates effectively reduce the value added subject to tax, and are therefore deviations from a broadly defined value-added tax base.
Subject	Health
CCOFOG 2014 code	7073 - Health - Hospital services
Other relevant government programs	Programs within the mandates of Health Canada, the Canadian Food Inspection Agency, the Canadian Institutes of Health Research, the Public Health Agency of Canada and Veterans Affairs Canada also support health-related objectives. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Form GST66 - Application for GST/HST Public Service Bodies' Rebate and GST Self-Government Refund
Estimation method	The cost of this measure corresponds to the amounts of rebates approved, as reported in administrative data.
Projection method	The cost of this measure is projected to grow in line with provincial government expenditures on health.
Number of beneficiaries	About 600 entities claim this rebate each year.

Cost Information:

Millions of dollars	2012	2013	2014	2015	2016 (P)	2017 (P)	2018 (P)	2019 (P)
Goods and Services Tax	590	635	650	695	630	665	705	725

Rebate for municipalities

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

Cost Information:

Millions of dollars	2012	2013	2014	2015	2016 (P)	2017 (P)	2018 (P)	2019 (P)
Goods and Services Tax	1,995	2,060	2,165	2,240	2,270	2,380	2,445	2,490

Rebate for new housing

Description	Builders or purchasers of newly constructed and substantially renovated residential housing are eligible for a rebate of the GST paid if the housing is for use as a primary place of residence. For houses valued at or below $350,000, the rebate is 36% of the total GST paid to a maximum of $6,300. The rebate is gradually phased out for houses valued between $350,000 and $450,000, and there is no rebate for houses valued at $450,000 or more. The same rebate is available for the GST paid by individuals to construct or substantially renovate housing that is for use by the owner or a relative as a primary place of residence. The rate of rebate was established so that the GST burden on new housing would be equal to the federal sales tax component of the total price of a new home before the introduction of the GST (which was approximately 4.5% on average).
Tax	Goods and Services Tax
Beneficiaries	Individuals who have purchased or constructed new homes
Type of measure	Rebate
Legal reference	*Excise Tax Act*, sections 254 and 256
Implementation and recent history	• This measure has been in effect since the inception of the GST in 1991. • The maximum dollar value of the rebate was lowered in Budget 2006 and in the 2007 Economic Statement concurrently with the reductions in the GST rate from 7% to 6% on July 1, 2006 and to 5% on January 1, 2008.
Objective – category	To achieve a social objective
Objective	This measure is designed to ensure that the GST does not pose a barrier to the affordability of new homes (*Goods and Services Tax Consolidated Explanatory Notes*, April 1997).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	GST rebates effectively reduce the value added subject to tax, and are therefore deviations from a broadly defined value-added tax base.
Subject	Housing
CCOFOG 2014 code	70619 - Housing and community amenities - Housing development
Other relevant government programs	Programs within the mandate of the Canada Mortgage and Housing Corporation 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	2012	2013	2014	2015	2016 (P)	2017 (P)	2018 (P)	2019 (P)
Goods and Services Tax	580	595	570	570	515	535	560	520

Rebate for new residential rental property

Description	Builders or purchasers of newly constructed or substantially renovated residential rental housing are eligible for a rebate of the GST payable if it can reasonably be expected that the first use of the individual residential units within the property will be as a primary place of residence for at least one year. The rebate also applies to builders or purchasers of new additions to multiple-unit residential rental housing and to the leasing of land (i.e., housing lots) to a person that affixes a new or substantially renovated house or sites in new residential trailer parks for long-term residential use. For single-unit residential housing (including duplexes) or units in multiple-unit residential housing valued at or below $350,000, the rebate is 36% of the total GST paid to a maximum of $6,300. The rebate is phased out for such residential housing or units valued between $350,000 and $450,000. In the case of leasing housing lots or sites in residential trailer parks, the rebate is 36% of the total GST paid to a maximum $1,575. The rebate is phased out for each housing lot or site valued between $87,500 and $112,500.
Tax	Goods and Services Tax
Beneficiaries	Builders and purchasers of new residential rental property and landlords that lease housing lots or sites in new residential trailer parks for long-term residential use
Type of measure	Rebate
Legal reference	*Excise Tax Act*, section 256.1
Implementation and recent history	• Introduced in Budget 2000. Effective February 28, 2000. • The maximum dollar value of the rebate was lowered in Budget 2006 and in the 2007 Economic Statement concurrently with the reductions in the GST rate from 7% to 6% on July 1, 2006 and to 5% on January 1, 2008.
Objective – category	To achieve a social objective
Objective	This measure ensures that builders and purchasers of new residential rental property face the same effective GST rate faced by purchasers of new owner-occupied homes (Budget 2000).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	GST rebates effectively reduce the value added subject to tax, and are therefore deviations from a broadly defined value-added tax base.
Subject	Housing
CCOFOG 2014 code	70619 - Housing and community amenities - Housing development
Other relevant government programs	Programs within the mandate of the Canada Mortgage and Housing Corporation 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	**2012**	**2013**	**2014**	**2015**	**2016 (P)**	**2017 (P)**	**2018 (P)**	**2019 (P)**
Goods and Services Tax	85	110	125	135	145	140	145	135

Rebate for poppies and wreaths

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

Cost Information:

Millions of dollars	**2012**	**2013**	**2014**	**2015**	**2016 (P)**	**2017 (P)**	**2018 (P)**	**2019 (P)**
Goods and Services Tax	X	X	X	X	X	X	X	X

Rebate for qualifying non-profit organizations

Description	Non-profit organizations that receive at least 40% of their funding from governments, municipalities or Indian Bands are eligible for a rebate of 50% of the GST paid on purchases related to their supplies of exempt services.
Tax	Goods and Services Tax
Beneficiaries	Non-profit organizations
Type of measure	Rebate
Legal reference	*Excise Tax Act*, subsection 259(3)
Implementation and recent history	• This measure has been in effect since the inception of the GST in 1991.
Objective – category	To achieve a social objective
Objective	This measure recognizes the important role of non-profit organizations in Canadian society (*Goods and Services Tax*, December 1989).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	GST rebates effectively reduce the value added subject to tax, and are therefore deviations from a broadly defined value-added tax base.
Subject	Donations, gifts, charities and non-profit organizations
CCOFOG 2014 code	705 - Environmental protection; 706 - Housing and community amenities; 707 - Health; 708 - Recreation, culture, and religion; 709 - Education; 710 - Social protection; Other various codes
Other relevant government programs	Many federal government entities provide direct funding to registered charities, non-profit organizations and international development associations through various programs.
Source of data	Form GST66 - Application for GST/HST Public Service Bodies' Rebate and GST Self-Government Refund
Estimation method	The cost of this measure corresponds to the amounts of rebates approved, as reported in administrative data.
Projection method	The cost of this measure is projected to grow in line with nominal gross domestic product.
Number of beneficiaries	About 8,000 entities claim this rebate each year.

Cost Information:

Millions of dollars	**2012**	**2013**	**2014**	**2015**	**2016 (P)**	**2017 (P)**	**2018 (P)**	**2019 (P)**
Goods and Services Tax	65	65	70	75	60	65	70	70

Rebate for registered charities

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

Cost Information:

Millions of dollars	2012	2013	2014	2015	2016 (P)	2017 (P)	2018 (P)	2019 (P)
Goods and Services Tax	290	290	305	320	295	310	325	335

Rebate for schools, colleges and universities

Description	Schools, colleges and universities provide primarily tax-exempt services, and as such are unable to claim input tax credits for GST paid on most of their purchases. However, elementary and secondary schools operating on a not-for-profit basis are eligible for a rebate of 68% of the GST paid on purchases related to their supplies of exempt services. Publicly funded colleges and recognized degree-granting universities operating on a not-for-profit basis are eligible for a rebate of 67% of the GST paid on purchases related to their supplies of exempt services.
Tax	Goods and Services Tax
Beneficiaries	Schools, colleges and universities
Type of measure	Rebate
Legal reference	*Excise Tax Act*, subsection 259(3)
Implementation and recent history	• This measure has been in effect since the inception of the GST in 1991.
Objective – category	To achieve a social objective
Objective	This measure was implemented at the time of inception of the GST to ensure that the sales tax burden on these sectors did not increase as a result of moving to the GST from the previous federal sales tax (*Goods and Services Tax: Technical Paper*, August 1989).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	GST rebates effectively reduce the value added subject to tax, and are therefore deviations from a broadly defined value-added tax base.
Subject	Education
CCOFOG 2014 code	70929 - Education - Primary and Secondary education 70939 - Education - College education 70949 - Education - University education
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada, the Social Sciences and Humanities Research Council, the Natural Sciences and Engineering Research Council, the Canadian Institutes of Health Research and Indigenous 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:

Millions of dollars	**2012**	**2013**	**2014**	**2015**	**2016 (P)**	**2017 (P)**	**2018 (P)**	**2019 (P)**
Rebate for schools	380	385	400	400	415	440	470	480
Rebate for colleges	85	80	80	85	90	95	105	105
Rebate for universities	235	230	230	235	235	250	265	270
Total – Goods and Services Tax	700	700	710	725	745	785	840	855

Rebate for specially equipped motor vehicles

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

Cost Information:

Millions of dollars	2012	2013	2014	2015	2016 (P)	2017 (P)	2018 (P)	2019 (P)
Goods and Services Tax	S	S	S	S	S	S	S	S

Rebate to employees and partners

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

Cost Information:

Millions of dollars	**2012**	**2013**	**2014**	**2015**	**2016 (P)**	**2017 (P)**	**2018 (P)**	**2019 (P)**
Goods and Services Tax	65	65	60	55	55	60	65	65

Reclassification of expenses under flow-through shares

Description	Small corporations in the oil and gas sector were entitled to reclassify as Canadian Exploration Expenses (CEE) the first $1 million per year of eligible Canadian Development Expenses (CDE) renounced to shareholders under a flow-through share agreement. CEE is fully deductible in the year incurred, while CDE is deductible at the rate of 30% per year. For background information, see the related item “Flow-through share deductions”. Budget 2017 announced the elimination of this measure.
Tax	Personal and corporate income tax
Beneficiaries	Investors in flow-through shares and small oil and gas corporations
Type of measure	Timing preference
Legal reference	*Income Tax Act*, subsection 66(12.601)
Implementation and recent history	• Introduced in the 1992 Economic and Fiscal Statement. Effective after December 2, 1992. • Budget 1996 reduced the amount of CDE that can be reclassified to $1 million per year from $2 million and restricted the reclassification to firms with less than $15 million of taxable capital employed in Canada. • Budget 2017 announced the elimination of this tax expenditure. This will generally apply to expenses incurred after 2018.
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 15 corporations reclassified expenses under this provision in 2015.

Cost Information:

Millions of dollars	**2012**	**2013**	**2014**	**2015**	**2016 (P)**	**2017 (P)**	**2018 (P)**	**2019 (P)**
Personal income tax	-10	-10	-5	-5	-3	-2	-2	-3
Corporate income tax	-2	-1	-1	-1	S	S	S	S
Total	-10	-10	-10	-5	-3	-2	-2	-3

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	*Income Tax Act*, subsections 131(2) and (6)
Implementation and recent history	• Introduced as part of the 1971 Tax Reform to enable investment corporations and mutual fund corporations that realize capital gains to flow them out to shareholders in a subsequent distribution.
Objective – category	To prevent double taxation
Objective	This measure permits capital gains earned by investors through investment corporations and mutual fund corporations to be taxed on a similar basis as capital gains earned directly by investors.
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure is considered part of the benchmark tax system, and therefore is not a tax expenditure.
Subject	Savings and investment
CCOFOG 2014 code	n/a
Other relevant government programs	n/a
Source of data	T2 Corporation Income Tax Return
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 70 investment and mutual fund corporations claimed a capital gain refund in 2015.

Cost Information:

Millions of dollars	2012	2013	2014	2015	2016 (P)	2017 (P)	2018 (P)	2019 (P)
Corporate income tax	105	220	535	960	850	815	845	880

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 2017, the supplement is available to individuals whose earnings from employment or self-employment meet or exceed a minimum threshold of $3,514. 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 $1,203 for 2017. The supplement is reduced by 5% of net family income above an income threshold of $26,644. The maximum supplement amount, the minimum earnings threshold and the family net income threshold are indexed to inflation.
Tax	Personal income tax
Beneficiaries	Low-income employees and self-employed individuals
Type of measure	Credit, refundable
Legal reference	*Income Tax Act*, section 122.51
Implementation and recent history	• Introduced in Budget 1997. Effective for the 1997 and subsequent taxation years. • The maximum supplement amount was increased to $750 in Budget 2005 (from $562 in 2004) and to $1,000 in Budget 2006.
Objective – category	To encourage employment
Objective	This measure improves work incentives for Canadians with disabilities by helping to offset the loss of coverage for medical and disability-related expenses when individuals move from social assistance to the paid labour force (Budget 2006).
Category	Refundable tax credit
Reason why this measure is not part of benchmark tax system	This measure is classified as a transfer payment for government accounting purposes, and therefore is not considered to be a tax expenditure.
Subject	Employment Health
CCOFOG 2014 code	7071 - Health - Medical products, appliances, and equipment 7072 - Health - Outpatient services 7073 - Health - Hospital services 71012 - Social protection - Sickness and disability - Disability
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support employment. Programs within the mandates of Health Canada, the Canadian Food Inspection Agency, the Canadian Institutes of Health Research, the Public Health Agency of Canada and Veterans Affairs Canada also support health-related objectives. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 544,000 individuals received this benefit in 2015.

Cost Information:

Millions of dollars	2012	2013	2014	2015	2016 (P)	2017 (P)	2018 (P)	2019 (P)
Personal income tax	140	140	145	150	155	160	165	170

Refundable taxes on investment income of private corporations

Description	An individual could defer personal income tax on investment income if the individual earned the investment income through a private corporation that is subject to a corporate income tax rate that is significantly lower than the highest personal income tax rate. Consequently, the *Income Tax Act* provides rules that counter such a deferral: • Under Part I of the *Income Tax Act*, investment income (other than taxable dividends) received by a Canadian-controlled private corporation is subject to a partly refundable 38⅔% income tax rate (an unreduced 28% general tax rate plus an additional tax of 10⅔%). The refundable portion corresponds to 30⅔% of the investment income. • Under Part IV of the Act, taxable dividends received by a private corporation are generally subject to a 38⅓% income tax rate. The refundable portion of the Part I tax and the 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 38⅓% of taxable dividends paid.
Tax	Corporate income tax
Beneficiaries	Private corporations
Type of measure	Other
Legal reference	*Income Tax Act*, sections 123, 123.3, 123.4, 124, 129 and 186
Implementation and recent history	• Introduced as part of the 1971 Tax Reform. The Part I tax was 50% and the refundable portion of that tax was 25%. The Part IV tax was introduced at a rate of 33⅓% and was fully refundable. The refundable tax paid on investment income was refundable at a basic rate of one dollar for every three dollars of taxable dividends paid. • Amended as part of the 1987 Tax Reform, effective after 1987, to reflect changes in federal tax rates. The Part I tax was reduced to 28% from 36%, and its refundable portion to 20%. The Part IV tax was reduced to 25%. The rate of refund was decreased to one dollar for every four dollars of taxable dividends paid. • Budgets 1994 and 1995 increased the rate of the Part IV tax to 33⅓% to further reduce personal income tax deferral possibilities. The rate of refund was increased to one dollar for every three dollars of taxable dividends paid. These changes were generally effective for taxation years beginning after June 1995. • Budget 1995 introduced an additional refundable 6⅔% Part I tax on investment income earned by Canadian-controlled private corporations. • These refundable taxes (and the related refund rate) were increased to their current levels effective January 1, 2016, in order to reflect the new 33% top personal income tax rate applicable as of that date. • In July 2017, the Government launched consultations on proposals to limit tax planning strategies using private corporations. The 2017 *Fall Economic Statement* announced that the Government will move forward with measures to limit tax deferral opportunities related to investment income earned through private corporations, with further details to be announced in Budget 2018.
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 255,000 and 209,000 corporations were respectively subject to the additional Part I tax and Part IV tax in 2015, while 245,000 corporations claimed the dividend refund in that year.

Cost Information:

Millions of dollars	**2012**	**2013**	**2014**	**2015**	**2016 (P)**	**2017 (P)**	**2018 (P)**	**2019 (P)**
Additional Part I tax	-2,765	-3,250	-3,730	-4,275	-5,180	-5,480	-5,915	-6,310
Part IV tax	-3,470	-3,885	-4,265	-4,860	-5,180	-5,620	-6,065	-6,470
Dividend refund	6,280	7,140	7,265	8,780	8,865	9,530	10,290	10,975
Total – corporate income tax	45	5	-735	-355	-1,500	-1,570	-1,695	-1,805

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.
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	• 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.
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	GST refunds effectively reduce the value-added subject to tax, and are therefore deviations from a broadly defined value-added tax base.
Subject	Intergovernmental tax arrangements
CCOFOG 2014 code	7018 - General public services - Transfers of a general character between different levels of government
Other relevant government programs	n/a
Source of data	Form GST66 - Application for GST/HST Public Service Bodies' Rebate and GST Self-Government Refund
Estimation method	The cost of this measure corresponds to the amounts of rebates approved, as reported in administrative data.
Projection method	The cost of this measure is projected to grow in line with government expenditures and expected ratification of new Self-Government Agreements and Comprehensive Land Claims and Self-Government Agreements.
Number of beneficiaries	About 30 entities claim these refunds each year.

Cost Information:

Millions of dollars	**2012**	**2013**	**2014**	**2015**	**2016 (P)**	**2017 (P)**	**2018 (P)**	**2019 (P)**
Goods and Services Tax	5	5	5	10	5	5	5	5

Registered Disability Savings Plans

Description	A Registered Disability Savings Plan (RDSP) is a tax-assisted long-term savings plan that may generally be established for the benefit of an individual under 60 years of age who is eligible for the Disability Tax Credit. Contributions to an RDSP are not deductible from income, and therefore are also not included in income for tax purposes when paid out of an RDSP. Canada Disability Savings Grants (CDSGs) and Canada Disability Savings Bonds (CDSBs) are not taxed when they are paid into an RDSP and investment income earned in the plan is not taxed as it accrues. CDSGs, CDSBs and investment income earned in the plan are included in the beneficiary's income for tax purposes when paid out of an RDSP. Contributions to an RDSP are limited to a lifetime maximum of $200,000, and are permitted up until the end of the year in which a beneficiary attains 59 years of age. Up to $70,000 in matching CDSGs and up to $20,000 in CDSBs may be provided to a beneficiary over their lifetime, up until the end of the year in which the beneficiary attains 49 years of age. While the CDSGs and CDSBs are not tax expenditures, they increase the cost of the tax expenditure to the extent that they encourage increased use of RDSPs.
Tax	Personal income tax
Beneficiaries	Individuals with disabilities
Type of measure	Timing preference
Legal reference	*Income Tax Act*, sections 146.4 and 205 *Canada Disability Savings Act* and *Canada Disability Savings Regulations*
Implementation and recent history	• Introduced in Budget 2007. Effective for the 2008 and subsequent taxation years.
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 160,000 RDSPs were registered from December 2008 to October 2017.

Cost Information:

Millions of dollars	2012	2013	2014	2015	2016	2017 (P)	2018 (P)	2019 (P)
Personal income tax	25	30	35	40	50	60	70	85

Registered Education Savings Plans

Description	A Registered Education Savings Plan (RESP) is a tax-assisted savings vehicle designed to help families accumulate savings for the post-secondary education of their children. Contributions to an RESP are not deductible for income tax purposes and as such are not taxed upon withdrawal, while the investment income accruing in the plan is not subject to tax until withdrawal. An individual can contribute to an RESP on behalf of a designated beneficiary. For each beneficiary of an RESP, there is a lifetime contribution limit of $50,000, but no annual limit on contributions. Contributions to an RESP may attract additional government assistance through the Canada Education Savings Grant (CESG) and the Canada Learning Bond (CLB), both of which are generally included in the income of the plan's beneficiary on withdrawal. While the CESG and CLB are not tax expenditures, they increase the tax expenditure associated with RESPs to the extent that they encourage the use of RESPs, are not taxable until withdrawn and generate investment income on which tax can be deferred.
Tax	Personal income tax
Beneficiaries	Individuals who subscribe under an RESP
Type of measure	Timing preference
Legal reference	*Income Tax Act*, section 146.1 *Canada Education Savings Act* and *Canada Education Savings Regulations*
Implementation and recent history	• Introduced in 1973 (Department of Finance Canada news release 1973-97). Effective for the 1972 and subsequent taxation years. • Budget 1998 introduced the CESG, equal generally to 20% of annual contributions made after 1997 to an RESP for beneficiaries up to and including age 17. • Budget 2004 introduced the CLB and enhanced the CESG. • Budget 2007 eliminated the $4,000 limit on annual contributions and increased the maximum CESG annual amount to $500 from $400 (to $1,000 from $800 if there is unused grant room). The lifetime RESP contribution limit was raised to $50,000 from $42,000. • Budget 2008 raised the number of years that contributions can be made to an RESP (to 31 years from 21 years) and the number of years before an RESP must be terminated (to 35 years from 25 years).
Objective – category	To encourage savings
Objective	This measure broadens access to higher education by encouraging Canadians to save towards the post-secondary education of children (Budget 1998).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure permits the deferral of the recognition of income or gains for income tax purposes.
Subject	Education Savings and investment
CCOFOG 2014 code	70939 - Education - College education 70949 - Education - University education
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada, the Social Sciences and Humanities Research Council, the Natural Sciences and Engineering Research Council, the Canadian Institutes of Health Research and Indigenous 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 the first year is based on projected RESP net assets and withdrawals produced by Employment and Social Development Canada, while projections for outer years are made based on historical growth. Future Government of Canada bond yields are projected by using a five-year average of historical yields adjusted by the average private sector forecast of the 10-year government bond rate.
Number of beneficiaries	No data on the total number of individuals with an RESP is available. About 5.4 million individuals with an RESP have received a Canada Education Savings Grant between 1998 and 2015.

Cost Information:

Millions of dollars	**2012**	**2013**	**2014**	**2015**	**2016 (P)**	**2017 (P)**	**2018 (P)**	**2019 (P)**
Personal income tax	160	170	155	145	130	115	130	160

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 ($26,230 for 2017). For defined benefit RPP members, pension benefits are limited to 2% of employment earnings per year of service up to a specified dollar amount ($2,914 for 2017).
Tax	Personal income tax
Beneficiaries	Employees with a registered pension plan
Type of measure	Timing preference
Legal reference	*Income Tax Act*, sections 147.1 to 147.4
Implementation and recent history	• Employer RPP contributions became deductible with the introduction of income tax in 1917. Employee RPP contributions became deductible in 1919. • A major reform of the RPP and Registered Retirement Savings Plan limits was introduced in 1990 in order to provide more comparable tax-assisted savings opportunities for Canadians regardless of whether they saved in a defined benefit RPP, a defined contribution RPP or a Registered Retirement Savings Plan. • The maximum dollar contribution and benefit limits for RPPs were increased in 2003 and 2005. • The RPP dollar limits were indexed to average wage growth for 2010 and subsequent years.
Objective – category	To encourage savings
Objective	By allowing taxpayers to defer tax on savings, this measure encourages and assists Canadians to arrange for their financial security in later years (*Pension Reform: Improvements in Tax Assistance for Retirement Saving*, Department of Finance Canada, 1989).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure permits the deferral of the recognition of income or gains for income tax purposes.
Subject	Retirement Savings and investment
CCOFOG 2014 code	71029 - Social protection - Old age
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support retirement income security. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	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 7.9 million households had individuals that had accrued benefits under RPPs in 2016.

Cost Information:

Millions of dollars	2012	2013	2014	2015	2016 (P)	2017 (P)	2018 (P)	2019 (P)
Deduction for contributions	13,520	14,190	15,195	15,115	15,355	15,915	16,525	17,020
Non-taxation of investment income	13,780	15,875	19,475	19,600	20,615	22,845	24,335	25,795
Taxation of withdrawals	-8,390	-9,225	-9,750	-10,615	-10,700	-11,285	-12,060	-12,845
Total – personal income tax	18,910	20,840	24,920	24,100	25,270	27,475	28,800	29,970

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 ($26,010 for 2017), less an estimate of contributions made to a Registered Pension Plan and/or a Deferred Profit-Sharing Plan, plus unused contribution room carried forward from previous years. Earned income for this purpose includes income from employment and self-employment as well as other specified types of earnings. Tax-free withdrawals from RRSPs are permitted under the Home Buyers' Plan and the Lifelong Learning Plan to promote home ownership and skills enhancement respectively, subject to specified eligibility conditions, withdrawal limits and repayment provisions.
Tax	Personal income tax
Beneficiaries	Individuals with earned income
Type of measure	Timing preference
Legal reference	*Income Tax Act*, section 146
Implementation and recent history	• Introduced in 1957. • A major reform of the RRSP and Registered Pension Plan limits was introduced in 1990 in order to provide more comparable tax-assisted savings opportunities for Canadians regardless of whether they saved in a defined benefit Registered Pension Plan, a defined contribution Registered Pension Plan or an RRSP. • The maximum dollar contribution limit for RRSPs was increased in 2003 and 2005. • The RRSP dollar limit was indexed to average wage growth for 2011 and subsequent years.
Objective – category	To encourage savings
Objective	By allowing taxpayers to defer tax on savings, this measure encourages and assists Canadians to arrange for their financial security in later years (*Pension Reform: Improvements in Tax Assistance for Retirement Saving*, Department of Finance Canada, 1989).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure permits the deferral of the recognition of income or gains for income tax purposes.
Subject	Retirement Savings and investment
CCOFOG 2014 code	71029 - Social protection - Old age
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support retirement income security. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	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 8.9 million households had individuals that had RRSPs or Registered Retirement Income Funds in 2016.

Cost Information:

Millions of dollars	2012	2013	2014	2015	2016 (P)	2017 (P)	2018 (P)	2019 (P)
Deduction for contributions	7,690	8,045	8,220	8,495	8,525	8,605	8,705	8,780
Non-taxation of investment income	10,015	11,310	13,910	13,610	13,755	15,010	15,985	17,020
Taxation of withdrawals	-5,380	-5,660	-6,180	-6,810	-6,435	-6,800	-7,195	-7,530
Total – personal income tax	12,325	13,695	15,950	15,295	15,845	16,815	17,495	18,270

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

Rollovers of investments in small businesses

Description	Individuals are permitted to defer the tax on a capital gain arising from the disposition of shares in a qualified small business investment, to the extent the proceeds are reinvested in shares of another qualified small business. An eligible small business investment consists of shares issued from treasury in an active Canadian-controlled private corporation with assets not exceeding $50 million, excluding professional corporations, specified financial institutions, rental or leasing corporations, and real estate corporations. The reinvestment must be made at any time in the year of disposition or within 120 days after the end of that year.
Tax	Personal income tax
Beneficiaries	Individual investors
Type of measure	Timing preference
Legal reference	*Income Tax Act*, section 44.1
Implementation and recent history	• Introduced in Budget 2000. Effective for dispositions after February 27, 2000. • The October 2000 Economic Statement and Budget Update increased the size of an eligible investment from $500,000 to $2 million and the size of business eligible for the rollover from $10 million to $50 million. • Budget 2003 eliminated the individual investor limits on the amount of the original investment and reinvestment eligible for the deferral and allowed a reinvestment to be eligible for the rollover when made at any time in the year of disposition or within 120 days after the end of the year.
Objective – category	To encourage or attract investment
Objective	This measure was implemented to improve access to capital for small business corporations (Economic Statement and Budget Update, October 2000; Budget 2003).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure permits the deferral of the recognition of income or gains for income tax purposes.
Subject	Business - small businesses
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandate of Innovation, Science and Economic Development Canada also support small businesses. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 800 individuals reported capital gains eligible for this measure in 2015.

Cost Information:

Millions of dollars	**2012**	**2013**	**2014**	**2015**	**2016 (P)**	**2017 (P)**	**2018 (P)**	**2019 (P)**
Personal income tax	X	5	5	X	35	10	10	10

Saskatchewan Pension Plan

Description	A deferral of tax is provided on contributions to the Saskatchewan Pension Plan (SPP) in order to encourage and assist Canadians to save for retirement. Contributions to the SPP are deductible from income, the investment income is not taxed as it accrues in the plan, and withdrawals and benefit payments are included in income for tax purposes. 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	*Income Tax Act*, subsections 146(21) to (21.3) *Income Tax Regulations*, section 7800
Implementation and recent history	• The SPP was introduced in 1986. Deductible contributions were initially limited to $600 annually, if made within an SPP member's available RRSP contribution limit. • In 2011, the federal tax rules were amended to accommodate certain changes proposed by the Saskatchewan government to improve the plan, in particular an increase in the annual contribution limit to $2,500 (Department of Finance Canada news release 2010-118, December 7, 2010).
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 12,300 individuals contributed to the Saskatchewan Pension Plan in 2016.

Cost Information:

Millions of dollars	**2012**	**2013**	**2014**	**2015**	**2016 (P)**	**2017 (P)**	**2018 (P)**	**2019 (P)**
Personal income tax	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

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

Scientific Research and Experimental Development Investment Tax Credit

Description	A credit is available in respect of eligible expenditures on scientific research and experimental development (SR&ED) performed by businesses in Canada. SR&ED involves the systematic investigation or search carried out in a field of science or technology by means of experiment or analysis, and eligible SR&ED activities cover basic research and applied research as well as experimental development. Expenditures eligible for the credit include most current expenditures in respect of SR&ED performed by or on behalf of a taxpayer and that are related to a business of the taxpayer, including salary and wages, materials, overhead and contracts. The credit is provided at a general rate of 15%. An enhanced rate of 35% is provided to small Canadian-controlled private corporations (CCPCs) on their first $3 million per year of eligible expenditures. Small CCPCs that have prior-year taxable 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. An immediate income tax deduction is also provided in respect of eligible SR&ED expenditures (see the measure "Expensing of current expenditures on scientific research and experimental development").
Tax	Personal and corporate income tax
Beneficiaries	Businesses conducting eligible scientific research and experimental development
Type of measure	Credit, refundable and non-refundable
Legal reference	*Income Tax Act*, section 127
Implementation and recent history	• Federal tax incentives for SR&ED were first introduced in 1948. The basic structure of the current credit system was put in place between 1983 and 1985. • Several changes were introduced in Budget 2012, including: the reduction of the general credit rate to 15% from 20% and the removal of capital expenditures from the base of expenditures eligible for the credit (both changes effective January 1, 2014); the reduction in the prescribed proxy amount in respect of overhead expenses from 65% of the salaries and wages of employees directly engaged in the conduct of SR&ED to 60% in 2013 and 55% in subsequent years; and the removal of the profit element for arm's length third-party contracts (effective January 1, 2013).
Objective – category	To encourage or attract investment
Objective	This measure is intended to encourage the performance of scientific research and experimental development in Canada by the private sector and to assist small businesses to perform scientific research and experimental development (Budget 1996). The rationale for this tax support is that the benefits of SR&ED extend beyond the performers themselves to other firms and sectors of the economy. The existence of these spillovers of externalities means that, in the absence of government support, firms would perform less SR&ED than desirable for the economy.
Category	Non-structural tax measure and refundable tax credit
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system. The tax benefit from this measure can be obtained in a taxation year other than the year during which it accrues. The portion of this measure that is refundable is classified as a transfer payment for government accounting purposes, and therefore is not considered to be a tax expenditure.
Subject	Business - research and development
CCOFOG 2014 code	7048 - Economic affairs - R&D Economic affairs
Other relevant government programs	Programs within the mandates of Innovation, Science and Economic Development Canada, the National Research Council Canada and the federal granting councils also support research and development. Additional information on the relevant Government programs is provided in the table at the end of Part 3.

Source of data	Personal income tax: T1 Income Tax and Benefit Return Corporate income tax: T2 Corporation Income Tax Return
Estimation method	The cost of this measure is based on data on actual credits claimed. Estimates for the personal income tax for 2010 to 2013 include investment tax credits claimed in respect of certain other certified property under a provision that is now repealed. These credits cannot be separated from SR&ED investment tax credits, but are likely negligible.
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 3,700 individuals and 21,200 corporations claimed this credit in 2015.

Cost Information:

Millions of dollars	**2012**	**2013**	**2014**	**2015**	**2016 (P)**	**2017 (P)**	**2018 (P)**	**2019 (P)**
Personal income tax	4	4	4	4	4	4	4	4
Corporate income tax								
Non-refundable portion								
Earned and claimed in current year	785	720	515	410	450	475	495	515
Claimed in current year but earned in prior years	1,015	1,015	785	905	875	925	960	995
Earned in current year but carried back to prior years	65	165	40	35	90	65	70	70
Total – non-refundable portion	1,860	1,900	1,340	1,350	1,415	1,465	1,525	1,580
Refundable portion	1,455	1,340	1,275	1,290	1,260	1,360	1,395	1,455
Total – corporate income tax	3,315	3,240	2,620	2,640	2,675	2,825	2,925	3,030
Total	3,320	3,245	2,625	2,640	2,680	2,830	2,925	3,035

Search and Rescue Volunteers Tax Credit

Description	Individuals who performed at least 200 hours of eligible ground, air and marine search and rescue volunteer services during a year can claim the non-refundable Search and Rescue Volunteers Tax Credit. The value of the credit is calculated by applying the lowest personal income tax rate to a credit amount of $3,000. An individual who performs both eligible volunteer search and rescue services and eligible volunteer firefighting services for a total of at least 200 hours in the year can claim either the Search and Rescue Volunteers Tax Credit or the Volunteer Firefighters Tax Credit. An individual who claims the Search and Rescue Volunteers Tax Credit is ineligible for the exemption from income that would otherwise apply to up to $1,000 of income (honoraria) received in the year for being a search and rescue volunteer (see the measure "Tax-free amount for emergency services volunteers").
Tax	Personal income tax
Beneficiaries	Search and rescue volunteers
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, section 118.07
Implementation and recent history	• Introduced in Budget 2014. Effective for the 2014 and subsequent taxation years.
Objective – category	To achieve a social objective
Objective	This measure recognizes the important role played by search and rescue volunteers in contributing to the security and safety of Canadians (Budget 2014).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system.
Subject	Social
CCOFOG 2014 code	70369 - Public order and safety - Public order and safety not elsewhere classified
Other relevant government programs	Programs within the mandates of Canadian Heritage, Immigration, Refugees and Citizenship Canada, Transport Canada and Public Safety Canada (among other departments) also support various other social objectives. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 4,600 individuals claimed this credit in 2015.

Cost Information:

Millions of dollars	**2012**	**2013**	**2014**	**2015**	**2016 (P)**	**2017 (P)**	**2018 (P)**	**2019 (P)**
Personal income tax	–	–	2	2	2	2	2	2

Small suppliers' threshold

Description	Small suppliers (other than taxi businesses, which include ride-sharing providers) are not required to register for GST purposes. Small suppliers who choose not to register do not have to charge and remit GST on taxable supplies (other than sales of real property and, in the case of municipalities, of capital property) and they are not entitled to input tax credits. A "small supplier" is a person whose total taxable supplies in the preceding year do not exceed $30,000 ($50,000 in the case of public service bodies). A charity or public institution (i.e., a registered charity that is a university, a public college, a school authority, a hospital authority or a designated municipality) can also qualify as a small supplier if its gross annual revenue in either of its previous two fiscal years does not exceed $250,000.
Tax	Goods and Services Tax
Beneficiaries	Small businesses, charities and public institutions
Type of measure	Other
Legal reference	*Excise Tax Act*, paragraph 240(1)(a) and section 166
Implementation and recent history	• This measure has been in effect since the inception of the GST in 1991. • Municipalities that are small suppliers are required to charge and remit GST on sales of their capital property, effective after March 9, 2004 (Department of Finance Canada news release 2004-018, March 9, 2004). This change was made concurrently with the increase to 100% of the rebate for municipalities. • Budget 2017 announced that the definition of "taxi business" in the *Excise Tax Act* would be amended to include providers of ride-sharing services. This means that the small suppliers' threshold no longer applies to these providers; they must register for and collect GST/HST regardless of the total amount of sales they make. The change was effective July 1, 2017.
Objective – category	To reduce administration or compliance costs
Objective	This measure ensures that very small businesses do not face an additional compliance burden as a result of the introduction of the GST (*Goods and Services Tax: Technical Paper*, August 1989).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure is a deviation from a broadly defined value-added tax base.
Subject	Business - small businesses
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandate of Innovation, Science and Economic Development Canada also support small businesses. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return T2 Corporation Income Tax Return GST34 Goods and Services Tax/Harmonized Sales Tax Return
Estimation method	The cost of this measure is estimated by applying the GST rate to the 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	**2012**	**2013**	**2014**	**2015**	**2016 (P)**	**2017 (P)**	**2018 (P)**	**2019 (P)**
Goods and Services Tax	205	210	225	230	235	245	260	265

Special tax computation for certain retroactive lump-sum payments

Description	Taxpayers receiving qualifying retroactive lump-sum payments may use a special mechanism to compute the tax on those payments. The tax under the special mechanism is the federal tax that would have been payable if the principal portion of the retroactive lump-sum payment had been taxed in the year to which it relates, plus interest to reflect the time value of money in respect of the delay in paying the tax. The interest component of the receipt of a lump-sum payment is fully included in income in the year in which it is received. To be eligible for the special tax calculation, the right to receive the income must have existed in a prior year. In addition, the principal portion of the lump-sum payment must be at least $3,000, and must have been received in a year after 1994.
Tax	Personal income tax
Beneficiaries	Individuals
Type of measure	Other
Legal reference	*Income Tax Act*, sections 110.2 and 120.31
Implementation and recent history	• Introduced in Budget 1999. Effective for the 1995 and subsequent taxation years.
Objective – category	To assess tax liability over a multi-year period
Objective	This measure aims to ensure that the Government does not benefit from the delay in certain types of lump-sum payments at the taxpayer’s expense as a result of the progressivity of the income tax system (Budget 1999).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure is considered part of the benchmark tax system, and therefore is not a tax expenditure.
Subject	Other
CCOFOG 2014 code	n/a
Other relevant government programs	n/a
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model. The value of this measure corresponds to the difference between the tax that would be owed on the principal portion of eligible retroactive lump-sum payments if they were taxed in the year received, and the tax computed under the special mechanism.
Projection method	T1 micro-simulation model
Number of beneficiaries	This measure provided tax relief to about 1,000 individuals in 2015.

Cost Information:

Millions of dollars	**2012**	**2013**	**2014**	**2015**	**2016 (P)**	**2017 (P)**	**2018 (P)**	**2019 (P)**
Personal income tax	S	4	1	1	1	1	1	1

Special tax rate for credit unions

Description	Credit unions are eligible for the preferential small business tax rate of 10% 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. Budget 2013 announced the phase-out over five years of this additional preference for credit unions. For 2013, the preferential tax rate applied to 80% of the qualifying income of a credit union that exceeds $500,000. This percentage is reduced to 60% in 2014, 40% in 2015, 20% in 2016, and 0% in 2017 and subsequent years.
Tax	Corporate income tax
Beneficiaries	Credit unions
Type of measure	Preferential tax rate
Legal reference	*Income Tax Act*, subsection 137(3)
Implementation and recent history	• Introduced in 1972 to provide credit unions with access to the preferential tax rate for small businesses. • Over time, changes made to the design of the preferential tax rate for small businesses resulted in a more generous tax preference being available to credit unions. • Budget 2013 announced the phase-out over five years of this additional preference for credit unions (see the description for details).
Objective – category	To encourage or attract investment
Objective	This measure permits a credit union to accumulate capital on a tax-preferred basis up to a maximum of 5% of deposits and capital (Department of Finance Canada news release 71-157, December 6, 1971).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	The applicable tax rate departs from the benchmark tax rate.
Subject	Business - other
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T2 Corporation Income Tax Return
Estimation method	This tax expenditure is estimated by multiplying the additional deduction claimed by credit unions with a factor that represents the difference between the federal general corporate tax rate of 15% and the preferential small business tax rate.
Projection method	Projections for this measure are derived under the assumption that the amount of deduction claimed will increase at the same rate as the average of taxable income and will be subject to applicable phase-out factors.
Number of beneficiaries	About 315 credit unions applied this special tax rate in 2015.

Cost Information:

Millions of dollars	2012	2013	2014	2015	2016 (P)	2017 (P)	2018 (P)	2019 (P)
Corporate income tax	35	25	20	15	10	1	–	–

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 $11,635 (in 2017). 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	*Income Tax Act*, paragraph 118(1)(a)
Implementation and recent history	• Introduced as part of the 1987 Tax Reform, effective for the 1988 and subsequent taxation years, to replace the previous married exemption. • Until 2007, the Spouse or Common-Law Partner Credit amount was less than the Basic Personal Amount, and was reduced dollar-for-dollar by the net income of the dependent spouse or common-law partner in excess of the income threshold applicable for the taxation year. • Budget 2007 introduced two changes to the Spouse or Common-Law Partner Credit: (i) the credit amount was set equal to the Basic Personal Amount; and (ii) the income threshold was eliminated, resulting in the credit amount being reduced dollar-for-dollar by the net income of the dependent spouse or common-law partner. These changes became effective in 2007.
Objective – category	To recognize non-discretionary expenses (ability to pay)
Objective	This measure recognizes that a taxpayer whose spouse or common-law partner has little or no income has a reduced ability to pay tax relative to a single taxpayer with the same income (*Report of the Royal Commission on Taxation*, vol. 3, 1966).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system.
Subject	Families and households
CCOFOG 2014 code	71049 - Social protection - Family and children
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada and Indigenous 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 million individuals claimed this credit in 2015.

Cost Information:

Millions of dollars	**2012**	**2013**	**2014**	**2015**	**2016 (P)**	**2017 (P)**	**2018 (P)**	**2019 (P)**
Personal income tax	1,635	1,510	1,505	1,440	1,595	1,740	1,790	1,840

Student Loan Interest Credit

Description	Individuals can claim a non-refundable credit in respect of interest paid in the year or in the preceding five years on a student loan received for post-secondary education under the *Canada Student Loans Act*, the *Canada Student Financial Assistance Act*, the *Apprentice Loans Act* or similar provincial or territorial government programs. The value of the credit is calculated by applying the lowest personal income tax rate to the amount of interest paid.
Tax	Personal income tax
Beneficiaries	Students
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, section 118.62
Implementation and recent history	• Introduced in Budget 1998. Effective for the 1998 and subsequent taxation years. • Extended to Canada Apprentice Loans in Budget 2014.
Objective – category	To recognize education costs
Objective	This measure helps individuals manage their student debt loads by providing tax relief for interest payments on student loans and improving the Canada Student Loan Program to help borrowers facing financial difficulties (Budget 1998).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system. The tax benefit from this measure can be obtained in a taxation year other than the year during which it accrues.
Subject	Education
CCOFOG 2014 code	70939 - Education - College education 70949 - Education - University education 70959 - Education - Education not definable by level
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada, the Social Sciences and Humanities Research Council, the Natural Sciences and Engineering Research Council, the Canadian Institutes of Health Research and Indigenous 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 553,000 individuals claimed this credit in 2015.

Cost Information:

Millions of dollars	**2012**	**2013**	**2014**	**2015**	**2016 (P)**	**2017 (P)**	**2018 (P)**	**2019 (P)**
Personal income tax	45	45	40	40	40	40	40	40

Surtax on the profits of tobacco manufacturers

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

Cost Information:

Millions of dollars	2012	2013	2014	2015	2016 (P)	2017 (P)	2018 (P)	2019 (P)
Corporate income tax	X	X	X	X	X	X	–	–

Tax status of certain federal Crown corporations

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

Cost Information:

Millions of dollars	2012	2013	2014	2015	2016 (P)	2017 (P)	2018 (P)	2019 (P)
Corporate income tax	X	X	X	X	X	X	X	X

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

Description	The active business income of a foreign affiliate of a Canadian corporation is effectively exempt from tax in Canada, both when it is earned and when paid out as a dividend to the Canadian corporation, if the foreign affiliate is located in a country which has a tax treaty or tax information exchange agreement (TIEA) with Canada and has earned the income from a business carried on in such a country (referred to as "exempt surplus" treatment). In other situations the active business income of a foreign affiliate is generally taxable in Canada when paid out as a dividend to the Canadian corporation ("taxable surplus" treatment). Half of a dividend paid out of certain capital gains of a foreign affiliate is taxable in Canada, and half is exempt ("hybrid surplus" treatment). If the active business income is earned by a controlled foreign affiliate in a country with which Canada has no tax treaty and has not concluded a TIEA within five years of being asked by Canada to do so, then it is taxed to the Canadian corporation as it accrues (i.e., on a current basis as "foreign accrual property income"). Where active business income is taxable, relief is provided for foreign tax paid on that income. Interest and other expenses incurred by a Canadian corporation in respect of an investment in a foreign affiliate can generally be deducted in Canada, regardless of whether income from that investment is taxable in Canada, subject only to the general limitations on the deductibility of interest that are not specific to investments in foreign affiliates.
Tax	Corporate income tax
Beneficiaries	Corporations with foreign affiliates
Type of measure	Exemption; deduction
Legal reference	*Income Tax Act*, sections 91 and 113 and subsections 20(1), 93.1(1), 94.2(2) and 95(1) *Income Tax Regulations*, sections 5900-5902, 5905 and 5907
Implementation and recent history	• Most aspects of the current system were introduced as part of the 1972 Tax Reform and became effective as of 1976. • Budget 2007 added the provisions related to TIEAs, effective 2008. • The hybrid surplus provisions were added in 2014, effective retrospectively to August 2011.
Objective – category	To support competitiveness To prevent double taxation
Objective	The tax treatment of foreign active business income prevents international double taxation, supports the competitiveness of Canadian companies abroad, and assists Canada's policy on tax information exchange by giving an incentive to non-treaty countries to enter into TIEAs with Canada (*Proposals for Tax Reform*, 1969; Budget 2007).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	There are at least three possible benchmarks for taxing the active business income of foreign affiliates of Canadian corporations (see part I of this report, footnote 5). Under the benchmark where that income would be exempt, its taxation in Canada in certain circumstances would be a negative tax expenditure, while the deductibility of interest would be a positive tax expenditure. Under the benchmark where that income would be taxable when dividends are paid to the Canadian corporation, the exemption in some cases would be a positive tax expenditure, taxation of the income on an accrual basis in certain cases would be a negative tax expenditure, and the immediate deductibility of interest would be a positive tax expenditure. Under the benchmark where that income would be taxable in Canada as it accrues, the exemption of that income in some cases and the deferral of tax until the income is paid out as dividends in other cases would both be considered a positive tax expenditure.
Subject	International
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	n/a
Source of data	n/a
Estimation method	n/a
Projection method	n/a
Number of beneficiaries	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	*Income Tax Act*, paragraph 56(1)(b) and subsection 60(b)
Implementation and recent history	• Budget 1944 made alimony and comparable payments deductible from income. • Budget 1958 extended the tax treatment of payments in support of a dependant to cases where no divorce or written separation agreement was made, so long as the payments are made under a court order.
Objective – category	To extend or modify the unit of taxation
Objective	This measure provides consistent tax treatment of alimony payments under a written agreement or court order.
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure extends the unit of taxation.
Subject	Families and households
CCOFOG 2014 code	71049 - Social protection - Family and children
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada and Indigenous 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 85,000 individuals reported having received alimony or maintenance payments in 2015, while about 62,000 individuals claimed a deduction.

Cost Information:

Millions of dollars	**2012**	**2013**	**2014**	**2015**	**2016 (P)**	**2017 (P)**	**2018 (P)**	**2019 (P)**
Personal income tax	60	65	65	65	75	75	75	75

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

Description	Contributions to the Canada Pension Plan/Quebec Pension Plan receive tax recognition for income tax purposes, consistent with the taxation of the benefits received. Employees receive a tax credit for their contributions, and employer contributions are not included in their incomes. Self-employed individuals also receive a tax credit for the employee portion of the contribution, as well as a deduction for the employer portion. For both employees and self-employed individuals, the value of the credit for contributions is calculated by applying the lowest personal income tax rate to the value of contributions (15% in 2017). As part of the 2016 agreement to enhance the Canada Pension Plan, a tax deduction will be provided on employee contributions (and on the employee share of contributions by self-employed individuals) associated with the enhanced portion of the Canada Pension Plan (contributions to the enhanced portion of the Canada Pension Plan will commence in 2019). The tax treatment of contributions to the base Canada Pension Plan will remain as described above.
Tax	Personal income tax
Beneficiaries	Employees and self-employed individuals
Type of measure	Exemption; credit, non-refundable; deduction
Legal reference	*Income Tax Act*, section 118.7 and paragraphs 56(1)(a), 60(1)(e) and (e.1)
Implementation and recent history	• Budget 1965 introduced a deduction for Canada Pension Plan contributions, effective for the 1965 and subsequent taxation years. This deduction was replaced by a non-refundable tax credit as part of the 1987 Tax Reform. • Bill C-26, which came into force on March 2, 2017, amended the *Income Tax Act* to provide a tax deduction for employee contributions to the enhanced portion of the Canada Pension Plan (the enhanced portion of the Canada Pension Plan will begin to be phased in starting in 2019).
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 15.9 million individuals claimed the credit for Canada Pension Plan or Quebec Pension Plan contributions on employment income in 2015, while about 1.6 million claimed the credit for these contributions on self-employment or other income.

Cost Information:

Millions of dollars	2012	2013	2014	2015	2016 (P)	2017 (P)	2018 (P)	2019 (P)
Tax recognition for employee-paid contributions	3,305	3,415	3,575	3,715	3,775	3,880	4,000	4,380
Non-taxation of employer-paid contributions	5,310	5,480	5,695	6,095	6,030	6,230	6,440	6,985
Total – personal income tax	8,620	8,895	9,270	9,810	9,805	10,110	10,440	11,360

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

Description	A tax credit is provided for Employment Insurance and Quebec Parental Insurance Plan premiums paid by employees, while premiums paid by employers are not included in employees' incomes. The recognition for income tax purposes of employee and employer premiums is consistent with the taxation of the benefits received. The value of the credit for employee premiums is calculated by applying the lowest personal income tax rate to the premiums.
Tax	Personal income tax
Beneficiaries	Employees and self-employed individuals
Type of measure	Exemption; credit, non-refundable
Legal reference	*Income Tax Act*, section 118.7, subparagraphs 56(1)(a)(iv) and (vii) and paragraph 56(1)(r)
Implementation and recent history	• Budget 1971 introduced a deduction for employee premiums. This deduction was replaced by a non-refundable tax credit as part of the 1987 Tax Reform. • The credit was amended in 2010 to allow for a credit in respect of Quebec Parental Insurance Plan premiums, effective for 2006 and subsequent years, and to allow for a credit in respect of premiums paid by self-employed individuals.
Objective – category	Other
Objective	These measures ensure a consistent tax treatment of Employment Insurance and Quebec Parental Insurance Plan premiums and benefits.
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	These measures are considered part of the benchmark tax system, and therefore are not tax expenditures.
Subject	Employment Social
CCOFOG 2014 code	70412 - Economic affairs - General economic, commercial, and labor affairs - General labor affairs 71049 - Social protection - Family and children
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support employment. Programs within the mandates of Canadian Heritage, Immigration, Refugees and Citizenship Canada, Transport Canada and Public Safety Canada (among other departments) also support various other social objectives. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	In 2015, about 15.3 million individuals claimed the credit for Employment Insurance contributions on employment income, while about 6,000 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 113,000 individuals claimed the credit on income earned outside Quebec. About 440,000 individuals claimed the Quebec Parental Insurance Plan credit on self-employment or other eligible income.

Cost Information:

Millions of dollars	2012	2013	2014	2015	2016 (P)	2017 (P)	2018 (P)	2019 (P)
Credit for employee-paid premiums	1,155	1,235	1,290	1,330	1,345	1,205	1,260	1,295
Non-taxation of employer-paid premiums	2,385	2,565	2,680	2,890	2,835	2,550	2,675	2,770
Total – personal income tax	3,540	3,800	3,970	4,220	4,185	3,755	3,935	4,070

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

Description	AgriInvest is a producer savings account that provides flexible coverage to farmers for small income declines (first 15% of income) and supports investments to mitigate risks and improve market income. Generally, producers may make a deposit into an AgriInvest account each year, and receive a matching contribution from the federal and provincial governments. Interest income earned in AgriInvest accounts and government contributions to them are not taxable until the year of withdrawal. Since 2011, the province of Quebec has supplemented AgriInvest with the Agri-Québec program, an agricultural income stabilization account program that is very similar to the AgriInvest program. The Agri-Québec program is accorded the same income tax treatment as is provided to the AgriInvest program.
Tax	Personal and corporate income tax
Beneficiaries	Farming businesses
Type of measure	Timing preference
Legal reference	*Income Tax Act*, subsections 12(10.2) and 248(1)
Implementation and recent history	• Introduced in Budget 2007. Effective for the 2007 and subsequent taxation years. A similar tax treatment was previously granted to accounts established under the Net Income Stabilization Account program. This program was introduced in 1991 and terminated in 2009. • Budget 2011 extended the AgriInvest tax treatment to the Agri-Québec program, effective for the 2011 and subsequent taxation years.
Objective – category	To achieve an economic objective - other To encourage savings
Objective	This measure is provided in support of the AgriInvest program, which is designed to encourage farmers, through government-matched contributions, to set aside earnings in order to provide coverage against income declines.
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure permits the deferral of the recognition of income or gains for income tax purposes.
Subject	Business - farming and fishing
CCOFOG 2014 code	70421 - Economic affairs - Agriculture, forestry, fishing, and hunting - Agriculture
Other relevant government programs	Programs within the mandates of Agriculture and Agri-Food Canada and Fisheries and Oceans Canada also support the farming and fishing sectors. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Agriculture and Agri-Food Canada
Estimation method	Personal income tax (unincorporated farms): The value of this tax expenditure is estimated on a cash-flow basis and corresponds to the taxes forgone in the year on the government contributions to and interest income earned in the farm savings accounts, minus the taxes paid on amounts withdrawn from the accounts in the year. This amount is multiplied by the share of farms that are unincorporated. Calculations are based on a marginal tax rate for unincorporated farm income as estimated by the Department of Finance Canada. Corporate income tax (incorporated farms): The estimated amount described above is multiplied by the share of farms that are incorporated and then by the average tax rate faced by farms, based on T2 tax return data. No estimate is available for Agri-Québec.
Projection method	Projections for 2017 through 2019 are not provided as the value of this measure cannot be reliably forecast for these years.
Number of beneficiaries	As of December 2016, about 110,000 AgriInvest accounts were registered.

Cost Information:

Millions of dollars	2012	2013	2014	2015	2016	2017 (P)	2018 (P)	2019 (P)
AgriInvest program								
Personal income tax	10	15	4	3	15	n.a.	n.a.	n.a.
Corporate income tax	2	2	1	S	2	n.a.	n.a.	n.a.
Total	15	20	4	3	15	n.a.	n.a.	n.a.
Agri-Québec program								
Personal income tax	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Corporate income tax	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total								
Personal income tax	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Corporate income tax	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Tax treatment of investment income from life insurance policies

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

Cost Information:

Millions of dollars	2012	2013	2014	2015	2016 (P)	2017 (P)	2018 (P)	2019 (P)
Personal income tax	275	270	255	220	205	190	200	205

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	*Income Tax Act*, subsection 40(1)
Implementation and recent history	• Introduced in Budget 1971. Effective for the 1972 and subsequent taxation years.
Objective – category	To reduce administration or compliance costs
Objective	This measure recognizes that, in many cases, it is difficult to estimate with accuracy the value of unsold assets, and that taxing the accrued gains on assets that have not been sold would be administratively complex and could create significant liquidity problems for taxpayers (*Report of the Royal Commission on Taxation*, vol. 3, 1966).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure permits the deferral of the recognition of income or gains for income tax purposes.
Subject	Savings and investment
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	n/a
Source of data	No data is available.
Estimation method	No estimate is available.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

Tax-free amount for emergency services volunteers

Description	A volunteer emergency service provider can claim an exemption of up to $1,000 for amounts received from a government, municipality or other public authority for work as a volunteer ambulance technician, firefighter, or search, rescue or other type of emergency worker. If the volunteer emergency service provider claims the $1,000 exemption, he or she cannot claim the Volunteer Firefighters Tax Credit or Search and Rescue Volunteers Tax Credit in respect of the emergency work.
Tax	Personal income tax
Beneficiaries	Providers of volunteer emergency services
Type of measure	Exemption
Legal reference	*Income Tax Act*, subsection 81(4) and sections 118.06 and 118.07
Implementation and recent history	• Introduced in Budget 1961. Retroactive to the 1958 taxation year and effective in subsequent taxation years. The exemption was initially limited to volunteer firefighters. • Budget 1998 increased the exemption for volunteer firefighters to $1,000 from $500 and extended the exemption to other emergency services volunteers.
Objective – category	To achieve a social objective
Objective	This measure assists small and rural communities, which are often unable to maintain full-time emergency staff and depend on the services of volunteers. The measure supports emergency services volunteers who give freely of their time and expertise, often at considerable risk to themselves, in the service of their community (Budget 1998).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base.
Subject	Social
CCOFOG 2014 code	70329 - Public order and safety - Fire protection services 70369 - Public order and safety - Public order and safety not elsewhere classified
Other relevant government programs	Programs within the mandates of Canadian Heritage, Immigration, Refugees and Citizenship Canada, Transport Canada and Public Safety Canada (among other departments) also support various other social objectives. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T4 Statement of Remuneration Paid
Estimation method	The value of this measure is estimated by first excluding taxpayers who claim the Volunteer Firefighters Tax Credit rather than the exemption. An estimate of forgone tax revenue is calculated by multiplying the total number of individuals assumed to claim the exemption by the average amount claimed in the year, and by the marginal tax rate of individuals claiming the Volunteer Firefighters Tax Credit over the estimation period.
Projection method	The projection assumes 0.68% average annual growth in the number of emergency services volunteers claiming the exemption.
Number of beneficiaries	It is estimated that about 20,000 individuals claimed this exemption in 2015.

Cost Information:

Millions of dollars	2012	2013	2014	2015	2016 (P)	2017 (P)	2018 (P)	2019 (P)
Personal income tax	3	4	3	3	3	4	4	4

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	*Income Tax Act*, sections 146.2 and 207.01
Implementation and recent history	• Introduced in Budget 2008. Effective for 2009 and subsequent years. • The TFSA annual contribution limit was initially $5,000 per individual, indexed to inflation in $500 increments. The limit increased to $5,500 on January 1, 2013 due to indexation. • Budget 2015 increased the TFSA annual contribution limit to $10,000, not indexed to inflation, for 2015 and subsequent taxation years. • On December 7, 2015, the Government announced that the TFSA annual contribution limit would be returned to $5,500 and that indexation would be reinstated, effective for 2016.
Objective – category	To encourage savings
Objective	This measure improves incentives for Canadians to save by reducing taxes on savings (Budget 2008).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base.
Subject	Savings and investment
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	n/a
Source of data	Canada Revenue Agency, Tax-Free Savings Account statistics
Estimation method	The value of this tax expenditure corresponds to the tax revenues forgone on the investment income earned in TFSAs. It is calculated by estimating how much of the total investment income earned in TFSAs is interest, dividends or capital gains, and multiplying these amounts by estimates of the average marginal tax rates applicable to TFSA holders (accounting for the dividend gross-up and tax credit and for the partial inclusion of capital gains). Interest income and dividend income are calculated based on estimated shares of TFSA assets that are fixed income and equity investments and on historical interest rates and dividend yields. Capital gains (or losses) are determined residually by subtracting estimated interest and dividend income from the total investment income.
Projection method	The value of this measure is projected based on the expected growth of net contributions and investment income earned in the accounts.
Number of beneficiaries	About 12.7 million individuals had a TFSA at the end of 2015.

Cost Information:

Millions of dollars	**2012**	**2013**	**2014**	**2015**	**2016 (P)**	**2017 (P)**	**2018 (P)**	**2019 (P)**
Personal income tax	270	425	565	635	845	1,020	1,140	1,280

Teacher and Early Childhood Educator School Supply Tax Credit

Description	Teachers and early childhood educators may claim a 15% refundable tax credit based on an amount of up to $1,000 in expenditures made in a taxation year for eligible supplies. Eligible supplies must be purchased for use in a school or in a regulated child care facility for the purpose of teaching or otherwise enhancing students' learning in the classroom or learning environment. Eligible supplies include the following durable goods: games and puzzles; supplementary books for classrooms; educational support software; and containers (such as plastic boxes or banker boxes for themes and kits). Eligible supplies also include consumable goods, such as construction paper for activities, flashcards or activity centres. This measure applies to supplies acquired on or after January 1, 2016.
Tax	Personal income tax
Beneficiaries	Teachers and early childhood educators
Type of measure	Credit, refundable
Legal reference	*Income Tax Act*, section 122.9
Implementation and recent history	• Introduced in Budget 2016, effective for the 2016 and subsequent taxation years.
Objective – category	To recognize expenses incurred to earn employment income
Objective	This measure provides tax recognition for costs that educators often incur at their own expense for supplies that enrich the learning environment (Budget 2016).
Category	Refundable tax credit
Reason why this measure is not part of benchmark tax system	This measure is classified as a transfer payment for government accounting purposes, and therefore is not considered to be a tax expenditure.
Subject	Employment
CCOFOG 2014 code	70412 - Economic affairs - General economic, commercial, and labor affairs - General labor affairs
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support employment. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Statistics Canada, Labour Force Survey
Estimation method	n/a
Projection method	Projections are based on estimates of total amounts to be claimed multiplied by the 15% credit rate. Total amounts to be claimed are estimated on the basis of the eligible population and anticipated out-of-pocket school supply expenses. The number of eligible educators is projected to grow in line with Employment and Social Development Canada's Canadian Occupational Projection System for secondary and elementary school teachers and counsellors.
Number of beneficiaries	More than 46,000 individuals claimed this credit in 2016.

Cost Information:

Millions of dollars	**2012**	**2013**	**2014**	**2015**	**2016 (P)**	**2017 (P)**	**2018 (P)**	**2019 (P)**
Personal income tax	–	–	–	–	3	5	5	5

Textbook Tax Credit

Description	A student eligible for the Education Tax Credit could claim a non-refundable tax credit at the lowest personal income tax rate for post-secondary textbook costs. For full-time students the amount was $65 per month of study, and for part-time students the amount was $20 per month. Unused amounts could be transferred to a supporting individual or carried forward to a subsequent taxation year. Budget 2016 announced the elimination of this measure as of 2017. Amounts carried forward from prior years may still be claimed.
Tax	Personal income tax
Beneficiaries	Students and individuals supporting them
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, subsection 118.6(2.1)
Implementation and recent history	• Introduced in Budget 2006. Effective for the 2006 and subsequent taxation years. • Budget 2016 announced the elimination of this measure as of 2017.
Objective – category	To recognize education costs
Objective	This measure provided better tax recognition for the cost of textbooks for post-secondary students (Budget 2006).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system. This measure extended the unit of taxation. The tax benefit from this measure could be obtained in a taxation year other than the year during which it accrued.
Subject	Education
CCOFOG 2014 code	70939 - Education - College education 70949 - Education - University education 70959 - Education - Education not definable by level
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada, the Social Sciences and Humanities Research Council, the Natural Sciences and Engineering Research Council, the Canadian Institutes of Health Research and Indigenous 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 2015.

Cost Information:

Millions of dollars	**2012**	**2013**	**2014**	**2015**	**2016 (P)**	**2017 (P)**	**2018 (P)**	**2019 (P)**
Personal income tax	110	115	115	120	120	65	50	40

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

Cost Information:

Millions of dollars	2012	2013	2014	2015	2016 (P)	2017 (P)	2018 (P)	2019 (P)
Personal income tax	19,115	20,155	21,120	22,600	22,040	23,600	24,855	25,835
Corporate income tax	2,515	2,655	2,855	2,850	3,120	3,480	3,740	3,940
Total	21,630	22,815	23,975	25,450	25,160	27,080	28,595	29,775

Travellers' exemption

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

Cost Information:

Millions of dollars	**2012**	**2013**	**2014**	**2015**	**2016 (P)**	**2017 (P)**	**2018 (P)**	**2019 (P)**
Goods and Services Tax	215	225	250	270	275	290	295	310

Tuition Tax Credit

Description	A student can claim a non-refundable tax credit at the lowest personal income tax rate on tuition fees paid to designated educational institutions where the total for such fees exceeds $100. The student must claim the credit first on his or her own return. If the student does not need to use all of the credit, the unused amount may be transferred to a supporting individual or carried forward to a subsequent taxation year.
Tax	Personal income tax
Beneficiaries	Students and individuals supporting them
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, section 118.5
Implementation and recent history	• Introduced as a deduction in Budget 1960. Effective for the 1961 and subsequent taxation years. • Replaced by a non-refundable tax credit and made transferable to spouses, parents or grandparents as part of the 1987 Tax Reform. • Budget 1997 introduced a provision allowing unused tuition amounts to be carried forward for use in a subsequent year. • Budget 2011 made occupational, trade or professional examinations eligible for the Tuition Tax Credit. The 13-week minimum duration requirement applying to studies undertaken by Canadians at foreign universities was also reduced to 3 consecutive weeks. • Budget 2017 expanded the range of courses eligible for the credit to include occupational skills courses that are undertaken at a post-secondary institution in Canada, effective for the 2017 and subsequent taxation years.
Objective – category	To recognize education costs
Objective	This measure provides students with tax relief by recognizing the costs of enrolling in qualifying programs or courses (Budget 1960).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system. This measure extends the unit of taxation. The tax benefit from this measure can be obtained in a taxation year other than the year during which it accrues.
Subject	Education
CCOFOG 2014 code	70939 - Education - College education 70949 - Education - University education
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada, the Social Sciences and Humanities Research Council, the Natural Sciences and Engineering Research Council, the Canadian Institutes of Health Research and Indigenous 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 2015.

Cost Information:

Millions of dollars	**2012**	**2013**	**2014**	**2015**	**2016 (P)**	**2017 (P)**	**2018 (P)**	**2019 (P)**
Personal income tax	995	1,040	1,120	1,230	1,240	1,340	1,540	1,660

Volunteer Firefighters Tax Credit

Description	Individuals who performed at least 200 hours of eligible volunteer firefighting services during a year can claim the non-refundable Volunteer Firefighters Tax Credit. The value of the credit is calculated by applying the lowest personal income tax rate to a credit amount of $3,000. An individual who performs both eligible volunteer firefighting services and eligible volunteer search and rescue services for a total of at least 200 hours in the year can claim either the Volunteer Firefighters Tax Credit or the Search and Rescue Volunteers Tax Credit. An individual who claims the Volunteer Firefighters Tax Credit is ineligible for the exemption from income that would otherwise apply to up to $1,000 of income (honoraria) received in the year for being a volunteer firefighter (see the measure "Tax-free amount for emergency services volunteers").
Tax	Personal income tax
Beneficiaries	Volunteer firefighters
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, section 118.06
Implementation and recent history	• Introduced in Budget 2011. Effective for the 2011 and subsequent taxation years. • The Volunteer Firefighters Tax Credit was extended to recognize hours of eligible search and rescue volunteer service in Budget 2014.
Objective – category	To achieve a social objective
Objective	This measure recognizes the important role played by volunteer firefighters in contributing to the security and safety of Canadians (Budget 2011).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system.
Subject	Social
CCOFOG 2014 code	70329 - Public order and safety - Fire protection services
Other relevant government programs	Programs within the mandates of Canadian Heritage, Immigration, Refugees and Citizenship Canada, Transport Canada and Public Safety Canada (among other departments) also support various other social objectives. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 42,000 individuals claimed this credit in 2015.

Cost Information:

Millions of dollars	**2012**	**2013**	**2014**	**2015**	**2016 (P)**	**2017 (P)**	**2018 (P)**	**2019 (P)**
Personal income tax	15	15	20	20	20	20	20	20

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 $1,043 for single individuals without dependants and $1,894 for families (couples and single parents) in 2017. The WITB is phased out at a rate of 15% of each dollar of adjusted net income above thresholds of $11,838 for single individuals without dependants and $16,348 for families in 2017. An additional WITB supplement of up to $521 in 2017 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 $18,791 for single individuals without dependants and $28,975 for families in 2017. 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 2017, 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	*Income Tax Act*, section 122.7
Implementation and recent history	• Introduced in Budget 2007. Effective for the 2007 and subsequent taxation years (2008 and subsequent taxation years in respect of advance payments). • Enhanced in Budget 2009 for the 2009 and subsequent taxation years. • Enhanced in 2016 for the 2019 and subsequent taxation years (Department of Finance Canada news release 2016-081, June 20, 2016). • The 2017 *Fall Economic Statement* announced a further enhancement for the 2019 and subsequent taxation years, with details to be provided in Budget 2018.
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 1.4 million individuals received this benefit in 2015.

Cost Information:

Millions of dollars	2012	2013	2014	2015	2016 (P)	2017 (P)	2018 (P)	2019 (P)
Personal income tax	1,100	1,180	1,165	1,160	1,180	1,180	1,180	1,430

Zero-rating of agricultural and fish products and purchases

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

Zero-rating of basic groceries

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

Cost Information:

Millions of dollars	**2012**	**2013**	**2014**	**2015**	**2016 (P)**	**2017 (P)**	**2018 (P)**	**2019 (P)**
Goods and Services Tax	3,765	3,895	4,070	4,230	4,415	4,590	4,760	4,930

Zero-rating of feminine hygiene products

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

Cost Information:

Millions of dollars	2012	2013	2014	2015	2016 (P)	2017 (P)	2018 (P)	2019 (P)
Goods and Services Tax	–	–	–	15	35	35	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 *Excise Tax Act*
Implementation and recent history	• This measure has been in effect since the inception of the GST in 1991. • The list of zero-rated devices is periodically expanded and amended. Most recently, Budget 2016 announced that insulin pens, insulin pen needles, and intermittent urinary catheters would be zero-rated.
Objective – category	To achieve a social objective
Objective	This measure helps to preserve the affordability of these supplies.
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	Zero-rating is a deviation from a broadly defined value-added tax base.
Subject	Health
CCOFOG 2014 code	70719 - Health - Medical products, appliances, and equipment - Medical products, appliances, and equipment not elsewhere classified
Other relevant government programs	Programs within the mandates of Health Canada, the Canadian Food Inspection Agency, the Canadian Institutes of Health Research, the Public Health Agency of Canada and Veterans Affairs Canada also support health-related objectives. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Statistics Canada, Supply and Use Tables and National Income and Expenditure Accounts
Estimation method	Goods and Services Tax model
Projection method	Goods and Services Tax model
Number of beneficiaries	No data is available.

Cost Information:

Millions of dollars	**2012**	**2013**	**2014**	**2015**	**2016 (P)**	**2017 (P)**	**2018 (P)**	**2019 (P)**
Goods and Services Tax	330	335	345	350	360	370	380	390

Zero-rating of prescription drugs

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

Cost Information:

Millions of dollars	**2012**	**2013**	**2014**	**2015**	**2016 (P)**	**2017 (P)**	**2018 (P)**	**2019 (P)**
Goods and Services Tax	735	755	775	800	835	870	900	935

Table

Additional Information on Relevant Government Programs by Subject

Subject	
Arts and culture	Programs within the mandate of Canadian Heritage also support arts and culture. These include programs such as the Canada Arts Presentation Fund, the Canada Arts Training Fund and the Canada Music Fund. More information on these programs can be found in the Departmental Plans of Canadian Heritage.
Business – farming and fishing	Programs within the mandates of Agriculture and Agri-Food Canada and Fisheries and Oceans Canada also support the farming and fishing sectors. These include programs such as the AgriStability, AgriInvest and AgriInsurance programs as well as the Catch Certification Program. More information on these programs can be found in the Departmental Plans of these organizations.
Business – natural resources	Programs within the mandate of Natural Resources Canada also support the natural resource sector. These include programs such as the 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 Departmental Plans of Natural Resources Canada.
Business – small businesses	Programs within the mandate of Innovation, Science and Economic Development Canada also support small businesses. These include programs such as the Canada Small Business Financing Program, BizPal and Canada Business Network. More information on these programs can be found in the Departmental Plans of Innovation, Science and Economic Development Canada. The Business Development Bank of Canada, a federal Crown corporation, also provides financing and consulting services to small and medium-sized enterprises.
Business – research and development	Programs within the mandates of Innovation, Science and Economic Development Canada, the National Research Council Canada and the federal granting councils also support research and development. These include programs such as the Strategic Innovation Fund, Industrial Research Assistance Program, Strategy for Partnerships and Innovation, and Centres of Excellence for Commercialization and Research. More information on these programs can be found in the Departmental Plans of these organizations.
Business – other	Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. These include programs such as the Canadian Trade Commissioner Service, the CanExport program and the Build in Canada Innovation program. More information on these programs can be found in the Departmental Plans of these organizations. Export Development Canada and the Canadian Commercial Corporation, two federal Crown corporations, also have mandates of facilitating and promoting international trade, notably by providing financing, market expertise and other services to Canadian businesses.
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 Loan Program and Canada Education Savings Grant, the Apprenticeship Incentive Grant and Apprenticeship Completion Grant, and the Canada Graduate Scholarships program. More information on these programs can be found in the Departmental Plans of these organizations. The federal government also provides funding to provinces and territories in support of post-secondary education through the Canada Social Transfer—see the Departmental Plans of the Department of Finance Canada.

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 Service, 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 Departmental Plans of Employment and Social Development Canada.
Environment	Programs within the mandates of Environment and Climate Change Canada, the Canadian Environmental Assessment Agency, Parks Canada and Natural Resources Canada also support environment-related objectives. These include programs related to combatting climate change, such as the Low Carbon Economy Fund and green infrastructure investments, supporting sustainable ecosystems and biodiversity, and conducting environmental assessments, as well as the Energy Innovation Program and the Marine Renewable Energy Enabling Measures Program. More information on these programs can be found in the Departmental Plans of these organizations.
Families and households	Programs within the mandates of Employment and Social Development Canada and Indigenous and Northern Affairs Canada also support Canadian families and households. These include programs such as Employment Insurance maternity and parental benefits, and the Income Assistance Program and Assisted Living Program that support First Nations on reserve. More information on these programs can be found in the Departmental Plans of these organizations.
Health	Programs within the mandates of Health Canada, the Canadian Food Inspection Agency, the Canadian Institutes of Health Research, the Public Health Agency of Canada and Veterans Affairs Canada also support health-related objectives. These include programs such as the Health System Priorities program, the Medical Devices program, the Federal Tobacco Control Strategy, the Healthy Child Development program, and the First Nations and Inuit Primary Health Care program. More information on these programs can be found in the Departmental Plans of these organizations. The federal government also provides long-term predictable funding for health care to provinces and territories through the Canada Health Transfer—see the Departmental Plans of the Department of Finance Canada.
Housing	Programs within the mandate of Canada Mortgage and Housing Corporation are intended to promote the construction 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 Departmental Plans 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 Service and the Disability Award program for veterans. More information on these programs can be found in the Departmental Plans of these organizations.
Retirement	Programs within the mandate of Employment and Social Development Canada also support retirement income security. These include the Canada Pension Plan as well as the Old Age Security program. More information on these programs can be found in the Departmental Plans of Employment and Social Development Canada.
Social	Programs within the mandates of Canadian Heritage, Immigration, Refugees and Citizenship Canada, Transport Canada and Public Safety Canada (among other departments) also support various other social objectives. These include programs such as the Exchanges Canada program, the Development of Official-Language Communities program, the Settlement program, the Transportation Infrastructure program and the Emergency Management program. More information on these programs can be found in the Departmental Plans of these organizations. The federal government also provides funding to provinces and territories in support of programs for children, social assistance and other social programs through the Canada Social Transfer—see the Departmental Plans of the Department of Finance Canada.

Note: Federal business innovation programs identified in this table reflect programs as they exist at the time of publication. Budget 2018 announced the future consolidation and transfer of some business innovation and clean technology programs reviewed by the Treasury Board Secretariat in undertaking the Horizontal Innovation and Clean Technology Review, in order to create a simpler program suite that better meets the needs of businesses. See the 2018 Budget Plan for further information.

Part 4
Tax Evaluations and Research Reports

Evaluation of the Non-Taxation of Capital Gains on Donations of Publicly Listed Securities[1]

1. Introduction

To encourage charitable giving, the *Income Tax Act* contains provisions for granting tax assistance to donors. A non-refundable tax credit is available to individuals for various types of gifts, including money, personal-use property, and certain capital property such as publicly listed securities (PLS).[2] A similar treatment is provided to corporations, but a deduction exists in place of a tax credit.

This evaluation paper focuses on the tax assistance for donations of PLS. Over the past 25 years, the tax treatment of donations of PLS has undergone a number of modifications. Most notably, the proportion of capital gains subject to taxation on donated securities was cut in half in 1997 and completely eliminated in 2006.

The paper begins by briefly providing background information on the tax treatment of donations of PLS. This is followed by an analysis of the measure's effectiveness, a discussion of equity considerations, and an examination of its efficiency.

2. Background

2.1 Current Rules

The tax assistance provided in respect of donations of PLS can be divided into two components: the Charitable Donation Tax Credit (described below) applied to the fair market value of the donation, and a tax exemption on the capital gains tax that would be due if the shares were sold and not donated.[3,4]

1 The analysis presented in this paper was prepared by Maxime Dufournaud-Labelle, Economist, Tax Policy Branch, Department of Finance Canada, with assistance from Scott Legree, Economist, Tax Policy Branch, Department of Finance Canada. Enquiries regarding Department of Finance Canada publications can be sent to finpub@canada.ca.

2 For consistency with the terminology used in the Estimates and Projections section of this report, the term "publicly listed securities" is employed. However, other commentators have referred to the assets targeted by this measure as publicly traded securities (e.g., Innes, 2003).

3 The exemption is provided for in paragraph 38(a.1) of the *Income Tax Act, R.S.C., 1985, c.1 (5th Supp.)*, as amended (herein referred to as "the Act").

4 A donor making such a contribution is considered to have disposed of the property for proceeds equal to its fair market value. The eligible amount of the gift, i.e., the difference between its fair market value and any advantage received, may be claimed for the Charitable Donation Tax Credit. For example, on a gift of real estate property with a fair market value of $300,000, but which is still subject to a $100,000 mortgage (the assumption of which by the charity is an advantage for the donor), the eligible amount is $200,000.

Individuals are eligible for the non-refundable Charitable Donation Tax Credit (CDTC) on gifts made to registered charities and other qualified donees.[5] The CDTC follows a tiered rate structure: the first $200 of gifts are credited at the lowest federal income tax rate, 15%, and amounts over this threshold are credited at a higher 29% rate.[6] Donors can claim the credit on donations valued at up to 75% of their net income in a year, and this ceiling can be increased by 25% of the value of gifts of depreciable property and capital gains on gifts of capital property made in the period, up to net income.[7] Donors are not required to claim charitable donations in their tax return in the year of donation; they may be carried forward for up to five years (ten years for gifts of ecologically sensitive land), or simply omitted. However, gifts of securities must be reported in order to determine the capital gains eligible for a zero inclusion rate.

Corporations may also claim donations, including gifts of securities, in their tax return. Instead of obtaining a credit, eligible donation amounts may be applied as a deduction against taxable income. Rules regarding the maximum allowable deduction for corporate charitable donations are analogous to those governing individuals.[8]

2.2 Effect on the After-Tax Price of Giving

In general, the primary objective of tax assistance for charitable donations is to reduce the after-tax price of giving, which can be defined as the amount of potential consumption forgone when donating a dollar (Clotfelter, 2012). This concept can be adapted to the donation of PLS in the Canadian context. To arrive at a general expression of the after-tax price of giving, it is useful to start with a simple theoretical expression for what the economic cost, viewed from the perspective of the donor, might be on the donation of a security. Consider a taxpayer who has already made $200 in contributions, and for whom the CDTC rate matches his or her marginal tax rate. The *economic cost* of a marginal donation of securities can be represented as:

$$E(f, g, m, \tau, c) = [f - (f - c)g\tau] + [(f - c)gm\tau] - [f\tau] \qquad (1)$$

where f represents the fair market value of the security, c the adjusted cost base, g the standard capital gains inclusion rate, τ the marginal tax rate of the individual (which is assumed to equal the CDTC rate), and m the capital gains inclusion rate on *taxable* capital gains on donated securities.[9] The first term represents the after-tax value of the security to the individual (i.e., the forgone value had the individual sold the security and kept the cash rather than donating it). The second term represents the tax that would be paid on a donated security (the value of this term is currently zero because m was reduced to zero in 2006). Finally, the third term represents the value of the CDTC, which reduces the economic cost of donating a security.

Dividing the above equation by f and simplifying, the expression for E becomes an expression for the after-tax price (forgone consumption for a donation of one dollar), represented below as P:

$$P(r, g, m, \tau) = [(1 - \tau)] + [rg\tau(m - 1)] \qquad (2)$$

where $\left(\frac{(f-c)}{f}\right)$, the gain proportion of the value of the security, is now represented by r for simplicity.

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5 See section 118.1 of the Act. Both natural persons and trusts are included in the definition of "individuals" within the Act. In what follows, however, we use individuals to refer to natural persons filing a T1 return.

6 Since 2016, donors with annual taxable income greater than $200,000 (indexed yearly to inflation) are credited at 33% on the lesser of the portion of donations exceeding $200 and taxable income subject to the new rate.

7 In the year of death and the year preceding death, the limit is increased to 100% of net income.

8 See section 110.1 of the Act.

9 This Canadian-adapted expression is analogous to that in one of the original papers on the topic of the after-tax price of giving: Schwartz (1970). Note that the theory underlying this formulation of the economic cost assumes that the donor had been planning to sell the securities in the short term. This assumption is challenged by Innes (2003), who argues that the economic cost is overstated in the case of securities that would have otherwise been held for the long term. This issue is revisited in Section 3.4.

Table 1
Numerical Example of the After-Tax Price of Giving

		Cash	PLS, by inclusion rate *m=1*	*m=0.5*		*m=0*
			(1)	(2)	(3)	(4)
	Components of donation					
1	Fair market value *f*, of which	$1,000	$1,000	$1,000	$1,000	$1,000
2	Cost base *c*	N/A	$200	$200	$200	$200
3	Capital gain *f-c*	N/A	$800	$800	$800	$800
	Tax parameters					
4	Base capital gains inclusion rate *g*	N/A	0.75	0.75	0.5	0.5
5	Inclusion rate applicable on gifts of securities *m*	N/A	1	0.5	0.5	0
6	Combined federal-provincial top marginal tax rate τ	0.46	0.46	0.46	0.46	0.46
	Tax on donation					
7	Capital gains tax if sold: (3)*(4)*(6)	N/A	$276	$276	$184	$184
8	Capital gains tax if donated: (7)*(5)	N/A	$276	$138	$92	$0
	Tax credit / savings					
9	Charitable donation tax credit: (1)*(6)	$460	$460	$460	$460	$460
10	Tax saved due to half/nil inclusion rate: (7)-(8)	$0	$0	$138	$92	$184
	Consumption forgone by donor: (1)-(9)-(10)	$540	$540	$402	$448	$356

Note that when *m=1* (i.e., no special tax treatment for gains on donated securities), the expression in (2) simplifies to $(1-\tau)$, which is the same as the after-tax price of a cash donation. On the other hand, when *m=0* (i.e., the full exemption of capital gains tax on donated securities), the expression is $(1-\tau)-rg\tau$, with the extra term representing the value of the full exemption on capital gains, which is analogous to receiving a credit for the tax that would have been paid if the shares had simply been sold.

Table 1 presents a numerical example to highlight how the tax assistance changes according to the form of donation, and the inclusion rate on gifts of securities. Consider the decision to donate $1,000, either through cash or by gifting a security, and the consumption that must be forgone in each case. An individual donating $1,000 in cash would be eligible for a $460 combined federal-provincial charitable donation tax credit.[10] Since the tax credit may be applied against other income tax owing, potential consumption has only decreased by $540 by donating. Suppose instead the individual had previously acquired a security at a cost base of $200, which has appreciated to a fair market value of $1,000. The capital gains portion of the asset subject to inclusion represents pre-tax income, and this must be converted to after-tax income to calculate forgone consumption. In column (1), the base capital gains inclusion rate is 75% and the inclusion rate on securities is 100%. By selling the asset, the individual receives $724 in after-tax income ($1,000 in proceeds less $276 in capital gains tax). If donated instead, the same amount would be paid in capital gains tax, but the individual would receive $460 through the CDTC, yielding $184 in after-tax income. The $540 difference in after-tax income between the sale and donation represents the potential consumption forgone by the donor. This is expressed more succinctly as the value of the asset less the sum of the tax credit and tax saved due to the reduced inclusion rate. Since the individual does not reduce his or her tax owing by choosing to donate when m=1, the after-tax price is equivalent to that of the cash donation. Column (2) demonstrates the effect of halving the inclusion rate on gifts of securities. Under this regime, donating the asset only incurs $138 in tax on

[10] In this simple illustrative example, the federal-provincial CDTC rate and the top marginal tax rate are assumed to take the same value of 0.46. In practice, the values of these parameters will vary by province and by tax filer, and the CDTC rate can be different from the top marginal tax rate. The values used in the calculation of the tax expenditure contained in the Estimates and Projections section of this report use the observed tax filer values.

capital gains. With the same $460 credit, after-tax income rises to $322, and the potential consumption forgone by the donor is correspondingly reduced to $402 ($724 minus $322). In column (3), the base capital gains inclusion rate falls from 75% to 50%. Selling the asset now results in less capital gains tax, and so for the same 50% inclusion rate on gifts of securities, donors save less in tax, resulting in an increased after-tax price of giving ($448). Finally, column (4) presents a scenario where the inclusion rate on gifts of securities is reduced to nil. Choosing to donate grants a tax saving of $184, and the after-tax price of giving is reduced to $356.

2.3 History of the Capital Gains Treatment of Publicly Listed Securities

The first major tax reform relating to charitable donations was the introduction in 1930 of a deduction for charitable donations, up to a ceiling of 10% of the taxpayer's net taxable income.[11,12] Numerous modifications to the tax treatment of charitable donations have been made since, detailed descriptions of which can be found in Bird and Bucovetsky (1976) and Duff (2001). No separate legal provisions relating to gifts-in-kind, including PLS, existed in the Act prior to 1972. While gifts-in-kind deductible at fair market value were possible in theory since 1930, in practice such gifts were rare and it was generally understood that National Revenue would not permit the deduction in many cases.[13] Beginning around 1972-1973, it was clarified that individuals could deduct up to the full market value of the donated security, but had to pay the capital gains tax on any gains.

In 1987, a major conceptual change occurred when the deduction in respect of charitable donations was converted into a tax credit (the CDTC). To maintain similar tax incentives under the credit, the credit rate for donations over $250 was set at 29% so that the credit for these amounts would still function essentially as a deduction.[14] Donations of PLS continued to be taxable in respect of any capital gains and eligible for the CDTC at full market value throughout this time.

This situation persisted until 1997, at which time a preferential tax treatment for capital gains on gifts of PLS was introduced in Budget 1997. The inclusion rate applied to the capital gains on donations of PLS was cut in half for donations made to charitable organizations and public foundations (but not to private foundations). The measure was originally enacted on a temporary basis (it included a "sunset clause" set to expire after five years), with extension to depend on whether the measure was found to have increased donations overall and whether the additional donations were distributed fairly among charities. Budget 2001 announced that the measure had met these objectives, and the one-half inclusion rate was made permanent.

Budget 2006 replaced the reduced capital gains inclusion rate with a complete exemption (i.e., a capital gains inclusion rate of zero) for donations of PLS. Table 2 presents the effective capital gains inclusion rate on gifts of PLS over time as these reforms took effect.

[11] There were targeted provisions allowing for deduction of donations to the Patriotic and Canadian Red Cross Funds for a limited time between 1917 and 1920 (Duff 2001).

[12] The limit on deductions for charitable donations was extended to 20% as part of the 1971 *Tax Reform Act*. Two further increases, to 50% and 75%, were introduced with Budget 1996 and Budget 1997, respectively.

[13] See Bird and Bucovetsky (1976).

[14] As under the deduction regime, the amount credited continued to be limited to 20% of income at the time. See Duff (2001) for more information on this reform.

In the following year, the exemption was extended to donations made to private foundations, while subjecting the latter to excess business holdings rules designed to mitigate potential conflicts of interest.[15] Budget 2008 further extended the zero inclusion rate to donations of unlisted exchangeable securities, provided they are exchanged for PLS and gifted within 30 days.

Table 2
Effective Capital Gains Inclusion Rate on Gifts of PLS Over Time

Time period	General inclusion rate (*g*) (%)	Donations inclusion rate (*m*) (%)	Effective inclusion rate (g*m) (%)
Pre-1997	75	100	75
1997 - February 2000	75	50	37.5
February 2000 - October 2000	66.7	50	33.3
October 2000 - 2005	50	50	25
2006 - present	50	0	0

3. Evaluation

The evaluation proceeds by way of an analysis of tax return data, providing more information to assess whether the policy has been effective, and taking into account considerations of equity and efficiency.

3.1 Effectiveness

This section considers the effectiveness of the measure in encouraging charitable giving. A previous evaluation of charitable donations estimated the overall price elasticity of individuals at -1.1, indicating that a 10% reduction in the after-tax price of giving would be expected to lead to an 11% increase in charitable donations (Department of Finance Canada, 2016).[16] The full capital gains exemption on gifts of securities effectively lowers the after-tax price of giving for such assets (as can be seen in Equation (2) above when the case of $m=1$ is compared to the case when $m=0$), and is therefore expected to encourage more giving. In addition, the literature suggests that a lower overall after-tax price for donations is associated with a positive income effect, which could also lead to an increase in donations.[17]

However, the *relative* after-tax price of giving securities is also of significance. That is, for donors considering a donation of cash or a donation of securities, a decrease in the after-tax price of giving securities relative to cash would be expected to increase donations of the former relative to the latter, so long as the donor is in a position to donate securities. Very few studies have considered this issue, but a U.S. study by Eaton and Milkman (2004) concluded that there is a substantial elasticity of substitution between cash and noncash gifts among donors, i.e., that donors will adjust the type of gift made according to the relative after-tax price. If donors simply substitute donations of securities for cash donations while maintaining a constant amount of contributions, this would result in a higher tax expenditure, and would not increase the aggregate level of donations.

15 The *Income Tax Act* requires a private foundation holding more than 2% of all outstanding shares in any class of shares of a corporation to monitor its holdings and those of related persons. Sections 149.1 and 149.2 of the Act require the private foundation to divest itself of excess holdings if it and related persons together hold more than 20% of outstanding shares in a class.

16 This result is in line with Hossain and Lamb (2012), who estimated an overall price elasticity of -1.7 for Canada, and a cross-country meta-analysis by Peloza and Steel (2005), in which the authors report a mean weighted price elasticity of -1.44.

17 Positive income effects are ubiquitous in the empirical literature on patterns of giving. See Batina and Ihori (2005) for a review of results up through the early 1990s and, more recently, Hossain and Lamb (2012) and Department of Finance Canada (2016), which estimated positive coefficients on income using Canadian data.

This section of the paper proceeds by presenting some statistics on PLS donations since 2001, which can be used to inform the extent to which overall donations have increased, or have simply been substituted from cash into securities, as a result of the elimination of tax on capital gains of donated securities in 2006. Aggregate trends, which are consistent with the price and income elasticity estimates in the literature, are presented first. PLS donations, benefiting from a lower after-tax price than cash donations, are found to have a growth rate far outstripping that of claimed donations in the sample period, even through the 2008-2009 recession. Moreover, immediately following the full capital gains exemption in 2006, the number of PLS donors and donated value of securities increased appreciably. Against this, to assess whether the change in the relative after-tax price has led to substitution of securities for cash donations, this section proceeds by examining the evolution of donors' portfolio of gifts. It is observed that gifts of securities take up a larger share of donations following the full capital gains exemption in 2006. To better isolate any behavioural change, the analysis then abstracts from the new donors appearing each year, and follows repeat donors over time for the change in the value and composition of their donations. Repeat donors first appearing before the policy change primarily add to gifts other than securities between 2001 and 2005, but switch to increasing their overall donations through additional gifts of securities after 2006.

Individuals

Chart 1 illustrates the total value of claimed eligible donations and gifts of PLS between 2001 and 2015.[18, 19, 20] The number of individuals claiming donations in each year is also represented. In real terms, total claimed donations grew from an estimated $7.47 billion in 2001 to $9.48 billion in 2007. A decline is observed during the recession, along with muted growth thereafter; as of 2015, claimed donations stood at $9.71 billion, and the number of donors had declined by approximately 300,000 from its peak of 5.91 million in 2008.[21] Donations of PLS, while modest relative to claimed donations, grew rapidly between 2001 to 2007, from $144 million to $643 million. Despite a near-halving of value the following year, gifts of securities recovered to reach a maximum of $822 million in 2014. Moreover, between 2001 and 2015, gifts of securities grew from 1.9% to 6.7% as a share of claimed donations.

[18] Values are expressed in constant 2014 dollars throughout.

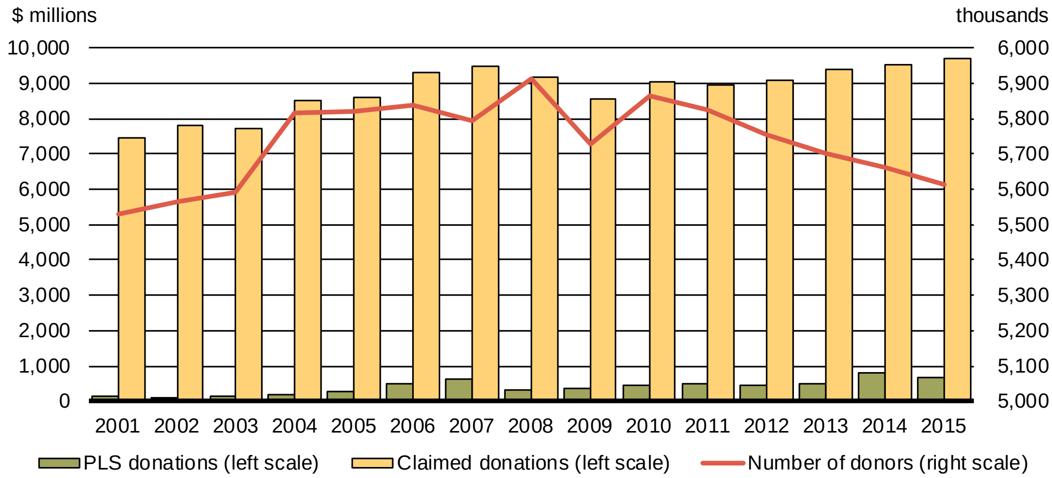
[19] The value of donations from 2001 to 2005 is estimated from the total value of the CDTC.

[20] Donations made through tax shelters are omitted from the data, as individuals participating in these arrangements are issued donation receipts (for the purposes of the CDTC) with a value in excess of what was actually gifted.

[21] This trend was also observed in the 2014 edition of this report. It was noted therein, however, that the proportion of filers with net tax payable donating has remained essentially flat. The decline is therefore attributable to a lower number of individuals paying tax (that is, fewer individuals have an incentive to report donations in their return). It may also reflect an increased tendency to pool donations among spouses and partners.

Chart 1

Charitable Donations Claimed and Donations of PLS (T1 Returns)



Notes: Excludes donations made as part of a tax shelter arrangement. Includes donations made in the year of death.
Sources: T1 return data (Schedule 9 and T1170); Department of Finance Canada calculations.

Table 3 reports the average yearly growth rate of claimed donations and gifts of securities. Claimed donations averaged a 2.4% yearly growth rate between 2001 and 2015, but gifts of securities grew six times faster, leading to an increase in the proportion of securities among the mix of gifts over time. Partitioning between the pre- and post-2006 periods reveals that in the former period, the ratio of the growth rates was narrower, at 5.2. From 2006 onwards, however, the growth rate of gifts of securities and claimed donations both decline, but the ratio widens to 7.5. Starting from the trough of the recession, both growth rates recover somewhat, and the ratio returns essentially to its 2001-2005 level.

Table 3

Average Yearly Growth Rate of Donations of PLS and Claimed Donations, by Sample Period (T1 Returns)

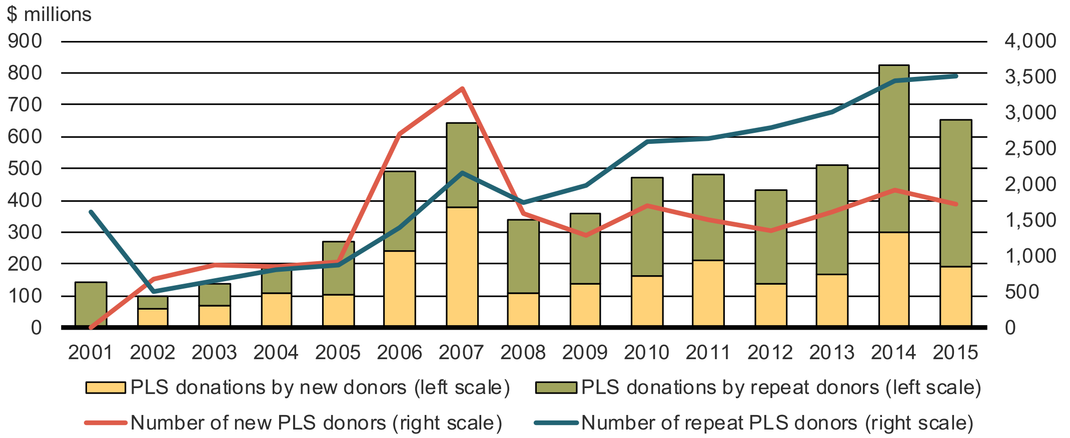
	Sample period			
Type of gift	**Full**	**2001-2005**	**2006-2015**	**2010-2015**
PLS donations	14.7%	37.4%	10.2%	12.8%
Claimed donations	2.4%	7.2%	1.4%	2.5%
Ratio	6.1	5.2	7.5	5.0

Source: T1 return data (Schedule 9 and T1170); Department of Finance Canada calculations.

Chart 2 presents summary data on donors of PLS, where new donors refer to individuals making a contribution for the first time within the sample period, while repeat donors are those having gifted at least once previously. Between 2001 and 2015, donations of securities totalled $6.06 billion. There was a substantial increase in both the number of donors and value of PLS donations in 2006 and again in 2007. Moreover, in 2006, when the full capital gains exemption was introduced, the new donor share peaked at 66%. The share subsequently declined, a fall which is also observed in terms of the share of new PLS donation value. Thus, from 2008 onwards, the majority of donors of PLS are repeat donors and the majority of the value is attributable to them.

Chart 2

Donations of PLS, Repeat and New Donors (T1 Returns)



Notes: Excludes donations made as part of a tax shelter arrangement. Includes donations made in the year of death.
Sources: T1 return data (Schedule 9 and T1170); Department of Finance Canada calculations.

In Tables 4 and 5, the data on individual donations is separated between gifts of securities and other donations. Other donations are derived by subtracting gifts of securities from claimed donations. Although gifts of securities must be reported in order to assess the gain eligible for a reduced (zero) inclusion rate, the donor can claim the CDTC in any of six years (the year of the donation plus the five following years). Therefore, the data are limited to those observations where the value of claimed donations was at least equal to the value of donated securities.[22]

Table 4 illustrates the mean and median value of gifts made by new and repeat donors in the pre- and post-2006 periods, sorted by type of gift. Repeat PLS donors are found to claim larger donation amounts, both in terms of securities and other donations, across both periods. Between 2001 and 2005, securities comprised on average 57.5% of the value of claimed donations for repeat donors, and 65.1% for new donors. From 2006 onwards, these proportions increased to 68.2% and 67.1%, respectively. Since the average value of claimed donations declined slightly among repeat donors, this is indicative of a substitution effect for this group in favour of securities. It should be noted, however, that the value of gifts claimed by new donors increased between the two periods.

Table 4

Value of Donations Among Repeat and New Donors, by Type of Gift (T1 Returns)

			Overall donations		Securities		Other donations	
Years	**Donor type**	**Number of donors**	**Mean ($)**	**Median ($)**	**Mean ($)**	**Median ($)**	**Mean ($)**	**Median ($)**
2001-2005	Repeat	2,298	146,502	31,851	84,243	18,167	62,259	10,148
	New	3,680	116,281	29,880	75,747	16,364	40,535	8,448
2006-2015	Repeat	19,319	140,746	30,712	95,924	18,233	44,822	7,540
	New	13,554	121,054	25,991	81,226	14,888	39,828	5,787

Source: T1 return data (Schedule 9 and T1170); Department of Finance Canada calculations.

[22] 75.2% of observations on individual donors of PLS met this criterion.

Evidence of a substitution effect can also be found by examining gifting patterns among repeat donors of PLS over time—in particular, before and after the introduction of the full capital gains exemption. Table 5 illustrates the *change* in the value of donations among repeat donors, according to their cohort (i.e., the period in which their first donation of securities was made) and donation period. As donations of PLS tend to be irregular, the change is calculated as the difference in the value gifted between two periods, whether consecutive or not. Pooling all repeat donors together, an average positive change of $12,200 is observed over the period spanning 2001-2015, with securities accounting for 85.5% of the increase. Disaggregating between earlier and later donation periods reveals that previously, the increase in donation value was primarily through other gifts, while securities became the principal driver in the latter period. This pattern is also found among the 2001-2005 cohort. Meanwhile, repeat donors who first donated in 2006 or later typically increase their gifts of securities at the expense of other forms of contributions.

Table 5

Change in Value of Donations Among Repeat Donors, by Cohort, Donation Period and Type of Gift (T1 Returns)

			Mean change in		
Cohort	**Donation period**	**Number of repeat donors**	**Overall donations ($)**	**Securities ($)**	**Other donations ($)**
Any	Full	21,617	12,224	10,451	1,773
	2001-2005	2,298	31,211	14,492	16,719
	2006-2015	19,319	9,966	9,970	-4
2001-2005	Full	8,716	21,387	13,409	7,978
	2001-2005	2,298	31,211	14,492	16,719
	2006-2015	6,418	17,869	13,021	4,848
2006-2015	Full	–	–	–	–
	2001-2005	–	–	–	–
	2006-2015	12,901	6,034	8,452	-2,418

Note: Cohort refers to the period in which repeat donors first made a gift of PLS.
Source: T1 return data (Schedule 9 and T1170); Department of Finance Canada calculations.

Overall, the T1 return data indicate that donations of PLS have increased substantially in value, and that the growth rate of PLS donations has been higher than that of other donations, particularly in the face of the 2008 downturn. This evidence is in line with the measure's aim to incentivize giving of securities. Consistent with the possibility of substitution, however, donations of securities are found to be an increasing share of the mix of claimed donations. Moreover, securities lead the growth in the donations of repeat donors from 2006 onwards and, among the cohort appearing after the full exemption, other donations are typically decreasing over time.

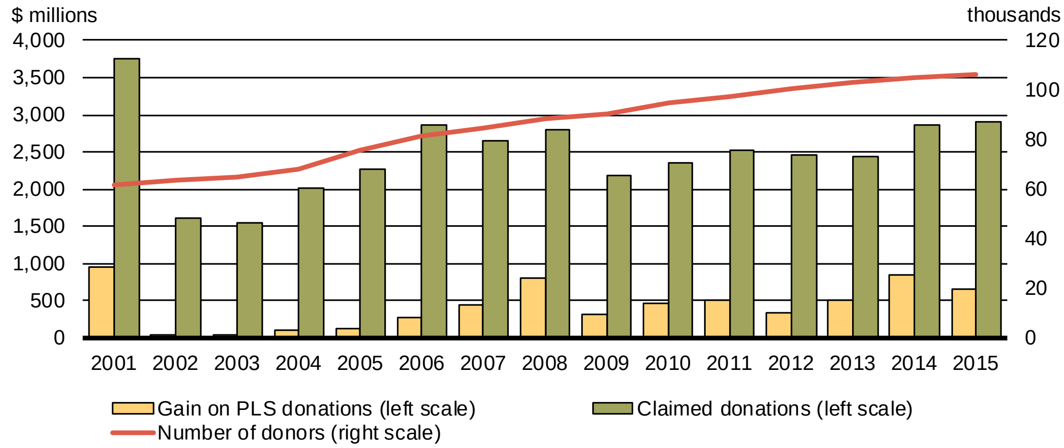
Corporations

Chart 3 represents the total value of claimed donations and the gain on gifts of securities. Note that in the case of corporate returns, the value of gifts made in the form of PLS is not designated, only the associated capital gain. The data are therefore not directly comparable to those of the T1 returns. The average growth rate of corporate donations between 2002 and 2014 was 5% per annum, and gains on gifts of securities as a proportion of claimed donations increased from 2.6% in 2002 to 22.5% in 2015.[23]

Chart 3

Donations Claimed for Deduction and Gain on Donations of PLS (T2 Returns)

Notes: Excludes donations made as part of a tax shelter arrangement. Includes donations made in the year of death.



Sources: T2 return data (Schedule 2 and Schedule 6); Department of Finance Canada calculations.

The average yearly growth rates of the different components of donations are represented in Table 6. Corporate donations of securities grew 3.9 times faster than total claimed donations between 2002 and 2005. This ratio increases to 6.9 in the 2006-2015 period, indicating a more dramatic divergence in growth rates compared to the earlier period. Limiting the later period to years following the recession (2010-2015) eliminates this effect, revealing a ratio of only 2.6, as the growth rate of claimed donations rebounded while that of donations of securities slowed.

Table 6

Average Yearly Growth Rate of Gain on Donations of PLS and Claimed Donations, by Sample Period (T2 Returns)

	Sample period			
Type of gift	**Full**	**2002-2005**	**2006-2015**	**2010-2015**
Gain on PLS donations	25.6%	46.5%	19.4%	15.1%
Claimed donations	5%	11.8%	2.8%	5.8%
Ratio	5.1	3.9	6.9	2.6

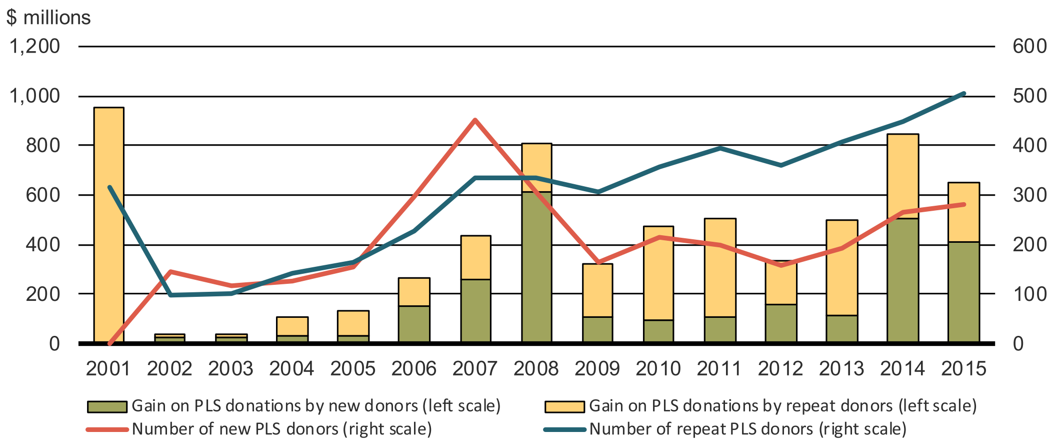
Source: T2 return data (Schedule 2 and Schedule 6); Department of Finance Canada calculations.

[23] For these statistics, we omit the value obtained in 2001 as it was largely the result of a single donation. This donation is also omitted in Table 7 and Table 8.

Chart 4 summarizes data on corporate PLS donations, separating new and repeat donors. Corporations claimed some $6.43 billion in gains on gifts of securities between 2001 and 2015. As with individual donors, there was an increase in the share of new donors and in the share of the value of PLS donations attributable to new donors in 2006 and 2007, both of which subsequently decline. The shift in 2006 is particularly striking in terms of the value of PLS donations generated by new donors, which jumps from 25% to 58% of the total in one calendar year. Also of note is a sharp increase in the share of PLS donation value attributable to new donors in 2014 and 2015.

Chart 4

Gain on Donations of PLS, Repeat and New Donors (T2 Returns)



Notes: Excludes donations made as part of a tax shelter arrangement. Includes donations made in the year of death.
Sources: T2 return data (Schedule 2 and Schedule 6); Department of Finance Canada calculations.

As with individual donors, data on corporate gifts can be disaggregated between gifts of securities and other donations. Other donations are calculated as the difference between the value of charitable donations claimed for deduction and the gain on donations of securities (the data are limited to those observations where this difference was non-negative).[24] Since the gain on donations of securities can be no greater than the fair market value of the securities, the calculation likely overstates the value of other donations. Nonetheless, the data reveal a change in behaviour following the introduction of a full capital gains exemption.

Table 7 shows the mean and median value of gifts made by corporations before and after the full capital gains exemption was introduced. Between 2001 and 2005, corporate donors—whether new or repeat donors—were gifting the majority through donations other than securities. From 2006 onwards, the composition is reversed, with donations of securities now responsible for most of the gifted value. This holds at both the intensive (repeat donors) and extensive (new donors) margins. Also observed is a small decrease in the real value of overall donations made by repeat donors between the two periods, and a small increase among new donors.

[24] 94.5% of observations among corporate donors of PLS satisfied this restriction.

Table 7

Value of Donations Among Repeat and New Donors, by Type of Gift (T2 Returns)

Years	Donor type	Number of donors	Overall donations Mean ($)	Overall donations Median ($)	Gain on PLS donations Mean ($)	Gain on PLS donations Median ($)	Other donations Mean ($)	Other donations Median ($)
2001-2005	Repeat	497	1,016,454	93,336	418,730	29,862	597,724	58,969
	New	741	1,248,523	106,148	391,777	31,036	856,747	66,627
2006-2015	Repeat	3,595	952,304	91,328	725,350	50,016	226,954	20,329
	New	2,348	1,341,874	85,102	1,059,101	43,088	282,773	20,279

Source: T2 return data (Schedule 2 and Schedule 6); Department of Finance Canada calculations.

As with individual donors, it is possible to follow corporate donors who make repeat donations of PLS over time. Table 8 shows that, across the whole sample period, overall donations are typically increasing in value, but this is entirely driven by growth in donations of securities—other donations are, on average, decreasing in value. However, between 2001 and 2005, the average change in donations was positive for both components. It is only after the introduction of the full capital gains exemption that other donations begin declining in value among repeat donors from both the early and later cohorts. The cohorts are, despite this, not identical in their gifting behaviour. Repeat donors who first appear after 2006 typically make smaller gifts of securities over time,[25] but this is more than offset by the large increases in security donations made by repeat donors from the early cohort.

Table 8

Change in Value of Donations Among Repeat Donors, by Cohort, Donation Period and Type of Gift (T2 Returns)

Cohort	Donation period	Number of repeat donors	Mean change in: Overall donations ($)	Mean change in: Gain on PLS donations ($)	Mean change in: Other donations ($)
Any	Full	4,092	17,355	47,716	-30,362
	2001-2005	497	184,596	83,817	100,779
	2006-2014	3,595	-5,766	42,725	48,491
2001-2005	Full	1,811	102,262	151,492	-49,230
	2001-2005	497	184,596	83,817	100,779
	2006-2015	1,314	71,120	177,089	-105,969
2006-2015	Full	–	–	–	–
	2001-2005	–	–	–	–
	2006-2015	2,281	-50,057	-34,676	-15,381

Note: Cohort refers to the period in which repeat donors first made a gift of PLS.

Source: T2 return data (Schedule 2 and Schedule 6); Department of Finance Canada calculations.

The T2 data reveal broadly the same trends as those seen among individual donors. There was a large increase in the value of the gain on gifts of securities among corporate donors between 2001 and 2015. In addition, the slowdown of growth coincident with the recession was less marked for securities compared to claimed donations. On the other hand, the composition of gifts switches to being led by securities following the full capital gains exemption in 2006, among both new and repeat donors. In addition, repeat corporate donors are, on average, decreasing non-security gifts in this latter period while increasing their donations of securities.

[25] It should be noted, however, that the negative values in the final row of Table 8 are largely driven by a single donor. If this observation were omitted, the mean change in the gain on PLS donations would turn positive, and the mean change in overall donations and other donations would be closer to zero.

3.2 Equity

The two aspects of equity addressed here relate to: (a) the vertical and horizontal equity of the measure, including measures of progressivity; and (b) the degree to which donations of securities are equitably distributed across charities—in terms of both the sector and size of charities—relative to cash donations. This section proceeds by addressing these equity issues, with the discussion grouped under the following headings: individuals, corporations and charities.[26]

Individuals

The relevant vertical and horizontal equity implications of the measure can be illustrated by slightly modifying the *after-tax price of giving securities* expression from Equation (2) as follows:

$$P(r, g, s_i, \tau_i) = [(1 - s_i)] - [rg\tau_i] \qquad (3)$$

The expression for donating cash remains:

$$P(r, g, s_i, \tau_i) = [(1 - s_i)] \qquad (4)$$

Note that the restriction *m=0* has been imposed (relevant beginning in 2006 in Canada). In addition, the CDTC rate is now indexed by i=*L,H*, such that s_L refers to the lower credit rate on the first $200 of donations and s_H is the higher credit rate on additional donations. Similarly, the marginal tax rate is represented as either a low rate τ_L, or a high rate τ_H. Table 9 contrasts some special cases using the above expression for two types of donors: Donor A who donates cash or PLS, and Donor B who always donates PLS.

Table 9
Pairwise Comparisons of After-Tax Price of Giving

#	Case Descriptions	Donor A	Donor B	$\Delta P = P_A - P_B$
1	A donates cash; B donates PLS	$s_i = s_H$; τ_i	$s_i = s_H$; τ_i	$rg\tau_i$
2	A donates PLS; B donates PLS	$s_i = s_H$; $\tau_i = \tau_L$	$s_i = s_H$; $\tau_i = \tau_H$	$rg(\tau_H - \tau_L)$
3	A donates cash; B donates PLS	$s_i = s_L$; $\tau_i = \tau_L$	$s_i = s_H$; $\tau_i = \tau_H$	$(s_H - s_L) + rg\tau_H$

Note: In all pairwise comparisons, both donors donate the same value (i.e., the charity receives the same value of donation).

[26] This paper does not consider the wealth transfer effects of the donated funds, including impacts on overall income and wealth distributions. These effects are a source of important debate in the literature on charitable donations. Reduced capital gains taxation on PLS could have an inequality-reducing impact if it results in: (a) increased donations, and (b) donations that are well-targeted towards lower-income individuals. In Section 3.2, some evidence of the first criterion being met was presented. The second criterion, however, is difficult to measure using available charitable return data. A major reason for this, as discussed in Section 3.4 below, is the majority (and perhaps upwards of 90% in some years) of donations of PLS pass through foundations. Unfortunately, data are not readily available on the extent to which funds disbursed by foundations tangibly benefit low-income households. For this reason, it would be difficult to estimate wealth transfers from high-income to low-income individuals by tracing the path of donations of PLS.

Horizontal equity is the idea that two taxpayers with similar incomes should pay a similar amount of tax. With respect to the measure related to PLS, horizontal equity can be measured by the degree to which two donors in the same bracket, one donating cash and one donating securities, face similar tax treatment. From Case 1 in the table above, the difference in after-tax price between two individuals with the same marginal tax rate, τ_i , can be expressed as $rg\tau_i$. It is clear from this expression that the difference in the after-tax price between the situations increases in the value of the marginal tax rate. That is, the higher the marginal tax rate (or taxable income) of two similar donors, the greater is the horizontal inequity. The intuition behind this is straightforward: a higher marginal tax rate implies a greater benefit of not being subject to capital gains tax at this higher rate.

Vertical equity is respected when higher-income taxpayers pay at least as great a proportion of tax on their marginal income. Both proportional and progressive taxation respect the idea of vertical equity. Regressive taxation, on the other hand, violates vertical equity. It turns out that the expression for Case 1 can also be used to measure vertical equity where Donor A donates cash in excess of $200 (because the value of P for these cash donations is independent of the Donor A's tax rate).[27]

Case 2 considers a different type of potential vertical inequity created by the measure: this time, both Donor A and Donor B donate securities, and A is assumed to have a lower tax rate than B. In this case, the difference in the after-tax price is $rg(\tau_H - \tau_L)$. So long as τ_L is sufficiently greater than zero, this expression is smaller than the expression in Case 1, and thus there is less of an inequity between A and B. This is due to the fact that A now also gets some benefit for not being subject to capital gains tax.

Table 10

T1 Donors of PLS, by Income and Age Distribution, 2015

Taxable income group	Total number of donors		Total value of donated securities		Median donation	Total exempt capital gain	
($)		(%)	($ millions)	(%)	($)	($ millions)	(%)
0-50,000	331	6.3	17.7	2.7	5,935	3.3	0.9
50,001-100,000	1,180	22.6	30.3	4.6	9,221	16.4	4.6
100,001-150,000	427	8.2	11.1	1.7	11,452	6.3	1.8
150,001-250,000	964	18.4	42.9	6.6	17,336	28.6	8.0
250,001-500,000	912	17.4	63.4	9.7	25,129	38.3	10.7
500,001-1,000,000	625	12.0	81.3	12.4	35,881	46.0	12.9
Greater than 1,000,000	790	15.1	408.0	62.3	95,145	218.9	61.2
Age group							
Less than or equal to 35	40	0.8	2.7	0.4	17,387	0.6	0.2
36-45	170	3.3	15.7	2.4	9,899	8.7	2.4
45-55	534	10.2	67.7	10.3	18,403	31.2	8.7
56-65	1,071	20.5	168.9	25.8	19,565	107.5	30.1
Greater than 65	3,414	65.3	399.7	61.1	18,703	209.8	58.6
Total	5,229	100	654.7	100	18,362	357.8	100

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

[27] Note that this illustrative example abstracts away from the introduction of the new income-tested 33% rate introduced in 2016.

The final case presented in Table 9—where Donor A is in a low tax bracket and donates less than $200 in cash, and Donor B donates securities and is in a higher tax bracket—is relevant empirically, as about 40% of tax filers claiming the CDTC claim total donations of less than $200 (represented by s_L),[28] and about three-fifths of donors of PLS have taxable incomes greater than $150,000 (see Table 10).[29] In this case, the difference in after-tax price can be represented as $(s_H - s_L) + rg\tau_i$, the greatest value of the three expressions in the table. Assuming *r* tends towards a value of 1 (to approximate the case where *f* is large relative to *c*), and taking the 2015 federal values of the other parameters, this after-tax price differential is equal to 0.285. In other words, for a given dollar donated in Case 3, the after-tax price of giving is 28.5 cents lower for Donor B.

There are other dimensions by which the measure is seen to benefit individuals unequally. Table 10 also provides a disaggregation by age group, which reveals that 65.3% of donors were above the age of 65, and a further fifth were between 56 and 65 years of age. Together, these two groups accounted for 86.9% of the donated value and exempt capital gains on gifts of PLS.

Table 11

T1 Donors of PLS, by Sex and Income Distribution, 2015

Sex	Taxable income group	Total number of donors		Total value of donated securities		Median donation	Total exempt capital gain	
	($)		(%)	($ millions)	(%)	($)	($ millions)	(%)
Male	0-50,000	159	3.0	4.7	0.7	5,385	1.2	0.3
	50,001-100,000	583	11.2	11.4	1.7	8,998	5.7	1.6
	100,001-150,000	182	3.5	4.4	0.7	11,701	2.5	0.7
	150,001-250,000	529	10.1	23.1	3.5	15,035	15.4	4.3
	250,001-500,000	522	10.0	35.6	5.4	22,959	19.7	5.5
	500,001-1,000,000	455	8.7	40.6	6.2	29,253	23.6	6.6
	Greater than 1,000,000	636	12.2	325.4	49.7	86,772	177.8	49.7
	Subtotal	3,066	58.6	445.2	68.0	19,782	245.9	68.7
Female	0-50,000	172	3.3	13	2.0	6,353	2.1	0.6
	50,001-100,000	597	11.4	18.9	2.9	9,418	10.6	3.0
	100,001-150,000	245	4.7	6.6	1.0	11,437	3.9	1.1
	150,001-250,000	435	8.3	19.8	3.0	19,692	13.2	3.7
	250,001-500,000	390	7.5	27.7	4.2	29,699	18.6	4.2
	500,001-1,000,000	170	3.3	40.7	6.2	55,627	22.4	6.3
	Greater than 1,000,000	153	2.9	82.5	12.6	108,958	41.1	11.5
	Subtotal	2,162	41.4	209.3	32.0	15,679	111.9	31.3
	Total	5,228	100	654.5	100	18,330	357.7	100

Note: One observation did not have a recorded value for the sex variable, and is omitted from the calculations.
Source: T1 return data; Department of Finance Canada calculations.

[28] Imputed from Table 5 in Department of Finance Canada (2014).

[29] Note that $150,000 was near the cut-off for the top federal tax bracket in 2015, the year on which the data in Table 10 are based. Individuals with income over $150,000 in that year accounted for over 90% of the value of donated securities and the associated exempt capital gain. In fact, 62.3% of the value was accounted for by individuals with taxable income exceeding $1,000,000. Only 2.7% of the value of donations of PLS is made by donors with taxable incomes below $50,000,

Income and age breakdowns are also provided in Tables 11 and 12, respectively, but are complemented by a disaggregation by sex. Overall, PLS donors are 58.6% male and 41.4% female, and their shares of donated securities are 68% and 32%, respectively (with nearly identical shares for the exempt capital gains). Table 11 indicates that the number of donors is similar by sex for those earning up to $150,000, but increasingly tilted towards men in the higher income categories. Turning to Table 12, there is clear increasing trend of donors by age group for both sexes. There are approximately two to three times as many men donating PLS shares in all but the highest age category. Among donors more than 65 years old, the shares narrow to 54.1% male and 45.9% female, as does the value of donated securities (to 52.7% and 47.3%, respectively). In all age groups, men are seen to have a higher median donation, which likely reflects their larger presence among high-earning PLS donors.

Table 12

T1 Donors of PLS, by Sex and Age Distribution, 2015

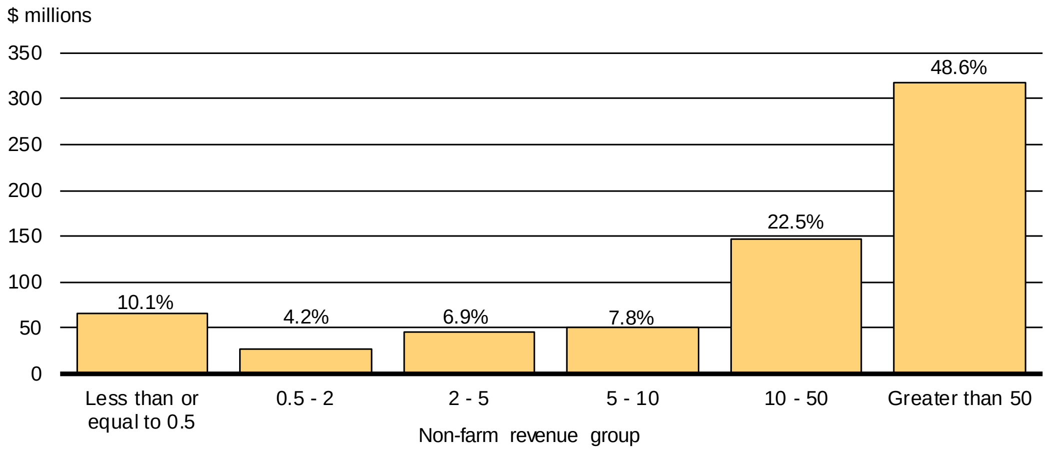
Sex	Age group	Total number of donors		Total value of donated securities		Median donation	Total exempt capital gain	
		($)	(%)	($ millions)	(%)	($)	($ millions)	(%)
Male	Less than or equal to 35	30	0.6	2.5	0.4	19,667	0.6	0.9
	36-45	120	2.3	13.0	2.0	10,131	8.0	4.6
	45-55	367	7.0	51.2	7.8	21,466	26.2	1.8
	56-65	704	13.5	145.2	22.2	21,290	95.6	8.0
	Greater than 65	1,845	35.3	233.3	35.6	19,746	115.4	10.7
	Subtotal	3,066	58.6	445.2	68.0	19,782	245.9	68.7
Female	Less than or equal to 35	10	0.2	0.1	0.0	5,615	0.0	0.0
	36-45	50	1.0	2.7	0.4	8,792	0.7	0.2
	45-55	167	3.2	16.5	2.5	16,027	5.0	8.7
	56-65	367	7.0	23.8	3.6	15,307	11.9	3.3
	Greater than 65	1,568	30.0	166.3	25.4	16,410	94.3	26.3
	Subtotal	2,162	41.4	209.3	32.0	15,679	111.9	31.3
	Total	5,228	100	654.5	100	18,330	357.7	100

Note: One observation did not have a recorded value for the sex variable, and is omitted from the calculations.
Source: T1 return data; Department of Finance Canada calculations.

Corporations

Chart 5 presents the distribution of the capital gains eligible for exemption on donations of PLS made by corporations, according to their non-farm revenue group. In 2015, corporations with non-farm revenue exceeding $10 million accounted for 71% of the exempted capital gains on donations of PLS. In most of the years under review, only a negligible amount was claimed by non-Canadian-controlled private corporations (CCPCs).

Chart 5
Exempt Capital Gains on Donations of PLS in 2015, by Non-Farm Revenue Group (T2 Returns)



Note: Combines CCPC and non-CCPC data.
Sources: T2 return data; Department of Finance Canada calculations.

Charities

Registered charities report the total value of gifts-in-kind received in a year for which tax receipts were issued, and must identify each type of gift-in-kind received (e.g., books, machinery, PLS). However, since only the total value across all gifts-in-kind is specified, it is not possible to determine the value attributable to any particular class of gift. It is nonetheless possible to construct lower and upper estimates for the true value of gifted PLS. The lower estimate is limited to charities' gift-in-kind value where the only type of gift identified is PLS. The upper estimate also includes the gift-in-kind value for charities which recorded other types of gifts alongside securities.[30]

The distribution of gifts of PLS by recipient organization size is shown in Table 13.[31] In 2015, approximately two-thirds of the value of these gifts was received by charities with annual revenue exceeding $10 million. Moreover, the median donation received by charities of this size was eight times larger than the overall median. By comparison, charities with revenue no greater than $250,000 received roughly 1% of the value of gifts of PLS.

[30] In other words, where other types of gifts are listed, the upper estimate assumes that all but a negligible amount of the gift-in-kind value is due to the securities, while the lower estimate assigns this gift-in-kind value to the other gifts. The true value of gifted securities will lie somewhere in between.

[31] A breakdown by the charity categories defined by the CRA (education, health, etc.) is not provided because, as shown in Section 3.4, gifts of PLS are largely directed to either public or private foundations which fall under the "Welfare" heading. However, the "Welfare" category is not sufficiently representative of the recipient foundations' area(s) of activity as they give to a variety of qualified donees.

Table 13

Distribution of Donations of PLS Across Charities in 2015, by Revenue Group

	Lower estimate of PLS gifts			Upper estimate of PLS gifts		
Revenue ($)	**($ millions)**	**(%)**	**Median ($)**	**($ millions)**	**(%)**	**Median ($)**
0-250,000	15.3	1.5	15,000	16.8	0.9	14,926
250,001-1,000,000	44.6	4.5	30,184	53.2	2.8	24,160
1,000,001-10,000,000	320.3	32.5	85,625	458.5	24.3	67,721
Greater than10,000,000	605.5	61.4	356,420	1360.3	72.0	392,500
Total	985.7	100	40,044	1888.9	100.0	49,983

Source: T3010 return data; Department of Finance Canada calculations.

To summarize, the results presented show that the associated tax assistance has benefited a narrow subset of taxpayers, whether individual or corporate, and that the donated securities are largely directed to charities with high annual revenue. However, as discussed in the following section, a large proportion of these charities are foundations, and to the extent that foundations allocate funding to smaller charitable organizations, the distribution presented above underestimates the benefits received by these smaller entities.

3.3 Efficiency

As with most tax measures, the capital gains exemption on PLS is cost-effective, or efficient, if the cost of generating a dollar of donations is minimized, or is the lowest cost among a set of alternative policies. This cost of forgone revenues, or fiscal cost, is a direct function of the effectiveness of the measure; the more the measure leads to increased donations while minimizing the loss of otherwise collectible revenue (which includes minimizing substitution from cash donations), the lower the fiscal cost. The first part of this section contains estimates of the fiscal cost for the 2006-2015 period.

Apart from the fiscal cost, another efficiency consideration is in respect of the supply chain linking donations to their ultimate beneficiaries. A supply chain will be less efficient where there are more intermediary steps before funds arrive at the program delivery destination. As demonstrated in the latter part of this section, this is a salient concern because it is foundations—which operate differently from charitable organizations—that ultimately receive most donations of PLS.

Fiscal Cost

Table 14 shows the fiscal cost of the full capital gains exemption measure since 2006, which is comprised of two parts: the non-taxation of capital gains and the tax credit (deduction) associated with donations of PLS.[32] It is estimated that the non-taxation of capital gains represents approximately $109 million in forgone revenue per year.[33] In addition, the average annual cost attributable to the CDTC resulting from gifts of PLS is estimated at $146 million.[34] The tax credit cost applies whatever the form of the donation, while the forgone capital gains revenue is specific to donations being made using PLS.

[32] It should be noted that any measure which encourages “net new” charitable giving will increase the costs associated to the CDTC in proportion to the value of new gifts.

[33] This figure assumes that individuals and corporations would have disposed of the assets in the same calendar year.

[34] The cost associated with the CDTC assumes the entire value of donated securities was claimed for the deduction in a calendar year. Estimates for the cost associated with the charitable donation deduction for corporations are not available.

Table 14
Total Tax Assistance for Donations of PLS ($ Millions)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Average annual cost	10-year total
Non-taxation of capital gains, individual donations	37	50	27	29	40	45	40	45	70	60	44	443
Non-taxation of capital gains, corporate donations	36	55	107	36	60	65	55	70	100	60	64	644
Subtotal	73	105	134	65	100	110	95	115	170	120	109	1,087
Charitable Donation Tax Credit	125	165	90	98	140	140	125	145	240	195	146	1,458
Deductibility of charitable donations	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total (excluding corporate deduction)	198	270	224	163	240	250	220	260	410	315	255	2,545

Notes: Estimates of the cost associated with the deductibility of charitable donations for corporations are not available. Totals may not add up due to rounding.
Source: Department of Finance Canada calculations.

The forgone revenue from the non-taxation of capital gains is estimated under the assumption of no behavioural change on the part of donors (as is the case for all tax expenditure estimates). It may therefore be overstated, insofar as the measure has encouraged the donation of "long-term" investments, that is, assets which would otherwise have been held for a substantial period of time.[35] The capital gains accrued up to the present on such assets would only be triggered for tax purposes in the future, at a lower present value, and this would represent the appropriate basis for calculating forgone revenue. On the other hand, donated assets which would otherwise have been disposed of by sale within a short time frame entail forgone capital gain revenue approximately equal to the usual calculation. In particular, substitution of donations of PLS for cash donations will incur less excess fiscal cost than indicated by the forgone capital gains revenue if the assets being substituted are of the "long-term" variety (though this cannot be assessed empirically). Generally, these considerations indicate that the values in Table 12 should be treated as an upper estimate.

Donations to Charitable Organizations vs. Foundations

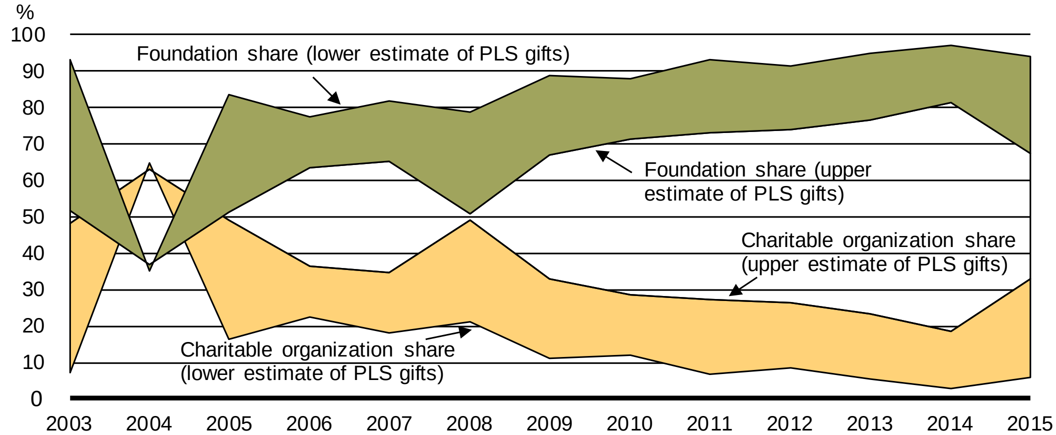
Efficiency may also be considered in terms of which charities receive donations of PLS, and how these are deployed toward charitable activities. The Canada Revenue Agency differentiates charities by designation: public foundation, private foundation or charitable organization. In 2015, charitable organizations accounted for the vast majority of registered charities (87.6%). By contrast, private foundations represented 6.4% of all charities, and public foundations made up the remaining 6%. Chart 6 shows the share of gifts of securities received by designation between 2003 and 2015, for both the lower and upper estimates of the true value of gifted securities (as described in the previous section). At the lower estimate of gifted securities, the share accruing to either public or private foundations exceeded 80% in most years. At the upper estimate, the proportion increased from a low of 37% in 2004 to a high of 81.4% in 2014, and averaged 63.8% over the period.[36] According to either measure, the preponderance of gifts of PLS were directed to public or private foundations.

35 See Innes (2003) for a more detailed exposition, and in which the author suggests that most of the PLS donated as a result of the non-taxation of capital gains are of the "long-term" variety.

36 A large amount of the additional value at the upper estimate comes from charitable organizations, increasing their share while lowering that of foundations.

Chart 6

Share of Donations of PLS, by Designation (T3010 Returns)



Notes: The lower estimate considers the value of gifts received by charities where PLS were the only type of in-kind gift listed. The upper estimate adds the value from charities which received other in-kind gifts alongside securities. See text for details.
Sources: T3010 return data; Department of Finance Canada calculations.

The distribution of gifts of securities within the charitable sector frames the full capital gains exemption (and, previously, the one-half inclusion rate) as a measure which, to the extent that it encourages gifts of securities, largely directs these funds to foundations. This is of potential concern as expenditures on charitable activities, expressed as a share of a revenue, were substantially lower among public and private foundations (13.1%) compared to charitable organizations (74.8%) in the period under consideration.[37] Gifts of PLS made to foundations therefore represent a less direct pathway to expenditures on charitable activities. However, it should be noted that foundations operate differently than charitable organizations. Foundations tend to invest donations in permanent endowment funds to ensure funding to the charitable sector over the longer term. The income from the endowments subsequently flows out over time as sizeable gifts to other registered charities: between 2003 and 2015, public foundations devoted on average an amount equivalent to 42.4% of their revenue to gifts to qualified donees; private foundations similarly gifted an average of 36.7%.[38] These patterns of expenditure support the notion that foundations can have a role as an automatic stabilizer for overall charitable funding (Payne, 2012).

[37] If we instead consider expenditures on charitable activities as a share of assets, the percentages become 3.1% for foundations and 61.2% for charitable organizations.

[38] These figures are derived from T3010 data. Expressed instead in terms of assets, the percentage gifted to other charities by public and private foundations averaged 13.7% and 6%, respectively, over this period.

It could be argued that foundations are the most appropriate destination for gifts of PLS, on the assumption that these charities operate with a longer-term perspective which best positions them to manage securities as part of a broader and evolving portfolio. Foundations, in this sense, could be contrasted with charitable organizations, which are more oriented towards immediate expenditures on charitable activities. Yet monetizing donations of securities should not be onerous even for small charitable organizations, and foundations will sell PLS as appropriate to maintain a balanced portfolio. That donations of securities are disproportionately directed to foundations, then, either reflects a real preference for gifting securities to foundations (e.g., because the donor wishes to contribute to an endowment fund), or a possible misapprehension that charitable organizations are unable to effectively utilize securities.

4. Conclusion

This paper presents an evaluation of the non-taxation of capital gains on donations of PLS from the perspectives of effectiveness, equity and efficiency. A review of the measure's effectiveness indicates that observed trends are consistent not only with the possibility of a real increase in the value of overall donations, but also with the possibility of a substitution effect, whereby some donors may be replacing cash donations with gifts of securities. In terms of equity, the evaluation indicates that donations of PLS are primarily made by individuals in higher-income brackets and corporations with high non-farm revenue. The donations primarily benefit large charities which fall under the public and private foundation designations. With respect to efficiency, the true fiscal cost is sensitive to assumptions about the extent to which donors have replaced cash donations with donations of PLS, and about when the asset would have been disposed of in the absence of the measure. It is also observed that, since foundations spend proportionally less on charitable expenditures than charitable organizations, directing gifts of PLS towards foundations generally entails a longer delay before the funds reach their ultimate beneficiaries. On the other hand, through the build-up of endowment funds and granting of gifts to charitable organizations, foundations play a significant role in supporting the charitable sector over the long term.

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