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REPORT ON FEDERAL TAX EXPENDITURES

Concepts, Estimates and Evaluations

2019

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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 2013 to 2020 in this year's report), legal references, historical information, as well as references to key federal government spending programs that are relevant to the policy area of tax expenditure to better inform Canadians and Parliamentarians about related programs. 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*. The report will continue to be updated every year, providing a convenient, easily accessible point of reference for information on federal tax expenditures.

Evaluations and analytical papers addressing specific tax measures or aspects of the tax system are published every year as part of this report. This year's edition includes an evaluation of the Moving Expense Deduction and a Gender-based Analysis Plus (GBA+) of the tax system and tax expenditures.

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 208 different income tax and GST measures.

This report is divided into four parts:

- Part 1 introduces the concepts of “tax expenditure” and “benchmark tax system”, sets out the approach used in estimating and projecting the fiscal cost of federal tax expenditures, and discusses the interpretation of the estimates and projections.
- Part 2 presents the estimates of the fiscal cost of federal tax expenditures for the years 2013 to 2020 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 an evaluation of the Moving Expense Deduction and a GBA+ of the tax system and tax expenditures.

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

Part 1

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

Introduction

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

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

Tax Expenditures and the Benchmark Tax System

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

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

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

Benchmark Tax System for the Personal and Corporate Income Tax

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

Unit of Taxation

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

Taxation Period

- The benchmark taxation period is the calendar year for individuals and the fiscal period for corporations.[2] Income is taxed as earned, on an accrual basis.
- Under the benchmark, business and capital losses not deducted in the taxation period in which these losses arose can be carried over to prior or subsequent taxation periods in recognition of the cyclical nature of business activity and investment.

Tax Base

- The benchmark personal and corporate income tax base comprises income from most sources, including income from employment, pension income, profits from a business and from investment, capital gains, and government transfers.[3] However, the following are considered not to be income subject to tax under the benchmark tax system:
  - Non-market transfers of money and property between taxpayers, such as gifts, inheritances and spousal and child support payments, since such amounts are generally paid out of income previously subject to tax.
  - The benefits derived from non-market household services, such as those provided by homemakers.
  - Imputed rents on owner-occupied dwellings (i.e., the benefits derived by homeowners from occupying their homes).

- Taxpayers resident in Canada are subject to tax on their worldwide income, while non-residents are taxable in Canada on their income from Canadian sources only.
- Current expenses incurred to earn taxable business or property income are deductible in the year incurred. In contrast, expenses incurred to earn employment income are not deductible. Accounting or financial reserves claimed in respect of contingent liabilities are not deductible.

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

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

- The cost of a capital asset that contributes to earnings beyond the year in which the cost is incurred is deductible, once the asset is first used for the purpose of earning business income, at a rate that allocates the cost over the period during which the capital asset contributes to earnings—generally, the useful life of the asset. It is presumed that the capital cost allowance rates that are prescribed in the *Income Tax Regulations* permit the deductibility of the costs of depreciable capital assets over the useful lives of these assets, with the exception of the specific accelerated rates that are applicable to certain classes of assets.
- Losses can be deducted against income, but the excess of losses over income in a given taxation period is not refundable (as noted, unused losses can be carried over to prior or subsequent taxation periods). Losses can be deducted against income from any source, except for capital losses, which are only deductible against capital gains.

Tax Rates and Income Brackets

- The benchmark personal income tax rate and bracket structure is the rate and bracket structure as it exists at any given time. The credit for the Basic Personal Amount is viewed as being part of the existing rate structure, because this credit is universal in its application and effectively provides a zero rate of tax up to an initial level of income.
- The benchmark corporate income tax rate is the statutory general corporate income tax rate in effect at any given time.[4]

Treatment of Inflation

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

Avoidance of Double Taxation

- Measures that provide relief from double taxation are considered part of the benchmark income tax system. Examples of relief from double taxation include:
  - Individuals and corporations are taxed separately; however, recognition is given for taxes presumed to have been paid on a corporation's income when it is subsequently distributed and subject to tax at the individual level.
  - Double taxation is also avoided in situations where an amount on which a corporation has paid tax is transferred to another corporation, for instance when a taxable Canadian corporation pays a dividend to another Canadian corporation.
  - Relief from double taxation in the international context is provided in Canada in respect of income from foreign sources earned by Canadians and Canadian corporations.[5]

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.

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

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

Other Features

- Provisions exist to prevent certain forms of tax planning, such as the use of a holding corporation to defer tax on income from portfolio investment. These provisions are considered to be part of the benchmark as they are intended to improve the functioning of the tax system rather than to achieve other non-tax objectives.
- Non-resident withholding tax is imposed on payments to non-residents at the statutory rate of 25% or at the general rate provided for the particular type of payments under the applicable treaty.[6]
- Branch tax is imposed on the income derived by non-resident corporations from a business carried on in Canada and that is not reinvested in Canada, at the statutory rate of 25% or at the applicable treaty rate.

Benchmark Tax System for the Goods and Services Tax

The benchmark for the GST, as defined for the purpose of this report, has the following characteristics.[7]

Unit of Taxation

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

Taxation Period

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

Tax Base

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

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).

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

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

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.[8]	GST is not charged on basic groceries, health services and financial services.
Tax rates that depart from the benchmark tax rates.	The income of small incorporated businesses is taxed at a preferential tax rate.
Tax credits, rebates and refunds.	A credit can be claimed against income tax payable in respect of above-average medical expenses incurred by individuals. A rebate is available in respect of the GST paid by public sector bodies (e.g., schools, hospitals) on purchases related to their supply of GST-exempt goods and services.
Provisions that permit the transfer of tax attributes among taxpayers or otherwise extend the unit of taxation.	Couples are allowed to split pension income for income tax purposes. Assets can be transferred between spouses or related corporations on a rollover basis.
Provisions that permit the deferral of tax or the depreciation of a capital asset faster than its useful life.	Taxation of contributions to a Registered Retirement Savings Plan and investment income earned within such a plan is deferred until these amounts are withdrawn from the plan. The cost of certain vessels can be depreciated at an accelerated rate.
Recognition is given for income tax purposes to expenses incurred to earn employment income or income that is not subject to income tax.	Employed artists can deduct certain costs related to their employment. Charitable donations made by corporations are deductible in determining taxable income.

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

Calculation of the Tax Expenditure Estimates and Projections

The value of a tax expenditure is 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 2020; 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 2016. 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 2018 *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 2016. 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 2018 *Fall Economic Statement* and on legislative changes to corporate tax parameters. In many cases, preliminary data from the most recent income tax returns are also used to inform the projections. Projections for other corporate income tax expenditures are based on forecast changes in underlying economic variables (again relying on the *Fall Economic Statement*) or on historical trends. The years of the projections are indicated in the descriptions of the tax expenditures found in Part 3.

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 2016 are derived from the most recent complete administrative data and forecasts of related economic variables provided in the Department of Finance Canada's 2018 *Fall Economic Statement* or by third parties. As for GST expenditures estimated using the Goods and Services Tax Model, the values shown for 2013 and 2014 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 example, in a situation where a taxpayer has $1,000 in income and claims two deductions of $600 each, eliminating each deduction independently would only increase the taxpayer's taxable income by $400 (since the other $600 deduction would still be claimed), but the combined impact of simultaneously eliminating the two deductions would be to increase taxable income to $1,000. Similarly, some taxpayers may need to use only one of several non-refundable credits available to reduce their tax liability to zero. As a result, in some cases, the revenue gain obtained from eliminating such credits one by one would be zero but their combined effect would be positive.

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

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

In order to further advance the Government's priorities for gender equality and strengthen the use of GBA+ in decision-making, the Government has committed to better integrate gender into the budget priority-setting process. Through the *Canadian Gender Budgeting Act* of 2018, GBA+ was made part of the federal government's budgetary and financial management processes, requiring that, once a year, the Minister of Finance make available to the public analysis on the impacts in terms of gender and diversity of tax expenditures. In keeping with the requirements of the legislation, this edition of the report features a comprehensive GBA+ of the federal personal income tax system and tax expenditures, examining their effects on the distribution of income between men and women, while accounting for other identity factors such as family composition and income brackets.

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 2019-20,* Revenue Outlook
beta.novascotia.ca/documents/budget-documents-2019-2020

Quebec—*Tax Expenditures*, 2018 edition (available in French only)
www.budget.finances.gouv.qc.ca/budget/outils/depenses-fiscales/index.asp

Ontario—*Taxation Transparency Report* 2018
www.fin.gov.on.ca/fallstatement/2018/transparency.html

Manitoba—*Budget 2019*, Tax Measures
www.gov.mb.ca/budget2019

Saskatchewan—*2019-20 Provincial Budget*, Technical Papers, “Saskatchewan’s Tax Expenditures”
www.saskatchewan.ca/government/budget-planning-and-reporting/saskatchewan-budget-2019-20

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

British Columbia—*Budget and Fiscal Plan 2019/20 - 2021/22*, Appendix A1 “Tax Expenditures”
www.bcbudget.gov.bc.ca/2019/

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.

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

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

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

Annual tax expenditure estimates are not usually provided for accelerated deductibility provisions because adequate data are not generally available to calculate them with a reasonable degree of accuracy, and because many simplifying assumptions would be required to model the pattern of deductions that would be claimed in the absence of these provisions. However, this year's report presents the combined incremental tax expenditure estimates of the three accelerated capital cost allowance measures announced in the 2018 *Fall Economic Statement* under "Accelerated Investment Incentive". The estimates/projections are made possible by the availability of additional taxpayer information, including detailed investments and depreciation allowance amounts claimed by asset class from partnerships.

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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.

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.

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).

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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.

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 2013 to 2020. 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			
		2013	2014	2015	2016	2017	2018	2019	2020
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	40	40	45	25	–	–	–	–
BUSINESS - FARMING AND FISHING									
Structural									
Cash basis accounting	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Deferral of income from destruction of livestock	PIT	S	S	1	-1	2	n.a.	n.a.	n.a.
	CIT	S	S	1	S	3	n.a.	n.a.	n.a.
Deferral of income from sale of livestock in a region of drought, flood or excessive moisture	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Non-structural									
Deferral of capital gains through intergenerational rollovers of family farms or fishing businesses	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Deferral of income from grain sold through cash purchase tickets	PIT	-10	-20	15	10	-5	-15	n.a.	n.a.
	CIT	-10	-25	20	10	-5	-2	n.a.	n.a.
Exemption for insurers of farming and fishing property	CIT	10	10	10	10	10	10	–	–
Patronage dividends paid as shares by agricultural cooperatives	PIT	1	1	S	2	2	1	1	1
	CIT	3	3	S	5	4	4	4	4
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.	n.a.
	CIT	–	–	n.a.	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	-4	30	15	5	50	25	25	25
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	110	110	70	105	110	115	110	110
	CIT	25	25	25	30	35	35	40	40
Mineral Exploration Tax Credit for flow-through share investors	PIT	20	30	25	50	65	60	65	65
Reclassification of expenses under flow-through shares	PIT	-10	-5	-5	-4	-3	-2	-3	-3
	CIT	-1	-1	-1	S	S	S	S	S

Table
Estimates and Projections
millions of dollars

		Estimates				Projections			
		2013	2014	2015	2016	2017	2018	2019	2020
BUSINESS - RESEARCH AND DEVELOPMENT									
Non-structural									
Expensing of current expenditures on scientific research and	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
experimental development	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	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
and experimental development	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	PIT	3	1	1	S	S	1	1	1
for CIT)	CIT	1,995	1,315	1,330	1,445	1,510	1,550	1,335	1,375
BUSINESS - SMALL BUSINESSES									
Structural									
Small suppliers' threshold	GST	210	220	225	230	245	255	265	275
Non-structural									
Deduction of allowable business	PIT	30	40	35	35	20	20	20	20
investment losses	CIT	10	10	15	10	10	15	15	15
Non-taxation of provincial assistance for venture investments in	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
small businesses	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Preferential tax rate for small businesses	CIT	2,950	3,105	3,260	3,750	4,020	4,590	5,585	5,575
Rollovers of investments in small businesses	PIT	5	5	X	25	5	5	5	5
BUSINESS - OTHER									
Structural									
Deductibility of costs of capital assets and eligibility for investment tax credits	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
before asset is put in use	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Deductibility of earthquake reserves	CIT	S	S	S	S	S	1	1	1
Deferral through five-year capital	PIT	10	10	10	15	10	10	10	10
gain reserve	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	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
dispositions	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	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
professional corporations	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	4	1	S	35	15	20	20
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.
Holdback on progress payments to	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
contractors	CIT	60	80	50	10	25	30	30	30
Tax status of certain federal Crown corporations	CIT	X	X	X	X	X	X	X	X

Table
Estimates and Projections
millions of dollars

		Estimates				Projections			
		2013	2014	2015	2016	2017	2018	2019	2020
BUSINESS – OTHER *(cont'd)*									
Non-structural									
Accelerated capital cost allowance for manufacturing or processing machinery	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
and equipment	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Accelerated capital cost allowance for	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
vessels	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Accelerated Investment Incentive	PIT	–	–	–	–	–	n.a.	n.a.	n.a.
	CIT	–	–	–	–	–	375	3,680	3,005
Atlantic Investment Tax Credit (non-	PIT	10	10	10	10	10	10	10	10
refundable portion for CIT)	CIT	320	190	285	135	530	405	170	125
Deferral for asset transfers to a corporation and corporate	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
reorganizations	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	35	30	30	35	35	35	35
Deferral through rollover of capital gains and capital cost allowance recapture in respect of dispositions of	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
land and buildings	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	–	–	–	–	–	–	–
Expensing of employee training costs	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Foreign Convention and Tour Incentive Program	GST	10	15	20	25	20	10	10	10
Lifetime Capital Gains Exemption	PIT	1,100	1,260	1,380	1,500	1,750	1,660	1,735	1,810
Non-deductibility of advertising	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
expenses in foreign media	CIT	S	S	S	S	S	S	S	S
Special tax rate for credit unions	CIT	25	20	15	10	S	–	–	–
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	2,540	2,585	2,645	2,735	2,905	3,000	3,095	3,190
Deductibility of charitable donations	CIT	320	500	455	455	665	710	710	715
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	990	1,010	1,075	1,175	1,250	1,275	1,275	1,275
First-Time Donor's Super Credit	PIT	5	4	4	4	4	–	–	–
Non-taxation of capital gains on	PIT	5	10	10	10	5	5	5	5
donations of cultural property	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Non-taxation of capital gains on	PIT	2	2	1	3	2	2	2	2
donations of ecologically sensitive land	CIT	1	5	S	S	2	1	1	1
Non-taxation of capital gains on	PIT	45	70	60	75	90	95	100	105
donations of publicly listed securities	CIT	70	100	60	65	110	85	90	95
Non-taxation of non-profit organizations	PIT								
	CIT	100	110	70	60	90	120	155	170

Table
Estimates and Projections
millions of dollars

		Estimates				Projections			
		2013	2014	2015	2016	2017	2018	2019	2020
DONATIONS, GIFTS, CHARITIES AND NON-PROFIT ORGANIZATIONS *(cont'd)*									
Non-taxation of registered charities	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Rebate for poppies and wreaths	GST	X	X	X	X	X	X	X	X
Rebate for qualifying non-profit organizations	GST	65	70	75	70	65	70	70	75
Rebate for registered charities	GST	290	310	325	305	295	310	320	335
EDUCATION									
Structural									
Deduction for tuition assistance for adult basic education	PIT	3	2	1	2	2	2	2	2
Education Tax Credit	PIT	705	725	760	730	395	320	250	190
Textbook Tax Credit	PIT	115	115	120	115	65	50	40	30
Tuition Tax Credit	PIT	1,040	1,120	1,230	1,315	1,450	1,590	1,705	1,810
Non-structural									
Exemption from GST for tuition and educational services	GST	595	705	755	795	830	870	905	940
Exemption of scholarship, fellowship and bursary income	PIT	210	250	250	265	365	385	405	425
Rebate for book purchases made by certain organizations	GST	15	15	15	15	15	15	15	15
Rebate for schools, colleges and universities	GST	700	710	725	745	825	865	900	930
Registered Education Savings Plans	PIT	170	155	145	135	120	130	165	220
Student Loan Interest Credit	PIT	45	40	40	40	45	45	45	45
EMPLOYMENT									
Structural									
Apprentice vehicle mechanics' tools deduction	PIT	4	3	3	3	3	3	3	3
Canada Employment Credit	PIT	2,110	2,185	2,270	2,295	2,315	2,370	2,440	2,505
Child care expense deduction	PIT	960	1,080	1,345	1,295	1,320	1,365	1,410	1,445
Deductibility of certain costs incurred by musicians	PIT	2	2	1	1	1	1	1	1
Deductibility of expenses by employed artists	PIT	S	S	S	S	S	S	S	S
Deduction for tradespeople's tool expenses	PIT	2	2	2	2	2	2	2	2
Deduction of other employment expenses	PIT	955	920	930	915	960	1,015	1,050	1,075
Deduction of union and professional dues	PIT	890	915	970	955	990	1,025	1,065	1,100
Moving expense deduction	PIT	95	100	100	100	110	115	120	125
Non-taxation of allowances for diplomats and other government employees posted abroad	PIT	25	25	25	30	30	30	n.a.	n.a.
Non-taxation of allowances for members of legislative assemblies and certain municipal officers	PIT	15	20	20	20	20	20	–	–
Non-taxation of benefits in respect of home relocation loans	PIT	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	60	55	55	55	60	60	60

Table
Estimates and Projections
millions of dollars

		Estimates				Projections			
		2013	2014	2015	2016	2017	2018	2019	2020
EMPLOYMENT *(cont'd)*									
Non-structural									
Apprenticeship Job Creation Tax Credit	PIT	2	2	2	2	2	2	2	1
	CIT	90	90	95	85	90	95	95	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	630	745	685	550	630	660	685	710
Non-taxation of income earned by military and police deployed to international operational missions	PIT	15	5	10	15	40	35	n.a.	n.a.
Northern Residents Deductions	PIT	175	180	180	220	225	230	235	240
Overseas Employment Tax Credit	PIT	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	S	-1	55	55	60	60	60	60
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	175	180	190	190	105	–	–	–
FAMILIES AND HOUSEHOLDS									
Structural									
Adoption Expense Tax Credit	PIT	2	2	2	2	2	2	2	2
Canada Caregiver Credit	PIT	–	–	–	–	225	230	240	245
Caregiver Credit	PIT	130	140	145	145	–	–	–	–
Child Tax Credit	PIT	1,590	1,645	–	–	–	–	–	–
Eligible Dependant Credit	PIT	775	795	870	905	940	960	995	1,025
Family Caregiver Tax Credit	PIT	65	70	75	75	–	–	–	–
Goods and Services Tax/Harmonized Sales Tax Credit	GST	4,090	4,175	4,315	4,440	4,550	4,690	4,810	4,930
Infirm Dependant Credit	PIT	5	5	5	5	–	–	–	–
Spouse or Common-Law Partner Credit	PIT	1,505	1,505	1,440	1,575	1,740	1,780	1,840	1,895
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	145	150	160	165	175	185	190	200
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	–	1,650	1,625	–	–	–	–	–
Inclusion of the Universal Child Care Benefit in the income of an eligible dependant	PIT	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	65	65	65	95	90	95	95	95
Zero-rating of feminine hygiene products	GST	–	–	15	35	35	40	40	40

Table
Estimates and Projections
millions of dollars

		Estimates				Projections			
		2013	2014	2015	2016	2017	2018	2019	2020
HEALTH									
Structural									
Disability supports deduction	PIT	1	3	3	3	3	3	3	3
Disability Tax Credit	PIT	815	885	990	1,030	1,060	1,100	1,145	1,190
Medical Expense Tax Credit	PIT	1,200	1,300	1,370	1,435	1,530	1,635	1,745	1,865
Non-structural									
Children's Fitness Tax Credit	PIT	115	180	–	–	–	–	–	–
Exemption from GST for health care services	GST	725	735	765	775	810	860	900	940
Exemption from GST for hospital parking	GST	–	10	15	15	15	15	15	15
Home Accessibility Tax Credit	PIT	–	–	–	15	20	20	25	25
Non-taxation of benefits from private health and dental plans	PIT	2,520	2,585	2,580	2,480	2,615	2,765	2,910	3,030
Rebate for hospitals, facility operators and external suppliers	GST	635	650	695	630	665	695	720	745
Rebate for specially equipped motor vehicles	GST	S	S	S	S	S	S	S	S
Registered Disability Savings Plans	PIT	30	35	40	50	65	70	80	85
Surtax on the profits of tobacco manufacturers	CIT	X	X	X	X	X	–	–	–
Zero-rating of medical and assistive devices	GST	335	360	375	395	405	415	430	440
Zero-rating of prescription drugs	GST	755	785	820	870	900	935	970	980
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	1,835	1,800	1,895	1,955	2,045	2,160	2,285	2,315
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	105	115	115	115	110	110	110	110
Non-taxation of capital gains on principal residences	PIT	4,160	5,100	6,130	7,900	7,565	5,335	5,960	5,915
Rebate for new housing	GST	595	570	570	520	510	550	535	525
Rebate for new residential rental property	GST	110	125	140	170	130	150	145	145
INCOME SUPPORT									
Non-structural									
Non-taxation of certain veterans' benefits	PIT	255	240	230	220	205	195	190	180
Non-taxation of Guaranteed Income Supplement and Allowance benefits	PIT	140	145	155	175	200	215	225	235
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	25	25	30	35	35	40	40
Non-taxation of social assistance benefits	PIT	190	205	230	240	265	285	300	315
Non-taxation of workers' compensation benefits	PIT	620	645	630	640	665	670	675	675

Table
Estimates and Projections
millions of dollars

		Estimates				Projections			
		2013	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
INTERGOVERNMENTAL TAX ARRANGEMENTS									
Structural									
Income tax exemption for certain public bodies	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Rebate for municipalities	GST	2,060	2,165	2,245	2,280	2,495	2,595	2,660	2,725
Refunds for Indigenous self-governments	GST	5	5	10	5	5	5	5	5
Non-structural									
Logging Tax Credit	PIT	1	1	1	1	1	1	1	1
	CIT	15	20	20	25	60	60	60	60
INTERNATIONAL									
Structural									
Deductibility of countervailing and anti-dumping duties when paid	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Exemption for international shipping and aviation by non-residents	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Non-taxation of certain importations	GST	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Non-taxation of life insurance companies' foreign income	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Travellers' exemption	GST	225	240	260	260	285	295	310	320
Non-structural									
Exemptions from non-resident withholding tax	PIT CIT	5,075	5,150	5,585	6,170	6,195	6,450	6,710	6,935
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	1,100	1,135	1,170	1,190	1,225	1,265	1,305	1,340
Pension income splitting	PIT	1,065	1,145	1,165	1,135	1,165	1,260	1,355	1,455
Pooled Registered Pension Plans	PIT	–	–	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Registered Pension Plans	PIT	20,590	24,435	24,090	25,830	27,480	27,590	28,950	30,440
Registered Retirement Savings Plans	PIT	13,435	15,700	14,915	15,565	16,800	16,390	16,900	17,515
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	270	255	220	205	225	230	245	260
Taxation of capital gains upon realization	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Non-structural									
Labour-Sponsored Venture Capital Corporations Credit	PIT	145	125	90	145	150	155	160	170
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	4,115	5,580	5,730	6,250	8,575	7,455	7,845	8,250
	CIT	4,550	5,395	6,205	6,660	10,005	8,660	8,835	8,965
Tax-Free Savings Account	PIT	425	565	635	810	1,030	1,010	1,160	1,315

Table
Estimates and Projections
millions of dollars

		Estimates				Projections			
		2013	2014	2015	2016	2017	2018	2019	2020
SOCIAL									
Non-structural									
Age Credit	PIT	2,890	3,025	3,170	3,335	3,440	3,620	3,815	4,025
Deduction for clergy residence	PIT	85	90	90	95	95	100	100	100
Exemption from GST and rebate for legal aid services	GST	30	35	35	35	35	40	40	40
Exemption from GST for ferry, road and bridge tolls	GST	10	10	10	10	10	15	15	15
Exemption from GST for municipal transit	GST	185	190	190	190	200	210	220	225
Exemption from GST for water, sewage and basic garbage collection services	GST	235	245	260	270	285	295	310	320
Political Contribution Tax Credit	PIT	25	30	55	25	25	25	45	25
Search and Rescue Volunteers Tax Credit	PIT	–	2	2	2	2	2	2	2
Tax-free amount for emergency services volunteers	PIT	4	3	3	3	3	3	3	3
Volunteer Firefighters Tax Credit	PIT	15	20	20	20	20	20	20	20
Zero-rating of basic groceries	GST	3,895	4,080	4,235	4,380	4,550	4,720	4,885	4,950
OTHER									
Non-structural									
Non-taxation of personal property of status Indians and Indian bands situated on reserve	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	GST	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
TAX MEASURES OTHER THAN TAX EXPENDITURES									
BUSINESS - OTHER									
Structural									
Non-capital loss carry-overs	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	7,310	7,210	6,715	7,105	7,310	7,830	7,410	7,275
Partial deduction of and partial input tax credits for meals and entertainment	PIT	200	200	210	215	215	220	225	225
	CIT	275	295	295	310	330	345	320	315
	GST	160	165	170	175	185	190	195	200
Patronage dividend deduction	CIT	220	220	170	155	195	205	190	190
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	8,895	9,270	9,810	9,610	9,950	10,240	10,655	11,050
Tax treatment of Employment Insurance and Quebec Parental Insurance Plan premiums and benefits	PIT	3,800	3,970	4,220	4,215	3,795	3,960	4,020	4,150
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	4,130	4,270	4,440	4,480	4,755	5,055	5,270	5,455
Transfer of income tax points to provinces	PIT	20,155	21,120	22,600	21,875	23,500	25,050	26,200	27,245
	CIT	2,655	2,855	2,850	3,000	3,295	3,505	3,665	3,720

Table
Estimates and Projections
millions of dollars

		Estimates				Projections			
		2013	2014	2015	2016	2017	2018	2019	2020
INTERNATIONAL									
Structural									
Foreign tax credit for individuals	PIT	970	1,205	1,445	1,590	1,600	1,620	1,640	1,660
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	640	795	840	600	565	660	665	670
Deduction of interest and carrying charges incurred to earn investment income	PIT	1,190	1,295	1,385	1,455	1,645	1,745	1,840	1,925
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Dividend gross-up and tax credit	PIT	5,055	4,655	5,780	4,475	5,345	5,415	5,340	5,650
Investment corporation deduction	CIT	S	S	S	S	S	S	S	S
Refundable capital gains tax for investment and mutual fund corporations	CIT	220	535	960	855	1,230	975	1,040	1,040
OTHER									
Structural									
Credit for the Basic Personal Amount	PIT	31,055	32,010	33,345	33,910	34,975	35,955	37,185	38,410
Non-taxation of payments to Canadian Armed Forces members and veterans in respect of pain and suffering	PIT	115	115	155	170	345	345	250	170
Refundable taxes on investment income of private corporations	CIT	1	-720	-350	-1,290	-1,925	-2,030	-2,090	-2,180
Special tax computation for certain retroactive lump-sum payments	PIT	4	1	1	1	1	1	1	1
REFUNDABLE TAX CREDITS CLASSIFIED AS TRANSFER PAYMENTS									
Atlantic Investment Tax Credit (refundable portion)	CIT	15	15	20	20	20	25	25	25
Canada Child Tax Benefit	PIT	10,400	10,370	10,510	3,240	–	–	–	–
Canada Child Benefit	PIT	–	–	–	16,860	23,420	23,900	24,200	24,700
Canadian Film or Video Production Tax Credit	CIT	250	255	265	280	305	320	330	340
Children's Fitness Tax Credit	PIT	–	–	210	145	–	–	–	–
Film or Video Production Services Tax Credit	CIT	90	135	155	220	270	285	295	305
Refundable Medical Expense Supplement	PIT	140	145	150	155	160	165	170	175
Scientific Research and Experimental Development Investment Tax Credit (refundable portion)	CIT	1,345	1,275	1,280	1,280	1,275	1,365	1,400	1,460
Teacher and Early Childhood Educator School Supply Tax Credit	PIT	–	–	–	3	4	5	5	5
Working Income Tax Benefit	PIT	1,180	1,165	1,160	1,185	1,160	1,160	-	-
Canada Workers Benefit	PIT	–	–	–	–	–	–	2,100	2,100

Background Statistics

Federal Revenues, Fiscal Year 2017–18

	Revenues (billions of dollars)	Share of total revenues (%)	Share of gross domestic product (%)
Personal income taxes	153.6	49.0	7.2
Corporate income taxes	47.8	15.2	2.2
Non-resident withholding taxes	7.8	2.5	0.4
Goods and Services Tax	36.8	11.7	1.7
Other excise duties and taxes	17.1	5.5	0.8
Total tax revenues	263.1	83.9	12.3
Non-tax revenues	50.5	16.1	2.4
Total revenues	313.6	100.0	14.7

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 2018*.

Federal Personal Income Tax Brackets and Rates, Tax Filers and Taxes Paid, 2016

	Tax Brackets		Tax Filers		Taxes Paid	
	Income range	Rate	Number (millions)	Share (%)	Amount (billions of dollars)	Share (%)
First bracket	Under $45,282	15%	8.5	31	15.7	12
Second bracket	$45,282 - $90,563	20.5%	6.8	25	47.0	36
Third bracket	$90,563 - $140,388	26%	1.5	5	24.4	19
Fourth bracket	$140,388 - $200,000	29%	0.4	2	12.1	9
Fifth bracket	Over $200,000	33%	0.3	1	30.8	24
Taxable filers			17.5	64	130.0	100
Non-taxable filers			9.9	36		
All tax filers			27.4	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 2016 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), 2016

	Taxable Income		Corporations Reporting Income		Taxes Paid	
	Amount (billions of dollars)	Share (%)	Number (thousands)	Share (%)	Amount (billions of dollars)	Share (%)
Canadian-controlled private corporations	174.2	55	937.9	98	22.4	53
Business income taxed at the preferential tax rate for small businesses	81.8	26	740.4	80		
Other business income taxed at the general rate	69.4	22	104.4	11		
Other income	23.0	7	310.1	32		
Other corporations	141.0	45	19.7	2	20.2	47
Business income taxed at the general rate	137.1	43	19.3	2		
Other income	3.8	1	9.5	1		
Total	315.2	100	957.6	100	42.6	100

Note: The sum of the number of corporations reporting each type of income does not add up to the total number of corporations, as a corporation may report income of more than one type. Totals may not add due to rounding. Source: T2 Corporation Income Tax Return (Corporation Tax Processing System) data.

Changes to Tax Expenditures Since the 2018 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, 2018, changes announced in Budget 2019 are not listed below or taken into account in the estimates and projections.

Personal Income Tax

Canada Workers Benefit

The Working Income Tax Benefit (WITB) is a refundable tax credit that supplements the earnings of low-income workers. Budget 2018 introduced the new Canada Workers Benefit (CWB), which will replace the WITB beginning in 2019. The CWB is a more generous and more accessible benefit that will supplement the earnings of low-income workers and encourage more people to join or stay in the workforce. The maximum benefit under the CWB will be increased by up to $170 relative to the WITB, and the income level at which the benefit is phased out completely will also be higher. The enhanced benefit will equal 26% of each dollar of earned income in excess of $3,000 to a maximum credit of $1,355 for single individuals without dependants and $2,335 for families (couples and single parents) in 2019. The CWB will be phased out at a rate of 12% of each dollar of adjusted net income above thresholds of $12,820 for single individuals without dependants and $17,025 for families in 2019. In addition, enhancements to the new CWB will ensure that all tax filers eligible for the benefit will receive it, even if they do not claim it.

Child Benefits

Indexation of the Canada Child Benefit

As of July 2018, the maximum benefit amounts and phase-out thresholds of the Canada Child Benefit, which provides support to families with children under 18, are indexed to inflation. As a result, the maximum benefit amounts provided under the Canada Child Benefit were increased to $6,496 from $6,400 per child under the age of 6, and to $5,481 from $5,400 per child aged 6 through 17, for the 2018-19 benefit year.

Retroactive Eligibility of Foreign-Born Status Indians

Budget 2016 established eligibility for the Canada Child Benefit to include foreign-born status Indians residing legally in Canada who are neither Canadian citizens nor permanent residents, where all other eligibility requirements are met, consistent with other federal benefits. These individuals were not eligible under the previous system of child benefits. As of July 2018, such individuals are retroactively eligible for the Canada Child Tax Benefit, the National Child Benefit supplement and the Universal Child Care Benefit, where all other eligibility requirements are met.

This measure applies from the 2005 taxation year to June 30, 2016.

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 2018 announced an expansion of the credit to recognize costs incurred in respect of an animal specifically trained to perform tasks for a patient with a severe mental impairment in order to assist them in coping with their impairment (e.g., a psychiatric service dog trained to assist with post-traumatic stress disorder).

This measure applies in respect of eligible expenses incurred after 2017.

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.

Budget 2018 announced an extension of the credit for an additional year, to flow-through share agreements entered into on or before March 31, 2019. Subsequently, as part of the 2018 *Fall Economic Statement*, the Government announced its intention to extend the credit for an additional five years, until March 31, 2024. Under the one-year "look-back" rule, funds raised with the benefit of the credit in 2024, for example, can be spent on eligible exploration up to the end of 2025.

Tax Treatment of Quebec Pension Plan contributions

As part of the Canada Pension Plan (CPP) Enhancement announced in 2016, the *Income Tax Act* was amended to provide a tax deduction on employee contributions to the enhanced portion of the CPP. To provide consistent income tax treatment of contributions to the CPP and the Quebec Pension Plan (QPP), Budget 2018 announced that a tax deduction will be provided on employee contributions to the enhanced portion of the QPP. A tax credit will continue to be provided on employee contributions to the base CPP and QPP. Contributions to the enhanced portion of the CPP and QPP will commence in 2019.

Corporate Income Tax

Accelerated capital cost allowance for clean energy generation equipment

Budget 2018 extended the accelerated capital cost allowance for clean energy equipment under Class 43.2, which provides accelerated tax depreciation for clean energy generation and energy conservation equipment, to property acquired before 2025.

The 2018 *Fall Economic Statement* announced the Government's intention to introduce full expensing for clean energy equipment. This measure provides an enhanced first-year allowance for property currently eligible for the accelerated capital cost allowance for clean energy equipment under Class 43.1 or 43.2, with limited restrictions, if it is acquired after November 20, 2018 and becomes available for use before 2028. The enhanced allowance will initially provide a 100-per-cent deduction, with a phase-out for property that becomes available for use after 2023. The half-year rule will effectively be suspended for property eligible for this measure.

Accelerated capital cost allowance for manufacturing and processing machinery and equipment

The 2018 *Fall Economic Statement* announced the Government's intention to introduce full expensing for manufacturing and processing machinery and equipment. This measure provides an enhanced first-year allowance for property currently eligible for the accelerated capital cost allowance for manufacturing and processing machinery and equipment under Class 53, with limited restrictions, if it is acquired after November 20, 2018 and becomes available for use before 2028. The enhanced allowance provides a 100-per-cent deduction, with a phase-out for property that becomes available for use after 2023. The half-year rule will effectively be suspended for property eligible for this measure.

Accelerated Investment Incentive

The 2018 *Fall Economic Statement* announced the Government's intention to introduce the Accelerated Investment Incentive, which will provide an enhanced first-year deduction for tax depreciation equal to up to three times the amount that would otherwise apply in the year an asset is put in use. The Accelerated Investment Incentive will apply to all capital property, with limited restrictions. The Accelerated Investment Incentive is available for property acquired after November 20, 2018 and that becomes available for use before 2028, subject to a phase-out for property that becomes available for use after 2023.

Preferential tax rate for small businesses

Budget 2018 announced limits on the ability of businesses with more than $50,000 in passive income in a year to benefit from the preferential small business rate. For tax years beginning after 2018, the measure reduces the small business deduction limit, using a straight-line basis, by $5 for every $1 of investment income exceeding the $50,000 threshold, such that the business limit will be reduced to zero at $150,000 of investment income.

Refundable taxes on investment income of private corporations

Budget 2018 announced that Canadian-controlled private corporations would no longer be able to obtain refunds of taxes paid on investment income while distributing dividends from income taxed at the general corporate rate. Existing Refundable Dividend Tax on Hand balances, subject to certain limitations, are not affected by the measure. This measure applies with respect to tax years beginning after 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, 2018 (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	Families and households
Business - farming and fishing	Health
Business - natural resources	Housing
Business - research and development	Income support
Business - small businesses	Intergovernmental tax arrangements
Business - other	International
Donations, gifts, charities and non-profit organizations	Retirement
Education	Savings and investment
Employment	Social
Environment	Other

Canadian Classification of Functions of Government 2014 code

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

Other relevant government programs

This provides background information on spending programs of the federal government that are relevant to the policy area of the tax expenditure. Additional information on these programs can be found in the table at the end of Part 3 and in the Departmental Plans and Departmental Performance Reports of the relevant departments and agencies.[13]

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.

[13] 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.

Projection method

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

Number of beneficiaries

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

Cost information

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

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

Totals may not add due to rounding.

Notes:

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

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

$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. The 2018 *Fall Economic Statement* announced that Class 43.1 and 43.2 property acquired after November 20, 2018 and put in use before 2024 would be eligible for immediate expensing, with a phase-out for property put in use after 2023 (75% deduction in 2024 and 2025, and 55% deduction in 2026 and 2027). Without Class 43.1 and Class 43.2, depending on their nature or use, many of these assets would be depreciated at lower rates of 4%, 8% or 20%. A related measure addresses specified intangible start-up costs of clean energy projects (see the measure "Accelerated deductibility of Canadian Renewable and Conservation Expenses").
Tax	Personal and corporate income tax
Beneficiaries	Businesses using clean or efficient energy generation equipment
Type of measure	Timing preference
Legal reference	*Income Tax Regulations*, subsections 1100(2) and 1104(4), Classes 43.1 and Class 43.2 of Schedule II
Implementation and recent history	• The predecessor Class 34, introduced in 1976, provided an accelerated CCA rate of 50% on a straight-line basis for a range of energy generation and conservation equipment. • Class 43.1 was introduced in Budget 1994, effective for assets acquired after February 21, 1994. • Class 43.2 was introduced in Budget 2005, effective for assets acquired after February 22, 2005 and before 2012. Budget 2007 extended the eligibility for Class 43.2 to assets acquired before 2020. • The range of assets covered by these CCA classes has been expanded several times. Most recently, Budget 2018 extended the eligibility for Class 43.2 to property acquired before 2025. • The 2018 *Fall Economic Statement* announced immediate expensing of specified clean energy equipment included in Class 43.1 and 43.2 acquired after November 20, 2018 and put in use before 2024. This measure would be graduallly phased out starting in 2024, and would no longer be in effect for investments put in use after 2027.
Objective – category	To encourage or attract investment
Objective	This 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. For the estimation method for the incremental cost of the changes announced in the 2018 *Fall Economic Statement*, see the Accelerated Investment Incentive.
Projection method	No projection is available.
Number of beneficiaries	About 900 businesses made additions to Classes 43.1 and 43.2 in 2016.

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	A small number of corporations (fewer than 20) made additions to the relevant CCA classes each year. No data is available for unincorporated businesses.

Accelerated capital cost allowance for manufacturing or processing machinery and equipment

Description	Machinery and equipment acquired by a taxpayer after March 18, 2007 and before 2016 and that is primarily for use in Canada for the manufacturing or processing of goods for sale or lease can be depreciated on a straight-line basis at an accelerated capital cost allowance (CCA) rate of 50% (Class 29 of Schedule II to the *Income Tax Regulations*). Machinery and equipment acquired after 2015 is depreciable on a declining-balance basis at an accelerated CCA rate of 50% (Class 53). The 2018 *Fall Economic Statement* announced that property in Class 53 acquired after November 20, 2018 and put in use before 2024 would be eligible for immediate expensing, with a phase-out for property put in use after 2023 (75% deduction in 2024 and 2025, and 55% deduction in 2026 and 2027). Machinery and equipment acquired outside of these periods is included in Class 43 and qualifies for a CCA rate of 30% calculated on a declining-balance basis.
Tax	Personal and corporate income tax
Beneficiaries	Businesses in the manufacturing and processing industry
Type of measure	Timing preference
Legal reference	*Income Tax Regulations*, subsections 1100(2), 1102(16.1) and 1104(4), and Class 53 of Schedule II
Implementation and recent history	• The accelerated CCA provided at a rate of 50% on a straight-line basis was introduced in Budget 2007, effective for eligible manufacturing and processing machinery and equipment acquired on or after March 19, 2007. • Extended in Budgets 2008, 2009, 2011 and 2013. • Budget 2015 introduced the 50% accelerated CCA on a declining-balance basis, effective for eligible assets acquired after 2015 and before 2026. • The 2018 *Fall Economic Statement* announced immediate expensing of machinery and equipment used for the manufacturing or processing of goods included in Class 53 that is put in use before 2024. This measure would be graduallly phased out starting in 2024, and would no longer be in effect for investments put in use after 2027.
Objective – category	To encourage or attract investment
Objective	This temporary measure provides an incentive for manufacturing and processing businesses to accelerate or increase capital investment (Budget 2008). Providing this incentive for an extended period of time helps to provide businesses with planning certainty for larger projects where the investment may not be completed until several years after the investment decision is made and for longer-term investments with multiple phases (Budget 2015).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure may permit the depreciation of a capital asset faster than its useful life.
Subject	Business - other
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Personal income tax: Data on acquisitions by unincorporated businesses of manufacturing or processing machinery and equipment is not available. Corporate income tax: T2 Corporation Income Tax Return
Estimation method	No estimate is available – see the Annex to Part 1 for an explanation as to why estimates are not available for this measure. For the estimation method for the incremental cost of the changes announced in the 2018 *Fall Economic Statement*, see the Accelerated Investment Incentive.
Projection method	No projection is available.
Number of beneficiaries	About 13,900 corporations made additions to the relevant CCA class in 2016. 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	A small number of corporations (fewer than 20) made additions to the relevant CCA class each year. No data is available for unincorporated businesses.

Accelerated capital cost allowance for vessels

Description	New vessels (including furniture, fittings, radio communication equipment and other equipment) that are constructed and registered in Canada and that were not used for any purpose whatsoever before acquisition by their owners can be depreciated at a maximum capital cost allowance (CCA) rate of 33⅓% on a straight-line basis. Vessels that do not qualify for this treatment are depreciable at a CCA rate of 15% on a declining-balance basis.
Tax	Personal and corporate income tax
Beneficiaries	Businesses
Type of measure	Timing preference
Legal reference	*Income Tax Regulations*, paragraph 1100(1)(v)
Implementation and recent history	• Introduced in 1967 (Order in Council P.C. 1967-1668). Effective for assets acquired on or after March 23, 1967.
Objective – category	To encourage or attract investment
Objective	This measure encourages investment in new vessels built and registered in Canada.
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure may permit the depreciation of a capital asset faster than its useful life.
Subject	Business - other
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Personal income tax: Data on acquisitions of vessels by unincorporated businesses is not available. Corporate income tax: T2 Corporation Income Tax Return
Estimation method	No estimate is available – see the Annex to Part 1 for an explanation as to why estimates are not available for this measure.
Projection method	No projection is available.
Number of beneficiaries	About 30 corporations made additions to the relevant CCA class in 2016. No data is available for unincorporated businesses.

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	About 135 corporations incurred Canadian Renewable and Conservation Expenses in 2016. No data is available for unincorporated businesses.

Accelerated deductibility of some Canadian Exploration Expenses

Description	Canadian Exploration Expenses (CEE) are deductible at a rate of 100% in the year incurred. CEE 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	About 1,985 corporations incurred Canadian Exploration Expenses in 2016. No data is available for unincorporated businesses.

Accelerated Investment Incentive

Description	The Accelerated Investment Incentive will provide an enhanced first-year allowance for capital property that is subject to the capital cost allowance (CCA) rules, as well as Canadian oil and gas property and Candian development expenses, with limited restrictions. The Accelerated Investment Incentive will not apply to property in Classes 53 (manufacturing and processing machinery and equipment), 43.1 and 43.2 (clean energy equipment), which are eligible for full expensing. Eligible property generally subject to the half-year rule will qualify for an enhanced CCA equal to three times the normal first-year allowance, and property not generally subject to the half-year rule will qualify for an enhanced CCA equal to one-and-a-half times the normal first-year allowance. The Accelerated Investment Incentive will be available for property acquired after November 20, 2018 and that becomes available for use before 2028, subject to a phase-out for property that becomes available for use after 2023. For eligible property that would normally be subject to the half-year rule (or an equivalent rule) and that becomes available for use during the 2024-2027 phase-out period, the Accelerated Investment Incentive will effectively suspend the half-year rule (and equivalent rules), providing such property with an enhanced allowance equal to two times the normal first-year allowance. For eligible property that would not normally be subject to the half-year rule (or an equivalent rule) and that becomes available for use during the 2024-2027 phase-out period, the enhanced allowance will be equal to one-and-a-quarter times the normal first-year allowance.
Tax	Personal and corporate income tax
Beneficiaries	Businesses
Type of measure	Timing preference
Legal reference	*Income Tax Act*, paragraph 66.2(2)(d), definition of accelerated Canadian development expense in subsection 66.2(5), paragraph 66.4(2)(c), definition of accelerated Canadian oil and gas property expense in subsection 66.4(5) *Income Tax Regulations*, subparagraphs 1100(1)(b)(i) and (c)(i), subparagraph 1100(1)(v)(iv), subsections 1100(2), subsection 1104(4), paragraphs 1(a) and 2(a) of Schedule IV, section 2 and paragraph 3(a) of Schedules V and VI
Implementation and recent history	• Introduced in the 2018 *Fall economic Statement*.
Objective – category	To encourage or attract investment
Objective	This temporary measure provides an incentive for businesses to accelerate or increase capital investment.
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure may permit the depreciation of a capital asset faster than its useful life.
Subject	Business - other
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada, Innovation, Science and Economic Development Canada, Business Development Bank of Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return T2 Corporation Income Tax Return T5013 Statement of Partnership Income
Estimation method	T2 micro-simulation model T5013 micro-simulation model Aggregate investment data from T1 Income Tax and Benefit Return
Projection method	The cost of this measure is projected to decline over time considering that additional allowances claimed in early years will no longer be available in future years. This will be partly offset by the projected growth in business investment.
Number of beneficiaries	It is estimated that more than 631,500 corporations will make additions in 2019. No data is available for unincorporated businesses.

Cost Information:

Millions of dollars	2013	2014	2015	2016	2017 (P)	2018 (P)	2019 (P)	2020 (P)
Personal income tax	–	–	–	–	–	n.a.	n.a.	n.a.
Corporate income tax	–	–	–	–	–	n.a.	n.a.	n.a.
Total	–	–	–	–	–	375	3,680	3,005

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	2013	2014	2015	2016	2017 (P)	2018 (P)	2019 (P)	2020 (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 $15,905 per child (2018, indexed to inflation). Eligible adoption expenses cover a range of expenses, including adoption agency fees, legal expenses, and travel and living expenses for themselves and the child, but do not include any expenses for which the adoptive parent has been or is entitled to be reimbursed. Eligible adoption expenses may be incurred for domestic adoptions or for a child adopted from outside of Canada. They must also have been incurred during the "adoption period", as defined in the legislation. Parents are able to claim the credit in the taxation year in which the adoption is finalized. The two adoptive parents can split the amount if the total combined claim for eligible expenses for each child is not more than the amount before the split.
Tax	Personal income tax
Beneficiaries	Adoptive parents
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, section 118.01
Implementation and recent history	• Introduced in Budget 2005. Effective for the 2005 and subsequent taxation years. • Budget 2013 extended the adoption period to allow for the eligibility of additional adoption-related expenses (e.g., fees for a mandatory home study and adoption courses). • Budget 2014 increased the maximum eligible expenses claimable to $15,000.
Objective – category	To recognize non-discretionary expenses (ability to pay) To achieve a social objective
Objective	This measure provides tax recognition to parents for costs that are unique to the decision to adopt a child (Budget 2005).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system.
Subject	Families and households
CCOFOG 2014 code	71049 - Social protection - Family and children
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada and Indigenous Services Canada also support Canadian families and households. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 1,900 individuals claimed this credit in 2016.

Cost Information:

Millions of dollars	**2013**	**2014**	**2015**	**2016**	**2017 (P)**	**2018 (P)**	**2019 (P)**	**2020 (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 ($7,333 for 2018). The credit is income-tested—the credit amount is reduced by 15% of net income in excess of an annually indexed threshold amount ($36,976 for 2018). The credit is completely phased out at an income level of $85,863 in 2018. 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 5.7 million individuals claimed this credit in 2016.

Cost Information:

Millions of dollars	2013	2014	2015	2016	2017 (P)	2018 (P)	2019 (P)	2020 (P)
Personal income tax	2,890	3,025	3,170	3,335	3,440	3,620	3,815	4,025

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 ($1,195 in 2018) or 5% of the taxpayer's income, whichever is greater.
Tax	Personal income tax
Beneficiaries	Apprentice vehicle mechanics
Type of measure	Deduction
Legal reference	*Income Tax Act*, paragraph 8(1)(r) and subsection 8(6)
Implementation and recent history	• Introduced in Budget 2001. Effective for tools acquired after 2001. • In Budget 2007, the threshold for recognition of tool costs was integrated with the new deduction for tradespeople's tool expenses and Canada Employment Credit.
Objective – category	To recognize expenses incurred to earn employment income
Objective	This measure recognizes that apprentice vehicle mechanics have reduced ability to pay tax relative to other taxpayers with the same income due to the extraordinary portion of the cost of new tools they have to provide as a condition of their employment (Budget 2001; Budget 2007).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure provides tax recognition for an expense that is incurred to earn employment income.
Subject	Employment Education
CCOFOG 2014 code	70412 - Economic affairs - General economic, commercial, and labor affairs - General labor affairs 70959 - Education - Education not definable by level
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support employment. Programs within the mandates of Employment and Social Development Canada, the Social Sciences and Humanities Research Council, the Natural Sciences and Engineering Research Council, the Canadian Institutes of Health Research and Indigenous Services Canada also support objectives related to education and training. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T777 Statement of Employment Expenses
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 6,800 individuals claimed this deduction in 2016.

Cost Information:

Millions of dollars	2013	2014	2015	2016	2017 (P)	2018 (P)	2019 (P)	2020 (P)
Personal income tax	4	3	3	3	3	3	3	3

Apprenticeship Job Creation Tax Credit

Description	Employers can claim a 10% non-refundable tax credit in respect of wages paid to qualifying apprentices in the first two years of their contract, to a maximum of $2,000 per apprentice per year. A qualifying apprentice is defined as someone working in a prescribed trade in the first two years of their apprenticeship contract. This contract must be registered with the federal government or a provincial or territorial government under an apprenticeship program designed to certify or license individuals in the trade. Prescribed trades include the trades currently listed as Red Seal Trades. Unused credits can be carried back 3 years or forward 20 years to reduce taxes payable in those years.
Tax	Personal 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 2016.

Cost Information:

Millions of dollars	2013	2014	2015	2016	2017 (P)	2018 (P)	2019 (P)	2020 (P)
Personal income tax	2	2	2	2	2	2	2	1
Corporate income tax								
Earned and claimed in current year	65	65	70	60	60	65	65	65
Claimed in current year but earned in prior years	20	20	20	20	25	25	25	25
Earned in current year but carried back to prior years	4	5	5	5	5	5	5	5
Total – corporate income tax	90	90	95	85	90	95	95	100
Total	90	95	100	85	95	95	100	100

Atlantic Investment Tax Credit

Description	A 10% credit is available for qualifying acquisitions of new buildings, machinery and equipment and prescribed energy and conservation property used primarily in qualified activities in the Atlantic provinces, the Gaspé Peninsula and their associated offshore regions. Qualified activities include farming, fishing, logging, manufacturing and processing, the storing of grain, the harvesting of peat, and the production or processing of electrical energy or steam. Unused credits can be carried back 3 years or forward 20 years to reduce taxes payable in those years. Where the credit exceeds the amount of tax payable in a year, 40% of the credit is refundable for small Canadian-controlled private corporations and individuals.
Tax	Personal 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. The projected cost of the non-refundable portion of this measure is reduced in 2019 and 2020 by the introduction of the Accelerated Investment Incentive, full expensing for manufacturing or processing machinery and equipment, and full expensing for clean energy generation equipment, which will reduce corporate taxable income.
Number of beneficiaries	About 4,700 individuals and 5,850 corporations claimed this credit in 2016.

Cost Information:

Millions of dollars	2013	2014	2015	2016	2017 (P)	2018 (P)	2019 (P)	2020 (P)
Personal income tax	10	10	10	10	10	10	10	10
Corporate income tax								
Non-refundable portion								
Earned and claimed in current year	75	115	60	45	55	60	40	40
Claimed in current year but earned in prior years	110	65	140	85	470	335	115	70
Earned in current year but carried back to prior years	135	10	80	10	10	10	10	10
Total – non-refundable portion	320	190	285	135	530	405	170	125
Refundable portion	15	15	20	20	20	25	25	25
Total – corporate income tax	335	205	305	155	555	425	190	145
Total	340	215	310	165	565	440	205	160

Canada Caregiver Credit

Description	The Canada Caregiver Credit consolidated and replaced the previous system of caregiver credits (including the Caregiver Credit, Infirm Dependant Credit and Family Caregiver Tax Credit). In 2018, the amount of the credit is: • $6,986 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; • $2,182 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 ($2,182). Where this results in less tax relief than would be available if the higher amount ($6,986) 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 $16,405 (in 2018) and is fully phased out when the dependant's income reaches $23,391 (in 2018). 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 Services Canada also support Canadian families and households. Programs within the mandates of Health Canada, the Canadian Food Inspection Agency, the Canadian Institutes of Health Research, the Public Health Agency of Canada and Veterans Affairs Canada also support health-related objectives. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return and information from Statistics Canada's *Canadian Survey on Disability* and *General Social Survey*
Estimation method	T1 micro-simulation model; estimates for the value of this measure, as well as for the number of individuals with infirm dependants not living in the individual's home and the number of individuals living with non-infirm seniors, were derived using the Statistics Canada survey results.
Projection method	T1 micro-simulation model
Number of beneficiaries	It is estimated that about 450,000 individuals claimed this credit in 2017.

Cost Information:

Millions of dollars	2013	2014	2015	2016	2017 (P)	2018 (P)	2019 (P)	2020 (P)
Personal income tax	–	–	–	–	225	230	240	245

Canada Child Benefit

Description	For the 2018-19 benefit year, the Canada Child Benefit provides a maximum benefit of $6,496 per child under the age of 6 and $5,481 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 $30,450 and $65,975, 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 $65,975, 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 began as of the 2018-19 benefit year. The Child Disability Benefit is an additional amount provided to families caring for a child eligible for the Disability Tax Credit. For the 2018-19 benefit year, the Child Disability Benefit provides up to $2,771 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 $65,975. This additional amount, which is included in Canada Child Benefit payments made to eligible families, is also indexed to inflation as of the 2018-19 benefit year. Canada Child Benefit payments are made monthly and are non-taxable. The payment cycle runs from July to June.
Tax	Personal income tax
Beneficiaries	Families with minor children
Type of measure	Credit, refundable
Legal reference	*Income Tax Act*, section 122.6
Implementation and recent history	• The Child Tax Benefit (the precursor to the Canada Child Tax Benefit) was introduced in Budget 1992 and replaced, effective January 1993, the former refundable child tax credit, family allowance and non-refundable tax credit. • The Canada Child Tax Benefit and National Child Benefit supplement were introduced in 1998. The Child Disability Benefit was introduced in 2003. • The Canada Child Benefit was introduced in Budget 2016 and replaced the Canada Child Tax Benefit, including the National Child Benefit supplement, and the Universal Child Care Benefit. Payments of the Canada Child Benefit began in July 2016. • The 2017 *Fall Economic Statement* introduced the indexation to inflation of the maximum benefit amounts and phase-out thresholds for the Canada Child Benefit as of the 2018-19 benefit year, rather than as of the 2020-21 benefit year as was legislated. The Child Disability Benefit is also indexed to inflation as of the 2018-19 benefit year. • Budget 2018 granted retroactive eligibility for the Canada Child Tax Benefit, the National Child Benefit supplement and the Universal Child Care Benefit to foreign-born individuals who are Indians under the *Indian Act* who reside legally in Canada but are neither Canadian citizens nor permanent residents, where all other eligibility requirements are met, from the 2005 taxation year to June 30, 2016.
Objective – category	To recognize non-discretionary expenses (ability to pay) To achieve a social objective
Objective	This measure gives families more money to help with the high cost of raising their children.
Category	Refundable tax credit
Reason why this measure is not part of benchmark tax system	This measure is classified as a transfer payment for government accounting purposes, and therefore is not considered to be a tax expenditure.
Subject	Families and households
CCOFOG 2014 code	71049 - Social protection - Family and children
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada and Indigenous Services Canada also support Canadian families and households. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	*Public Accounts of Canada* T1 Income Tax and Benefit Return

Estimation method	This measure is presented on a fiscal year basis as reported in the *Public Accounts of Canada* (e.g., the amount for 2013 corresponds to the expenditure reported for the 2013–14 fiscal year).
Projection method	Projections of the value of this measure are calculated based on projected inflation and growth in family income and population.
Number of beneficiaries	It is estimated that about 3.4 million families will receive the Canada Child Benefit in 2018.

Cost Information:

Millions of dollars	2013	2014	2015	2016	2017	2018 (P)	2019 (P)	2020 (P)
Canada Child Tax Benefit - personal income tax	10,400	10,370	10,510	3,240	–	–	–	–
Canada Child Benefit - personal income tax	–	–	–	16,860	23,420	23,900	24,200	24,700

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 $1,195 (in 2018) 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 17.8 million individuals claimed this credit in 2016.

Cost Information:

Millions of dollars	**2013**	**2014**	**2015**	**2016**	**2017 (P)**	**2018 (P)**	**2019 (P)**	**2020 (P)**
Personal income tax	2,110	2,185	2,270	2,295	2,315	2,370	2,440	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 1,400 corporations received this benefit in 2016.

Cost Information:

Millions of dollars	**2013**	**2014**	**2015**	**2016**	**2017 (P)**	**2018 (P)**	**2019 (P)**	**2020 (P)**
Corporate income tax	250	255	265	280	305	320	330	340

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 524,000 individuals and 53,000 corporations made use of this measure in 2016 (not counting individuals that carried back losses only).

Cost Information:

Millions of dollars	2013	2014	2015	2016	2017 (P)	2018 (P)	2019 (P)	2020 (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	420	530	425	435	540	540	580	620
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	120	110	355	230	135	205	210	210
Applied to current year	520	685	485	375	430	455	455	460
Total – corporate income tax	640	795	840	600	565	660	665	670
Total	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Caregiver Credit

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

Cost Information:

Millions of dollars	**2013**	**2014**	**2015**	**2016**	**2017 (P)**	**2018 (P)**	**2019 (P)**	**2020 (P)**
Personal income tax	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 2018, 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 $205,842 who may claim a 33% tax credit on the portion of total annual donations over $200 made from taxable income greater than $205,842. 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 5.5 million individuals claimed this credit in 2016.

Cost Information:

Millions of dollars	**2013**	**2014**	**2015**	**2016**	**2017 (P)**	**2018 (P)**	**2019 (P)**	**2020 (P)**
By type of donations								
Publicly listed securities	145	240	190	240	295	310	330	345
Ecologically sensitive land	5	5	5	10	5	10	10	10
Cultural property	25	30	25	25	20	20	20	20
Other	2,365	2,310	2,425	2,455	2,580	2,655	2,735	2,820
Total – personal income tax	2,540	2,585	2,645	2,735	2,905	3,000	3,095	3,190

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 Services Canada also support objectives related to education and training. Programs within the mandates of Employment and Social Development Canada and Indigenous Services Canada also support Canadian families and households. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 1.4 million individuals claimed this deduction in 2016.

Cost Information:

Millions of dollars	2013	2014	2015	2016	2017 (P)	2018 (P)	2019 (P)	2020 (P)
Personal income tax	960	1,080	1,345	1,295	1,320	1,365	1,410	1,445

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 Services Canada also support Canadian families and households. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 3.8 million individuals claimed this credit in 2014.

Cost Information:

Millions of dollars	**2013**	**2014**	**2015**	**2016**	**2017 (P)**	**2018 (P)**	**2019 (P)**	**2020 (P)**
Personal income tax	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 631,000 individuals claimed this credit in 2016.

Cost Information:

Millions of dollars	**2013**	**2014**	**2015**	**2016**	**2017 (P)**	**2018 (P)**	**2019 (P)**	**2020 (P)**
Personal income tax	40	40	45	25	–	–	–	–

Children's Fitness Tax Credit

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

Cost Information:

Millions of dollars	2013	2014	2015	2016	2017 (P)	2018 (P)	2019 (P)	2020 (P)
Non-refundable	115	180	–	–	–	–	–	–
Refundable	–	–	210	145	–	–	–	–
Total – personal income tax	115	180	210	145	–	–	–	–

Corporate Mineral Exploration and Development Tax Credit

Description	A 10% non-refundable credit was available to corporations in respect of expenditures incurred in Canada for grassroots exploration and pre-production mine development in relation to the mining of diamonds, base and precious metals as well as industrial minerals that become base or precious metals through refining. Budget 2012 announced the phase-out of this credit to make the tax system more neutral between mining and other industries and, as a result, this credit does not apply after 2015. However, unused credits can be pooled and carried forward, and the use of previously earned credits will continue beyond 2015.
Tax	Corporate income tax
Beneficiaries	Corporations in the mining industry
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, subsection 127(9), paragraph (a.3) of definition of "investment tax credit"
Implementation and recent history	• Introduced in Budget 2003. The credit applied at a rate of 5% in 2003, 7% in 2004 and 10% as of 2005. • Budget 2012 announced the phase-out of this credit. In the case of exploration expenditures, the credit rate was reduced to 5% for expenses incurred in 2013 and is not available for expenses incurred after 2013. In the case of pre-production development expenditures, the credit rate was reduced to 7% for expenses incurred in 2014, 4% for expenses incurred in 2015, and is not available for expenses incurred after 2015.
Objective – category	To encourage or attract investment
Objective	This measure was introduced to improve the international competitiveness of the resource sector and promote the efficient development of Canada's natural resource base (*Improving the Income Taxation of the Resource Sector in Canada*, March 3, 2003).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system.
Subject	Business - natural resources
CCOFOG 2014 code	70441 - Economic affairs - Mining, manufacturing, and construction - Mining of mineral resources other than mineral fuels
Other relevant government programs	Programs within the mandate of Natural Resources Canada also support the natural resource sector. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T2 Corporation Income Tax Return
Estimation method	The cost of this measure in a year is calculated using data on actual credits claimed in the year. The cost in the initial year is partially offset in the following year as the corporation's cumulative Canadian Exploration Expense account is then reduced by the credit claimed the year before.
Projection method	Projections are based on current market conditions.
Number of beneficiaries	About 25 corporations claimed this credit in 2016.

Cost Information:

Millions of dollars	**2013**	**2014**	**2015**	**2016**	**2017 (P)**	**2018 (P)**	**2019 (P)**	**2020 (P)**
Corporate income tax	-4	30	15	5	50	25	25	25

Credit for the Basic Personal Amount

Description	Individual taxpayers can claim a non-refundable credit in respect of the Basic Personal Amount. The value of the credit is calculated by applying the lowest personal income tax rate (15% in 2018) to the Basic Personal Amount ($11,809 in 2018). 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 27.4 million individuals claimed this credit in 2016.

Cost Information:

Millions of dollars	2013	2014	2015	2016	2017 (P)	2018 (P)	2019 (P)	2020 (P)
Personal income tax	31,055	32,010	33,345	33,910	34,975	35,955	37,185	38,410

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 3,200 individuals claimed this deduction in 2016.

Cost Information:

Millions of dollars	**2013**	**2014**	**2015**	**2016**	**2017 (P)**	**2018 (P)**	**2019 (P)**	**2020 (P)**
Personal income tax	2	2	1	1	1	1	1	1

Deductibility of charitable donations

Description	Donations made by corporations to registered charities are deductible in computing taxable income within certain limits. In general, a deduction may be claimed on donations totalling up to 75% of a corporation's taxable income. The limit is increased by 25% of the amount of taxable capital gains arising from donations of appreciated capital property and 25% of any capital cost allowance recapture arising from donations of depreciable capital property. The net income restriction does not apply to certain gifts of cultural property or ecologically sensitive land. Donations in excess of the particular limit applied may be carried forward up to 5 years with the exception of gifts of ecologically sensitive land, which may be carried forward up to 10 years.
Tax	Corporate income tax
Beneficiaries	Corporate donors
Type of measure	Deduction
Legal reference	*Income Tax Act*, section 110.1
Implementation and recent history	• Budget 1930 introduced the deductibility of donations to any church, university, college, school or hospital in Canada amounting to no greater than 10% of a taxpayer's net income. By 1933, the deduction applied to donations made to charities. • Budget 1997 increased the deduction limit to 75% of a corporation's net income, reduced to 25% the portion of taxable capital gains arising from the donations of appreciated capital property that can be added to the deduction limit, and added to the deduction limit 25% of recaptured capital cost allowance amounts.
Objective – category	To achieve a social objective
Objective	This measure is designed to support the important work of the charitable sector in meeting the needs of Canadians (*Report of the Royal Commission on Taxation*, vol. 3, 1966).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure provides tax recognition for an expense that is not incurred to earn income. The tax benefit from this measure can be obtained in a taxation year other than the year during which it accrues.
Subject	Donations, gifts, charities and non-profit organizations
CCOFOG 2014 code	705 - Environmental protection; 706 - Housing and community amenities; 707 - Health; 708 - Recreation, culture, and religion; 709 - Education; 710 - Social protection; Other various codes
Other relevant government programs	Many federal government entities provide direct funding to registered charities, non-profit organizations and international development associations through various programs.
Source of data	T2 Corporation Income Tax Return
Estimation method	T2 micro-simulation model
Projection method	The cost of this measure is projected to grow in line with corporate taxable income.
Number of beneficiaries	This measure provided tax relief to about 94,300 corporations in 2016.

Cost Information:

Millions of dollars	2013	2014	2015	2016	2017 (P)	2018 (P)	2019 (P)	2020 (P)
By type of donations								
Ecologically sensitive land	5	3	1	1	1	1	1	1
Cultural property	3	10	20	5	5	10	10	10
Gifts to the Crown	S	S	S	S	S	S	S	S
Other	310	485	435	450	660	700	695	705
Total – corporate income tax	320	500	455	455	665	710	710	715

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 2016. No data is available for unincorporated businesses.

Cost Information:

Millions of dollars	**2013**	**2014**	**2015**	**2016**	**2017 (P)**	**2018 (P)**	**2019 (P)**	**2020 (P)**
Personal income tax	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Corporate income tax	S	-1	55	55	60	60	60	60
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 2016.

Cost Information:

Millions of dollars	2013	2014	2015	2016	2017 (P)	2018 (P)	2019 (P)	2020 (P)
Corporate income tax	S	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 2016.

Cost Information:

Millions of dollars	**2013**	**2014**	**2015**	**2016**	**2017 (P)**	**2018 (P)**	**2019 (P)**	**2020 (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 26,500 individuals claimed this deduction in 2016.

Cost Information:

Millions of dollars	**2013**	**2014**	**2015**	**2016**	**2017 (P)**	**2018 (P)**	**2019 (P)**	**2020 (P)**
Personal income tax	85	90	90	95	95	100	100	100

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 ($1,195 in 2018). The total cost of eligible new tools cannot exceed the total of the employment income earned as a tradesperson and apprenticeship grants received to acquire the tools, which are required to be included in income.
Tax	Personal income tax
Beneficiaries	Tradespeople
Type of measure	Deduction
Legal reference	*Income Tax Act*, paragraph 8(1)(s)
Implementation and recent history	• Introduced in Budget 2006. Effective in respect of eligible new tools acquired on or after May 2, 2006.
Objective – category	To recognize expenses incurred to earn employment income
Objective	This measure provides tax recognition for the extraordinary cost of tools that tradespeople must provide as a condition of employment (Budget 2006).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure provides tax recognition for an expense that is incurred to earn employment income.
Subject	Employment
CCOFOG 2014 code	70412 - Economic affairs - General economic, commercial, and labor affairs - General labor affairs
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support employment. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T777 Statement of Employment Expenses
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 20,000 individuals claimed this deduction in 2016.

Cost Information:

Millions of dollars	**2013**	**2014**	**2015**	**2016**	**2017 (P)**	**2018 (P)**	**2019 (P)**	**2020 (P)**
Personal income tax	2	2	2	2	2	2	2	2

Deduction for tuition assistance for adult basic education

Description	A student can claim a deduction for the amount of tuition assistance received for adult basic education when the tuition assistance has been included in the student's income and the student does not qualify for the Tuition Tax Credit. In order to be eligible, the tuition assistance must be received under a program established under Part II of the *Employment Insurance Act*, a program established under the authority of the *Department of Employment and Social Development Act*, a similar program (in certain circumstances) or a prescribed program.
Tax	Personal income tax
Beneficiaries	Students
Type of measure	Deduction
Legal reference	*Income Tax Act*, paragraph 110(1)(g)
Implementation and recent history	• Introduced in Budget 2001. Effective retroactively to the 1997 and subsequent taxation years.
Objective – category	To recognize education costs
Objective	This measure provides assistance to adults undertaking basic education courses as part of a government training program (Budget 2001).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure provides tax recognition for an expense that is incurred to earn employment income.
Subject	Education
CCOFOG 2014 code	70959 - Education - Education not definable by level
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada, the Social Sciences and Humanities Research Council, the Natural Sciences and Engineering Research Council, the Canadian Institutes of Health Research and Indigenous Services Canada also support objectives related to education and training. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T4E Statement of Employment Insurance and Other Benefits
Estimation method	The value of this measure is calculated by multiplying total non-taxable tuition assistance by an assumed marginal tax rate.
Projection method	The value of this measure is projected based on historical growth.
Number of beneficiaries	About 6,000 individuals claimed this deduction in 2016.

Cost Information:

Millions of dollars	**2013**	**2014**	**2015**	**2016**	**2017 (P)**	**2018 (P)**	**2019 (P)**	**2020 (P)**
Personal income tax	3	2	1	2	2	2	2	2

Deduction of allowable business investment losses

Description	Capital losses arising from the disposition of shares and debt instruments are generally deductible only against capital gains. However, one-half of the capital loss from a deemed disposition of bad debts or shares of a bankrupt small business corporation or from a disposition to an arm's length person of shares or debts of a small business corporation (known as an "allowable business investment loss") may be used to offset other income. Unused allowable business investment losses may be carried back three years and forward 10 years. After 10 years, the loss reverts to an ordinary capital loss and may be carried forward indefinitely. Allowable business investment losses 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 8,100 individuals and 1,820 corporations claimed this deduction in 2016.

Cost Information:

Millions of dollars	2013	2014	2015	2016	2017 (P)	2018 (P)	2019 (P)	2020 (P)
Personal income tax	30	40	35	35	20	20	20	20
Corporate income tax	10	10	15	10	10	15	15	15
Total	35	50	50	45	30	35	35	35

Deduction of interest and carrying charges incurred to earn investment income

Description	Interest and other carrying charges incurred to earn investment income are deductible under certain conditions. Carrying charges generally include fees, other than commissions, paid for advice sought by a taxpayer on buying or selling specific securities, or for the administration or the management of securities of the taxpayer. The management of securities includes the custody of securities, the maintenance of accounting records, and the collection and remittance of income. Carrying charges also include certain legal fees incurred in relation to the establishment or collection of support payments from a current or former spouse or common-law partner, or from the natural parent of the taxpayer's child.
Tax	Personal and corporate income tax
Beneficiaries	Individuals and corporations
Type of measure	Deduction
Legal reference	*Income Tax Act*, paragraphs 20(1)(c) and (bb)
Implementation and recent history	• Interest on borrowed funds used to earn income was made deductible in 1923, and investment counselling fees in 1951. Interest incurred by corporations to buy shares of other corporations was made deductible in 1972. • Budget 1996 introduced amendments to ensure that fees to establish child support amounts remained deductible. • Budget 2013 removed the deduction in respect of safety deposit box charges for taxation years that began on or after March 21, 2013.
Objective – category	To recognize expenses incurred to earn business or property income
Objective	This measure recognizes that carrying charges are incurred for the purpose of earning income.
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure is considered part of the benchmark tax system, and therefore is not a tax expenditure.
Subject	Savings and investment
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	n/a
Source of data	Personal income tax: T1 Income Tax and Benefit Return Corporate income tax: No data is available.
Estimation method	Personal income tax: T1 micro-simulation model Corporate income tax: No estimate is available.
Projection method	Personal income tax: T1 micro-simulation model Corporate income tax: No projection is available.
Number of beneficiaries	About 2 million individuals claimed this deduction in 2016. No data is available for corporations.

Cost Information:

Millions of dollars	2013	2014	2015	2016	2017 (P)	2018 (P)	2019 (P)	2020 (P)
Personal income tax	1,190	1,295	1,385	1,455	1,645	1,745	1,840	1,925
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 767,000 individuals claimed this deduction in 2016.

Cost Information:

Millions of dollars	**2013**	**2014**	**2015**	**2016**	**2017 (P)**	**2018 (P)**	**2019 (P)**	**2020 (P)**
Personal income tax	955	920	930	915	960	1,015	1,050	1,075

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 2016.

Cost Information:

Millions of dollars	**2013**	**2014**	**2015**	**2016**	**2017 (P)**	**2018 (P)**	**2019 (P)**	**2020 (P)**
Personal income tax	890	915	970	955	990	1,025	1,065	1,100

Deferral for asset transfers to a corporation and corporate reorganizations

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

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

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

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

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

Deferral of income from destruction of livestock

Description	A taxpayer may defer to the following taxation year, in part or in full, the income received in compensation for the forced destruction of livestock under statutory authority.
Tax	Personal and corporate income tax
Beneficiaries	Farming businesses
Type of measure	Timing preference
Legal reference	*Income Tax Act*, section 80.3
Implementation and recent history	• Introduced in Budget 1976. Effective for the 1976 and subsequent taxation years.
Objective – category	To provide relief for special circumstances
Objective	This measure was introduced to allow farmers adequate time to replace their herds, destroyed under statutory authority, without imposing a tax burden in the year of livestock destruction (Budget 1976).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure permits the deferral of the recognition of income or gains for income tax purposes.
Subject	Business - farming and fishing
CCOFOG 2014 code	70421 - Economic affairs - Agriculture, forestry, fishing, and hunting - Agriculture
Other relevant government programs	Programs within the mandates of Agriculture and Agri-Food Canada and Fisheries and Oceans Canada also support the farming and fishing sectors. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Statistics Canada, Table 32-10-0106-01
Estimation method	Personal income tax (unincorporated farms): The value of this measure is calculated as the total deferred income in a given year minus the total amount deferred from the year before, multiplied by the share of farm income accruing to unincorporated farms and the average marginal tax rate applicable to farm income. 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 2018 through 2020 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	**2013**	**2014**	**2015**	**2016**	**2017 (P)**	**2018 (P)**	**2019 (P)**	**2020 (P)**
Personal income tax	S	S	1	-1	2	n.a.	n.a.	n.a.
Corporate income tax	S	S	1	S	3	n.a.	n.a.	n.a.
Total	S	S	2	S	5	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, Table 32-10-0046-01
Estimation method	Personal income tax (unincorporated farms): The value of this measure is calculated as the total deferred income from cash purchase tickets in a given year minus the total income from exchanging cash purchase tickets for their cash value, multiplied by the share of farm income accruing to unincorporated farms and the average marginal tax rate applicable to farm income. 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 2018 uses data available for the first three quarters of the calendar year. Projections for 2019 and 2020 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	2013	2014	2015	2016	2017 (P)	2018 (P)	2019 (P)	2020 (P)
Personal income tax	-10	-20	15	10	-5	-15	n.a.	n.a.
Corporate income tax	-10	-25	20	10	-5	-2	n.a.	n.a.
Total	-15	-50	35	20	-10	-15	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 9,200 individuals claimed a 10-year capital gain reserve in 2016.

Cost Information:

Millions of dollars	2013	2014	2015	2016	2017 (P)	2018 (P)	2019 (P)	2020 (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	35	30	30	35	35	35	35

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 8,100 individuals claimed a five-year capital gain reserve in 2016. No data is available for corporations.

Cost Information:

Millions of dollars	2013	2014	2015	2016	2017 (P)	2018 (P)	2019 (P)	2020 (P)
Personal income tax	10	10	10	15	10	10	10	10
Corporate income tax	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

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

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

Deferred Profit-Sharing Plans

Description	A Deferred Profit-Sharing Plan (DPSP) is an arrangement under which an employer contributes profits from their business to a trust for the benefit of a designated group of employees. Employers may make tax-deductible contributions to a DPSP on behalf of their employees. The contributions are not immediately taxed in the hands of the employee, and the investment income is not taxed as it is earned. Withdrawals are included in the income of the employee for tax purposes. Employer contributions are limited to 18% of an employee's earnings up to one-half of the defined contribution Registered Pension Plan (RPP) dollar limit for the year ($13,250 for 2018). 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 ($26,500 for 2018).
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 Services Canada also support objectives related to education and training. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 2,600 individuals claimed this deduction in 2016.

Cost Information:

Millions of dollars	**2013**	**2014**	**2015**	**2016**	**2017 (P)**	**2018 (P)**	**2019 (P)**	**2020 (P)**
Personal income tax	1	3	3	3	3	3	3	3

Disability Tax Credit

Description	The Disability Tax Credit provides tax relief for non-itemizable disability-related costs in respect of an eligible individual that has been certified by a qualified medical practitioner as having a severe and prolonged disability. The value of the non-refundable credit is calculated by applying the lowest personal income tax rate to the disability credit amount ($8,235 in 2018). 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 ($4,804 in 2018) and is reduced dollar-for-dollar by the amount of child care or attendant care expenses in excess of $2,814 (for 2018) 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	2013	2014	2015	2016	2017 (P)	2018 (P)	2019 (P)	2020 (P)
Personal income tax	815	885	990	1,030	1,060	1,100	1,145	1,190

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 2018) and gross-up (38% in 2018) are applied to dividends distributed to an individual from corporate income taxed at the general corporate tax rate (eligible dividends). The ordinary DTC (10.0313% in 2018) and gross-up (16% in 2018) 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 2016.

Cost Information:

Millions of dollars	**2013**	**2014**	**2015**	**2016**	**2017 (P)**	**2018 (P)**	**2019 (P)**	**2020 (P)**
Personal income tax	5,055	4,655	5,780	4,475	5,345	5,415	5,340	5,650

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 2016. No data is available for unincorporated businesses.

Cost Information:

Millions of dollars	**2013**	**2014**	**2015**	**2016**	**2017 (P)**	**2018 (P)**	**2019 (P)**	**2020 (P)**
Personal income tax	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Corporate income tax	S	S	S	S	S	S	S	S
Total	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Education Tax Credit

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

Cost Information:

Millions of dollars	**2013**	**2014**	**2015**	**2016**	**2017 (P)**	**2018 (P)**	**2019 (P)**	**2020 (P)**
Personal income tax	705	725	760	730	395	320	250	190

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 ($11,809 for 2018, 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 Services Canada also support Canadian families and households. Programs within the mandates of Health Canada, the Canadian Food Inspection Agency, the Canadian Institutes of Health Research, the Public Health Agency of Canada and Veterans Affairs Canada also support health-related objectives. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 969,000 individuals claimed this credit in 2016.

Cost Information:

Millions of dollars	2013	2014	2015	2016	2017 (P)	2018 (P)	2019 (P)	2020 (P)
Personal income tax	775	795	870	905	940	960	995	1,025

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 34,000 individuals claimed this deduction in 2016.

Cost Information:

Millions of dollars	**2013**	**2014**	**2015**	**2016**	**2017 (P)**	**2018 (P)**	**2019 (P)**	**2020 (P)**
Personal income tax	630	745	685	550	630	660	685	710

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 35 corporations in 2016.

Cost Information:

Millions of dollars	2013	2014	2015	2016	2017 (P)	2018 (P)	2019 (P)	2020 (P)
Corporate income tax	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	2013	2014	2015	2016	2017 (P)	2018 (P)	2019 (P)	2020 (P)
Corporate income tax	10	4	1	S	35	15	20	20

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	2013	2014	2015	2016	2017 (P)	2018 (P)	2019 (P)	2020 (P)
Goods and Services Tax	30	35	35	35	35	40	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, Indigenous Services Canada and Crown-Indigenous Relations and Northern Affairs Canada are intended to promote the construction, repair and renewal of affordable and safe housing. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Statistics Canada, Supply and Use Tables and National Income and Expenditure Accounts
Estimation method	Goods and Services Tax model
Projection method	Goods and Services Tax model
Number of beneficiaries	No data is available.

Cost Information:

Millions of dollars	**2013**	**2014**	**2015**	**2016**	**2017 (P)**	**2018 (P)**	**2019 (P)**	**2020 (P)**
Goods and Services Tax	1,835	1,800	1,895	1,955	2,045	2,160	2,285	2,315

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	2013	2014	2015	2016	2017 (P)	2018 (P)	2019 (P)	2020 (P)
Goods and Services Tax	990	1,010	1,075	1,175	1,250	1,275	1,275	1,275

Exemption from GST for child care

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

Cost Information:

Millions of dollars	**2013**	**2014**	**2015**	**2016**	**2017 (P)**	**2018 (P)**	**2019 (P)**	**2020 (P)**
Goods and Services Tax	145	150	160	165	175	185	190	200

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	2013	2014	2015	2016	2017 (P)	2018 (P)	2019 (P)	2020 (P)
Goods and Services Tax	10	10	10	10	10	15	15	15

Exemption from GST for health care services

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

Cost Information:

Millions of dollars	**2013**	**2014**	**2015**	**2016**	**2017 (P)**	**2018 (P)**	**2019 (P)**	**2020 (P)**
Goods and Services Tax	725	735	765	775	810	860	900	940

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	2013	2014	2015	2016	2017 (P)	2018 (P)	2019 (P)	2020 (P)
Goods and Services Tax	–	10	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	**2013**	**2014**	**2015**	**2016**	**2017 (P)**	**2018 (P)**	**2019 (P)**	**2020 (P)**
Goods and Services Tax	185	190	190	190	200	210	220	225

Exemption from GST for personal care services

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

Cost Information:

Millions of dollars	**2013**	**2014**	**2015**	**2016**	**2017 (P)**	**2018 (P)**	**2019 (P)**	**2020 (P)**
Goods and Services Tax	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

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

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

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

Exemption from GST for short-term accommodation

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

Cost Information:

Millions of dollars	**2013**	**2014**	**2015**	**2016**	**2017 (P)**	**2018 (P)**	**2019 (P)**	**2020 (P)**
Goods and Services Tax	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

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

Exemption from GST for tuition and educational services

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

Cost Information:

Millions of dollars	2013	2014	2015	2016	2017 (P)	2018 (P)	2019 (P)	2020 (P)
Goods and Services Tax	595	705	755	795	830	870	905	940

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	2013	2014	2015	2016	2017 (P)	2018 (P)	2019 (P)	2020 (P)
Goods and Services Tax	235	245	260	270	285	295	310	320

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	2013	2014	2015	2016	2017 (P)	2018 (P)	2019 (P)	2020 (P)
Corporate income tax	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 Services Canada also support objectives related to education and training. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T4A Statement of Pension, Retirement, Annuity, and Other Income
Estimation method	The value of this measure is calculated by multiplying the total non-taxable scholarship amount by an assumed marginal tax rate.
Projection method	The value of this measure is projected based on historical growth.
Number of beneficiaries	About 1,155,000 individuals received a non-taxable scholarship amount in 2016.

Cost Information:

Millions of dollars	2013	2014	2015	2016	2017 (P)	2018 (P)	2019 (P)	2020 (P)
Personal income tax	210	250	250	265	365	385	405	425

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	2013	2014	2015	2016	2017 (P)	2018 (P)	2019 (P)	2020 (P)
By type of payments								
Dividends	2,810	2,765	3,415	3,595	3,695	3,845	4,000	4,135
Interest	1,495	1,620	1,110	1,385	1,315	1,370	1,425	1,470
Rents and royalties	490	420	640	690	700	730	760	785
Management fees	280	345	425	495	485	505	525	545
Total – personal and corporate income tax	5,075	5,150	5,585	6,170	6,195	6,450	6,710	6,935

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 17,500 corporations incurred eligible expenditures in 2016. No data is available for unincorporated businesses.

Expensing of employee training costs

Description	Expenditures that are incurred for employee training for the benefit of the employer are fully deductible by businesses. Expenditures on training improve the quality of human capital and provide benefits to the business in both the current year and future years similar to an acquisition of physical capital. Under the benchmark tax system, a portion of these costs would be capitalized and depreciated over the period of time over which they are expected to generate revenues for the business.
Tax	Personal 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 Services Canada also support Canadian families and households. Programs within the mandates of Health Canada, the Canadian Food Inspection Agency, the Canadian Institutes of Health Research, the Public Health Agency of Canada and Veterans Affairs Canada also support health-related objectives. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 394,000 individuals claimed this credit in 2016.

Cost Information:

Millions of dollars	**2013**	**2014**	**2015**	**2016**	**2017 (P)**	**2018 (P)**	**2019 (P)**	**2020 (P)**
Personal income tax	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 Services Canada also support Canadian families and households. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 1.7 million couples claimed this credit in 2015.

Cost Information:

Millions of dollars	**2013**	**2014**	**2015**	**2016**	**2017 (P)**	**2018 (P)**	**2019 (P)**	**2020 (P)**
Personal income tax	–	1,650	1,625	–	–	–	–	–

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 400 corporations received this benefit in 2016.

Cost Information:

Millions of dollars	**2013**	**2014**	**2015**	**2016**	**2017 (P)**	**2018 (P)**	**2019 (P)**	**2020 (P)**
Corporate income tax	90	135	155	220	270	285	295	305

First-Time Donor's Super Credit

Description	The First-Time Donor's Super Credit provided a temporary, non-refundable tax credit of 25% in addition to the Charitable Donation Tax Credit. The First-Time Donor's Super Credit applied on up to $1,000 in cash donations, provided that neither the taxpayer nor their spouse had claimed the Charitable Donation Tax Credit after 2007. Contributions eligible for the credit must have been made in respect of any one taxation year from 2013 to 2017.
Tax	Personal income tax
Beneficiaries	Individual first-time donors
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, subsections 118.1(3.1) and (3.2)
Implementation and recent history	• Introduced in Budget 2013. Effective for gifts made on or after March 21, 2013, that are claimed in any one taxation year from 2013 to 2017. • As announced in Budget 2017, the credit expired in 2017 as planned.
Objective – category	To achieve a social objective
Objective	This measure encourages charitable giving by new donors (Budget 2013).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system. The tax benefit from this measure can be obtained in a taxation year other than the year during which it accrues. The tax benefit from this measure is transferable between spouses or common-law partners.
Subject	Donations, gifts, charities and non-profit organizations
CCOFOG 2014 code	705 - Environmental protection; 706 - Housing and community amenities; 707 - Health; 708 - Recreation, culture, and religion; 709 - Education; 710 - Social protection; Other various codes
Other relevant government programs	Many federal government entities provide direct funding to registered charities, non-profit organizations and international development associations through various programs.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 74,000 individuals claimed this credit in 2016.

Cost Information:

Millions of dollars	2013	2014	2015	2016	2017 (P)	2018 (P)	2019 (P)	2020 (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 2018). Any unused portion of the credit may be claimed by an individual's spouse or common-law partner. An individual is considered to be a first-time home buyer if neither the individual nor the individual's spouse or common-law partner owned and lived in another home in the calendar year of the home purchase or in any of the four preceding calendar years. A qualifying home is one that is generally considered to be a housing unit that an individual or an individual's spouse or common-law partner intends to occupy as a principal residence no later than one year after its acquisition. The First-Time Home Buyers' Tax Credit is also available for certain acquisitions of a home by or for the benefit of an individual who is eligible for the Disability Tax Credit, even if the first-time home buyer condition is not met.
Tax	Personal income tax
Beneficiaries	Individual first-time home buyers
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, section 118.05
Implementation and recent history	• Introduced in Budget 2009. Effective for the 2009 and subsequent taxation years.
Objective – category	To achieve a social objective
Objective	This measure assists first-time home buyers with the cost associated with the purchase of a home (Budget 2009).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system. The tax benefit from this measure is transferable between spouses or common-law partners.
Subject	Housing
CCOFOG 2014 code	70619 - Housing and community amenities - Housing development
Other relevant government programs	Programs within the mandate of the Canada Mortgage and Housing Corporation, Indigenous Services Canada and Crown-Indigenous Relations and Northern Affairs Canada are intended to promote the construction, repair and renewal of affordable and safe housing. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 197,000 individuals claimed this credit in 2016.

Cost Information:

Millions of dollars	2013	2014	2015	2016	2017 (P)	2018 (P)	2019 (P)	2020 (P)
Personal income tax	105	115	115	115	110	110	110	110

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 43,000 individuals and 350 corporations in 2016.

Cost Information:

Millions of dollars	2013	2014	2015	2016	2017 (P)	2018 (P)	2019 (P)	2020 (P)
Personal income tax	110	110	70	105	110	115	110	110
Corporate income tax	25	25	25	30	35	35	40	40
Total	135	135	95	135	145	150	145	150

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	2013	2014	2015	2016	2017 (P)	2018 (P)	2019 (P)	2020 (P)
Goods and Services Tax	10	15	20	25	20	10	10	10

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 1.4 million individuals claimed this credit in 2016.

Cost Information:

Millions of dollars	**2013**	**2014**	**2015**	**2016**	**2017 (P)**	**2018 (P)**	**2019 (P)**	**2020 (P)**
Personal income tax	970	1,205	1,445	1,590	1,600	1,620	1,640	1,660

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 2018 to June 2019, based on net family income reported for the 2017 taxation year: • an adult receives a basic adult credit of $284 per year; • families with children aged 18 and under receive a basic child credit of $149 per year for each child; • single parents can claim, in lieu of the basic child credit, the full basic adult credit of $284 per year for one dependent child; • single parents are eligible for an additional credit of $149 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 $149 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 $36,976. 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 Services Canada also support Canadian families and households. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	*Public Accounts of Canada*
Estimation method	The cost of this measure is calculated from source data.
Projection method	T1 micro-simulation model
Number of beneficiaries	About 10.5 million individuals receive this benefit each year.

Cost Information:

Millions of dollars	**2013**	**2014**	**2015**	**2016**	**2017 (P)**	**2018 (P)**	**2019 (P)**	**2020 (P)**
Goods and Services Tax	4,090	4,175	4,315	4,440	4,550	4,690	4,810	4,930

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 6,300 corporations claimed this deduction in 2016. No data is available for unincorporated businesses.

Cost Information:

Millions of dollars	2013	2014	2015	2016	2017 (P)	2018 (P)	2019 (P)	2020 (P)
Personal income tax	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Corporate income tax	60	80	50	10	25	30	30	30
Total	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Home Accessibility Tax Credit

Description	The Home Accessibility Tax Credit provides a non-refundable tax credit of 15% on up to $10,000 of eligible home renovation or alteration expenses per calendar year in respect of a qualifying individual, to a maximum of $10,000 per eligible dwelling. Qualifying individuals are persons with disabilities who are eligible for the Disability Tax Credit and seniors (65 years of age or older). Qualifying individuals, as well as eligible family members who are supporting the qualifying individual, may claim eligible expenses in respect of an eligible dwelling. The eligible dwelling must be the principal residence of the qualifying individual at any time during the taxation year. The dwelling must also be owned by the qualifying individual, their spouse or common-law partner, or an eligible family member in respect of the qualifying individual with whom the qualifying individual ordinarily inhabits that dwelling. Eligible expenses are home renovation or alteration expenses to the eligible dwelling incurred in order to allow the qualifying individual to gain access to the dwelling, allow the qualifying individual to be more mobile or functional within the dwelling, or reduce the risk of harm to the qualifying individual within the dwelling or in gaining access to the dwelling. Improvements must also be of an enduring nature and be integral to the eligible dwelling. Examples of eligible expenditures include costs associated with the purchase and installation of wheelchair ramps, walk-in bathtubs, wheel-in showers and grab bars.
Tax	Personal income tax
Beneficiaries	Seniors and persons with disabilities
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, section 118.041
Implementation and recent history	• Introduced in Budget 2015. Effective for eligible expenditures for work performed and paid for or goods acquired on or after January 1, 2016.
Objective – category	To achieve a social objective To recognize non-discretionary expenses (ability to pay)
Objective	This measure recognizes the particular impact that the costs of improving the safety, accessibility and functionality of a dwelling can have for seniors and persons with disabilities, and the additional benefits of independent living (Budget 2015).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system. This measure extends the unit of taxation.
Subject	Health Housing
CCOFOG 2014 code	70769 - Health - Health not elsewhere classified 71069 - Social protection - Housing
Other relevant government programs	Programs within the mandates of Health Canada, the Canadian Food Inspection Agency, the Canadian Institutes of Health Research, the Public Health Agency of Canada and Veterans Affairs Canada also support health-related objectives. Programs within the mandate of the Canada Mortgage and Housing Corporation, Indigenous Services Canada and Crown-Indigenous Relations and Northern Affairs Canada are intended to promote the construction, repair and renewal of affordable and safe housing. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	n/a
Projection method	Projections reflect the estimates presented in Budget 2015. The cost of this measure is projected to grow with the eligible population and inflation, as forecasted in the T1 micro-simulation model.
Number of beneficiaries	About 28,000 individuals claimed this credit in 2016.

Cost Information:

Millions of dollars	2013	2014	2015	2016	2017 (P)	2018 (P)	2019 (P)	2020 (P)
Personal income tax	–	–	–	15	20	20	25	25

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

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

Cost Information:

Millions of dollars	2013	2014	2015	2016	2017 (P)	2018 (P)	2019 (P)	2020 (P)
Personal income tax	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 Indigenous public bodies and their entities
Type of measure	Exemption
Legal reference	*Income Tax Act*, paragraphs 149(1)(c) and (d) to (d.6)
Implementation and recent history	• This measure has been in effect since the inception of the federal income tax in 1917.
Objective – category	To implement intergovernmental tax arrangements
Objective	This measure extends exemption from federal taxation to certain public bodies.
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax certain taxpayers.
Subject	Intergovernmental tax arrangements
CCOFOG 2014 code	n/a
Other relevant government programs	n/a
Source of data	No data is available.
Estimation method	No estimate is available.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

Infirm Dependant Credit

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

Cost Information:

Millions of dollars	2013	2014	2015	2016	2017 (P)	2018 (P)	2019 (P)	2020 (P)
Personal income tax	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 2016.

Cost Information:

Millions of dollars	**2013**	**2014**	**2015**	**2016**	**2017 (P)**	**2018 (P)**	**2019 (P)**	**2020 (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 Services Canada also support Canadian families and households. Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Personal income tax: T1 Income Tax and Benefit Return Corporate income tax: T2 Corporation Income Tax Return
Estimation method	The estimates are based on actual amounts earned and claimed by businesses.
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	**2013**	**2014**	**2015**	**2016**	**2017 (P)**	**2018 (P)**	**2019 (P)**	**2020 (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 318,000 individuals claimed this credit in 2016.

Cost Information:

Millions of dollars	**2013**	**2014**	**2015**	**2016**	**2017 (P)**	**2018 (P)**	**2019 (P)**	**2020 (P)**
Personal income tax	145	125	90	145	150	155	160	170

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 $848,252 in 2018, 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 60,100 individuals claimed this deduction in 2016.

Cost Information:

Millions of dollars	**2013**	**2014**	**2015**	**2016**	**2017 (P)**	**2018 (P)**	**2019 (P)**	**2020 (P)**
By type of property								
Small business shares	580	700	760	805	990	950	985	1,025
Farm and fishing property	525	565	615	695	765	710	745	785
Total – personal income tax	1,100	1,260	1,380	1,500	1,750	1,660	1,735	1,810

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 830 corporations claimed this credit in 2016.

Cost Information:

Millions of dollars	2013	2014	2015	2016	2017 (P)	2018 (P)	2019 (P)	2020 (P)
Personal income tax	1	1	1	1	1	1	1	1
Corporate income tax	15	20	20	25	60	60	60	60
Total	20	20	20	25	60	60	60	60

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 $2,302 (in 2018, 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 $2,302 (in 2018, 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 5 million individuals claimed this credit in 2016.

Cost Information:

Millions of dollars	2013	2014	2015	2016	2017 (P)	2018 (P)	2019 (P)	2020 (P)
Personal income tax	1,200	1,300	1,370	1,435	1,530	1,635	1,745	1,865

Mineral Exploration Tax Credit for flow-through share investors

Description	Flow-through shares facilitate the financing of exploration by allowing companies to transfer unused tax deductions to investors. In addition to claiming regular flow-through deductions, individuals (other than trusts) who invest in flow-through shares of a corporation can claim a 15% non-refundable tax credit in respect of specified mineral exploration expenses incurred by the corporation and transferred to the individual under a flow-through share agreement. Expenses eligible for the credit are specified surface grassroots exploration expenses (i.e., seeking new resources away from an existing mine site) in respect of a mineral resource (other than a coal or oil sands deposit) in Canada. A "look-back" rule allows corporations to raise funds by issuing flow-through shares in one calendar year and spending the funds in the following calendar year, while allowing the investor to claim the flow-through deduction and the Mineral Exploration Tax Credit in the year the share investment is made. See the description of the measure "Flow-through share deductions" for additional information about flow-through shares.
Tax	Personal income tax
Beneficiaries	Individual investors (other than trusts) in flow-through shares
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, subsection 127(9), paragraph (a.2) of definition of "investment tax credit" and definition of "flow-through mining expenditure"
Implementation and recent history	• Introduced as part of the October 2000 Economic Statement and Budget Update. Effective in respect of expenditures incurred after October 17, 2000 and before 2004. • This measure has been extended on a number of occasions. Most recently, as part of the 2018 *Fall Economic Statement*, the Government announced its intention to extend the credit for an additional 5 years, until March 31, 2024.
Objective – category	To encourage or attract investment
Objective	This measure helps junior exploration companies raise capital by providing an incentive to investors in flow-through shares issued to finance mineral exploration (Budget 2015).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system.
Subject	Business - natural resources
CCOFOG 2014 code	70441 - Economic affairs - Mining, manufacturing, and construction - Mining of mineral resources other than mineral fuels
Other relevant government programs	Programs within the mandate of Natural Resources Canada also support the natural resource sector. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	The cost of this measure in a year is calculated by multiplying the estimated Canadian Exploration Expenses eligible for the credit by the credit rate (i.e., 15%). The cost in the initial year is partially offset in the following year as the investor's cumulative Canadian Exploration Expenses account is then reduced by the credit claimed the year before.
Projection method	Projections are based on current market conditions.
Number of beneficiaries	Over 250 companies issued flow-through shares and more than 10,000 individuals claimed the credit in 2016.

Cost Information:

Millions of dollars	2013	2014	2015	2016	2017 (P)	2018 (P)	2019 (P)	2020 (P)
Personal income tax	20	30	25	50	65	60	65	65

Moving expense deduction

Description	If a move is an "eligible relocation", the related "eligible moving expenses" are deductible in computing employment or self-employment income earned at the new location. Eligible moving expenses include travel costs, the costs of transporting or storing household effects, meals and temporary accommodation and the cost of selling a former residence. Eligible moving expenses may also be deducted from a student's taxable income from scholarships, bursaries and research grants if the expenses are incurred to begin full-time attendance at a post-secondary educational institution. Among other things, to be an "eligible relocation" requires that a taxpayer move at least 40 kilometres closer to the new place of employment or study. Most moving expense reimbursements provided by employers are not included in income; however, to the extent that certain employer-provided reimbursements are included in income, the moving expense deduction is allowed to the same extent as permitted for self-paid expenses.
Tax	Personal income tax
Beneficiaries	Employees and self-employed individuals, students
Type of measure	Deduction
Legal reference	*Income Tax Act*, section 62 and the definition "eligible relocation" in subsection 248(1)
Implementation and recent history	• Introduced in Budget 1971. Effective for the 1972 and subsequent taxation years.
Objective – category	To recognize expenses incurred to earn employment income To recognize education costs
Objective	This measure recognizes the expenses involved in moving to a new job or educational institution, and thus facilitates labour mobility by allowing taxpayers greater flexibility in pursuing new employment and business opportunities anywhere in Canada (Budget 1971; Budget 1998).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure provides tax recognition for an expense that is incurred to earn employment income. This measure provides tax recognition for an expense that is incurred for education purposes. Expenses incurred to earn business income are generally deductible under the benchmark tax system; however, moving expenses may also have an element of personal consumption, hence the classification of this measure as a tax expenditure.
Subject	Employment
CCOFOG 2014 code	70412 - Economic affairs - General economic, commercial, and labor affairs - General labor affairs
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support employment. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 94,000 individuals claimed this deduction in 2016.

Cost Information:

Millions of dollars	**2013**	**2014**	**2015**	**2016**	**2017 (P)**	**2018 (P)**	**2019 (P)**	**2020 (P)**
Personal income tax	95	100	100	100	110	115	120	125

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 41,000 individuals and 438,500 corporations made use of this measure in 2016 (not counting individuals that carried back losses only).

Cost Information:

Millions of dollars	2013	2014	2015	2016	2017 (P)	2018 (P)	2019 (P)	2020 (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	20	15	10	10	10	15
Total – personal income tax	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Corporate income tax								
Carried back	10	20	15	15	20	20	20	20
Applied to current year	45	50	45	40	50	50	50	50
Total – corporate income tax	60	65	60	55	70	65	70	70
Total – farm and fishing non-capital losses	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other non-capital losses								
Personal income tax								
Carried back	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Applied to current year	65	70	75	65	65	65	70	70
Total – personal income tax	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Corporate income tax								
Carried back	3,390	2,090	2,315	2,350	2,000	2,220	2,210	2,090
Applied to current year	3,860	5,055	4,340	4,700	5,245	5,545	5,130	5,120
Total – corporate income tax	7,255	7,145	6,655	7,050	7,240	7,765	7,340	7,205
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	80	85	95	80	75	75	80	85
Total – personal income tax	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Corporate income tax								
Carried back	3,405	2,110	2,330	2,365	2,020	2,240	2,230	2,105
Applied to current year	3,910	5,100	4,385	4,740	5,290	5,595	5,180	5,170
Total – corporate income tax	7,310	7,210	6,715	7,105	7,310	7,830	7,410	7,275
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 360 corporations reported non-deductible advertising expenses in 2016. No data is available for unincorporated businesses.

Cost Information:

Millions of dollars	2013	2014	2015	2016	2017 (P)	2018 (P)	2019 (P)	2020 (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 2018 is based on partial year data and historical growth. Projections for 2019 and 2020 are not provided as the value of this measure cannot be reliably forecast for these years.
Number of beneficiaries	More than 8,500 individuals received non-taxable allowances in 2016.

Cost Information:

Millions of dollars	**2013**	**2014**	**2015**	**2016**	**2017 (P)**	**2018 (P)**	**2019 (P)**	**2020 (P)**
Personal income tax	25	25	25	30	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 2016.

Cost Information:

Millions of dollars	2013	2014	2015	2016	2017 (P)	2018 (P)	2019 (P)	2020 (P)
Personal income tax	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 12.9 million individuals received employer-paid health or dental benefits in 2016.

Cost Information:

Millions of dollars	**2013**	**2014**	**2015**	**2016**	**2017 (P)**	**2018 (P)**	**2019 (P)**	**2020 (P)**
Personal income tax	2,520	2,585	2,580	2,480	2,615	2,765	2,910	3,030

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 2016.

Cost Information:

Millions of dollars	**2013**	**2014**	**2015**	**2016**	**2017 (P)**	**2018 (P)**	**2019 (P)**	**2020 (P)**
Personal income tax	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 400 certificates to individuals in 2016-17. No data is available for corporations.

Cost Information:

Millions of dollars	2013	2014	2015	2016	2017 (P)	2018 (P)	2019 (P)	2020 (P)
Personal income tax	5	10	10	10	5	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	2013	2014	2015	2016	2017 (P)	2018 (P)	2019 (P)	2020 (P)
Charitable Donation Tax Credit	25	30	25	25	20	20	20	20
Deductibility of charitable donations	3	10	20	5	5	10	10	10
Non-taxation of capital gains – personal income tax	5	10	10	10	5	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 2016. 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	2013	2014	2015	2016	2017 (P)	2018 (P)	2019 (P)	2020 (P)
Personal income tax	2	2	1	3	2	2	2	2
Corporate income tax	1	5	S	S	2	1	1	1
Total	2	5	2	4	3	3	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	2013	2014	2015	2016	2017 (P)	2018 (P)	2019 (P)	2020 (P)
Charitable Donation Tax Credit	5	5	5	10	5	10	10	10
Deductibility of charitable donations	5	3	1	1	1	1	1	1
Non-taxation of capital gains – personal income tax	2	2	1	3	2	2	2	2
Non-taxation of capital gains – corporate income tax	1	5	S	S	2	1	1	1
Total	15	15	5	15	10	15	15	15

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

Description	A zero inclusion rate applies to capital gains arising from a donation of publicly listed securities made to a qualified donee, which effectively exempts such gains from income tax. Donations of publicly listed securities are also eligible for the Charitable Donation Tax Credit (for individuals) or deduction (for corporations).
Tax	Personal 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 880 corporations in 2016. The number of individuals who obtained tax relief is unknown; however, about 6,000 individuals made donations of publicly listed shares in that year.

Cost Information:

Millions of dollars	2013	2014	2015	2016	2017 (P)	2018 (P)	2019 (P)	2020 (P)
Personal income tax	45	70	60	75	90	95	100	105
Corporate income tax	70	100	60	65	110	85	90	95
Total	115	170	115	135	200	175	185	195

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	2013	2014	2015	2016	2017 (P)	2018 (P)	2019 (P)	2020 (P)
Charitable Donation Tax Credit	145	240	190	240	295	310	330	345
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	45	70	60	75	90	95	100	105
Non-taxation of capital gains – corporate income tax	70	100	60	65	110	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, Indigenous Services Canada and Crown-Indigenous Relations and Northern Affairs Canada are intended to promote the construction, repair and renewal of affordable and safe housing. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	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	2013	2014	2015	2016	2017 (P)	2018 (P)	2019 (P)	2020 (P)
Personal income tax	4,160	5,100	6,130	7,900	7,565	5,335	5,960	5,915

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 110,000 individuals did not include these amounts in income in 2017-18.

Cost Information:

Millions of dollars	**2013**	**2014**	**2015**	**2016**	**2017 (P)**	**2018 (P)**	**2019 (P)**	**2020 (P)**
Personal income tax	255	240	230	220	205	195	190	180

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 2.1 million beneficiaries of the Guaranteed Income Supplement and Allowance benefits in 2016, it is estimated that about 635,000 individuals would have had an increase in net tax owing in the absence of this measure.

Cost Information:

Millions of dollars	2013	2014	2015	2016	2017 (P)	2018 (P)	2019 (P)	2020 (P)
Personal income tax	140	145	155	175	200	215	225	235

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 3,500 individuals received tax-deductible income in respect of international high- or moderate-risk operational missions in 2016.

Cost Information:

Millions of dollars	2013	2014	2015	2016	2017 (P)	2018 (P)	2019 (P)	2020 (P)
Personal income tax	15	5	10	15	40	35	n.a.	n.a.

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

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

Non-taxation of life insurance companies' foreign income

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

Non-taxation of lottery and gambling winnings

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

Non-taxation of non-profit organizations

Description	A non-profit organization that is a club, society or association that is not a charity and that is organized and operated exclusively for social welfare, civic improvement, pleasure or for any other purpose except profit, qualifies for an exemption from income tax if it meets certain conditions. To be eligible, it is generally required that no part of the income of the organization be payable to, or otherwise available for the personal benefit of, any proprietor, member or shareholder of the organization. The exemption applies to both incorporated and unincorporated organizations. A tax expenditure results to the extent that the organization has income that would otherwise be taxable, such as investment income or profits from commercial activities.
Tax	Personal 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 26,300 non-profit organizations with positive net assets filed a T1044 return in 2015.

Cost Information:

Millions of dollars	2013	2014	2015	2016	2017 (P)	2018 (P)	2019 (P)	2020 (P)
Total – personal and corporate income tax	100	110	70	60	90	120	155	170

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

Description	The Disability Award provides injured Canadian Armed Forces members or veterans with an award for an injury or illness resulting from military service. The Critical Injury Benefit is a lump-sum award that addresses the immediate impacts of the most severe and traumatic service-related injuries or diseases sustained by Canadian Armed Forces members. Starting in 2019, the Pain and Suffering Compensation and the Additional Pain and Suffering Compensation are payments for life to recognize pain and suffering caused by a service-related disability. All these payments are exempt from income tax, as they are analogous to amounts received in respect of damages for personal injury. The benchmark definition of income excludes amounts received as damages since they compensate taxpayers for a personal loss.
Tax	Personal income tax
Beneficiaries	Veterans, members of the Canadian Armed Forces and their families
Type of measure	Exemption
Legal reference	*Income Tax Act*, paragraph 81(1)(d.1)
Implementation and recent history	• The Disability Award was made tax-free when it was introduced in 2005 as part of the New Veterans Charter. • The Critical Injury Benefit was made tax-free when it was introduced in 2015 (Veterans Affairs Canada news release, March 30, 2015). • The Pain and Suffering Compensation and the Additional Pain and Suffering Compensation will be tax-free when introduced as of April 1, 2019 (Veterans Affairs Canada, news release, December 20, 2017).
Objective – category	Other
Objective	This measure recognizes that these benefits provide a basic level of support to veterans of Canada's military engagements and their families (New Veterans Charter, 2005).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure is considered part of the benchmark tax system, and therefore is not a tax expenditure.
Subject	Other
CCOFOG 2014 code	71012 - Social protection - Sickness and disability - Disability 70219 - Defense - Military defense
Other relevant government programs	n/a
Source of data	Data from Veterans Affairs Canada
Estimation method	The value of this tax expenditure is estimated by multiplying actual expenditures on veterans' Disability Awards and Critical Injury Benefits by estimates of the marginal tax rates applicable to recipients.
Projection method	Projections for this tax expenditure are based on forecasted expenditures on veterans' Disability Awards and Critical Injury Benefits.
Number of beneficiaries	There were about 70,000 active Disability Award beneficiaries in 2017-18, 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	2013	2014	2015	2016	2017 (P)	2018 (P)	2019 (P)	2020 (P)
Personal income tax	115	115	155	170	345	345	250	170

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 14,000 individuals did not include these amounts in income in 2017-18.

Cost Information:

Millions of dollars	**2013**	**2014**	**2015**	**2016**	**2017 (P)**	**2018 (P)**	**2019 (P)**	**2020 (P)**
Personal income tax	20	25	25	30	35	35	40	40

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	Of the approximately 1.6 million individuals who reported having received social assistance payments in 2016, it is estimated that about 406,000 individuals would have had an increase in net tax owing in the absence of this measure.

Cost Information:

Millions of dollars	**2013**	**2014**	**2015**	**2016**	**2017 (P)**	**2018 (P)**	**2019 (P)**	**2020 (P)**
Personal income tax	190	205	230	240	265	285	300	315

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 Services Canada also support Canadian families and households. Programs within the mandates of Employment and Social Development Canada and Veterans Affairs Canada also support income security. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T4A Statement of Pension, Retirement, Annuity, and Other Income
Estimation method	An estimate of forgone tax revenue is calculated by multiplying the exempt portion of death benefits paid in a year by the average marginal tax rate of individuals receiving such amounts.
Projection method	The projection assumes no growth in exempt death benefit amounts.
Number of beneficiaries	About 7,000 death benefits were paid in 2016. 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	2013	2014	2015	2016	2017 (P)	2018 (P)	2019 (P)	2020 (P)
Personal income tax	5	5	5	5	5	5	5	5

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 2016.

Cost Information:

Millions of dollars	**2013**	**2014**	**2015**	**2016**	**2017 (P)**	**2018 (P)**	**2019 (P)**	**2020 (P)**
Personal income tax	620	645	630	640	665	670	675	675

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 256,000 individuals claimed these deductions in 2016.

Cost Information:

Millions of dollars	**2013**	**2014**	**2015**	**2016**	**2017 (P)**	**2018 (P)**	**2019 (P)**	**2020 (P)**
Personal income tax	175	180	180	220	225	230	235	240

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	2013	2014	2015	2016	2017 (P)	2018 (P)	2019 (P)	2020 (P)
Personal income tax	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 811,000 individuals and 838,000 corporations in 2016.

Cost Information:

Millions of dollars	2013	2014	2015	2016	2017 (P)	2018 (P)	2019 (P)	2020 (P)
Personal income tax	200	200	210	215	215	220	225	225
Corporate income tax	275	295	295	310	330	345	320	315
Goods and Services Tax	160	165	170	175	185	190	195	200
Total	630	660	680	700	730	755	735	740

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 208,000 corporations reported capital gains in 2016.

Cost Information:

Millions of dollars	2013	2014	2015	2016	2017 (P)	2018 (P)	2019 (P)	2020 (P)
Personal income tax	4,115	5,580	5,730	6,250	8,575	7,455	7,845	8,250
Corporate income tax	4,550	5,395	6,205	6,660	10,005	8,660	8,835	8,965
Total	8,670	10,975	11,935	12,905	18,585	16,115	16,675	17,215

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 760 corporations claimed this deduction in 2016.

Cost Information:

Millions of dollars	**2013**	**2014**	**2015**	**2016**	**2017 (P)**	**2018 (P)**	**2019 (P)**	**2020 (P)**
Corporate income tax	220	220	170	155	195	205	190	190

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 40 corporations in 2016. No data is available for unincorporated agricultural cooperatives.

Cost Information:

Millions of dollars	**2013**	**2014**	**2015**	**2016**	**2017 (P)**	**2018 (P)**	**2019 (P)**	**2020 (P)**
Personal income tax	1	1	S	2	2	1	1	1
Corporate income tax	3	3	S	5	4	4	4	4
Total	4	4	S	5	5	5	5	5

Pension Income Credit

Description	The Pension Income Credit is a non-refundable credit that provides tax relief to taxpayers receiving eligible pension income. The value of the credit is calculated by applying the lowest personal income tax rate to the first $2,000 of eligible pension income. Any unused portion of the credit may be transferred to a spouse or common-law partner. Eligible pension income is generally limited to certain types of income from registered plans, such as a lifetime pension from a Registered Pension Plan and, for individuals who are age 65 or over, income from a Pooled Registered Pension Plan, a Registered Retirement Savings Plan annuity, a Registered Retirement Income Fund or a Life Income Fund. Variable benefits payments from a defined contribution Registered Pension Plan are also eligible for individuals who are age 65 or over. Veterans' Retirement Income Security Benefit payments and Income Replacement Benefit payments are also eligible for the credit.
Tax	Personal income tax
Beneficiaries	Seniors and pensioners receiving eligible pension income
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, subsections 118(3) and (7)
Implementation and recent history	• Introduced as part of the 1987 Tax Reform, effective for the 1988 and subsequent taxation years, to replace the previous pension deduction. • The maximum amount of income eligible for the Pension Income Credit was doubled from $1,000 to $2,000 in Budget 2006. • Veterans' Retirement Income Security Benefit payments became eligible for the Pension Income Credit as of the 2015 taxation year and veterans' Income Replacement Benefit payments are eligible for the credit as of the 2019 taxation year.
Objective – category	To provide income support or tax relief To achieve a social objective
Objective	This measure was introduced to provide additional protection against inflation for the retirement income of elderly Canadians (Budget November 1974).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system. The tax benefit from this measure is transferable between spouses or common-law partners.
Subject	Retirement
CCOFOG 2014 code	71029 - Social protection - Old age
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support retirement income security. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 5.1 million individuals claimed this credit in 2016.

Cost Information:

Millions of dollars	**2013**	**2014**	**2015**	**2016**	**2017 (P)**	**2018 (P)**	**2019 (P)**	**2020 (P)**
Personal income tax	1,100	1,135	1,170	1,190	1,225	1,265	1,305	1,340

Pension income splitting

Description	Canadian residents receiving income that qualifies for the Pension Income Credit can allocate up to one-half of that income to their resident spouse or common-law partner for income tax purposes. Income that is eligible for the Pension Income Credit and pension income splitting is generally limited to certain types of income from registered plans, such as a lifetime pension from a Registered Pension Plan and, for individuals who are age 65 or over, income from a Pooled Registered Pension Plan, a Registered Retirement Savings Plan annuity, a Registered Retirement Income Fund or a Life Income Fund. Variable benefits payments from a defined contribution Registered Pension Plan are also eligible only for individuals who are age 65 or over. Income from a Retirement Compensation Arrangement (which is not eligible for the Pension Income Credit), as well as veterans' Retirement Income Security Benefit payments and Income Replacement Benefit payments, also qualify for pension income splitting for individuals who are age 65 or over, subject to specified conditions.
Tax	Personal income tax
Beneficiaries	Seniors and pensioners receiving eligible pension income
Type of measure	Other
Legal reference	*Income Tax Act*, section 60.03
Implementation and recent history	• Introduced as part of the 2006 Tax Fairness Plan. Effective for the 2007 and subsequent taxation years. • Income from a Retirement Compensation Arrangement became eligible for pension income splitting, subject to specified conditions, as of the 2013 taxation year. • Subject to specified conditions, veterans' Retirement Income Security Benefit payments became eligible for pension income splitting as of the 2015 taxation year and veterans' Income Replacement Benefit payments are eligible for pension income splitting as of the 2019 taxation year.
Objective – category	To provide income support or tax relief To extend or modify the unit of taxation
Objective	This measure recognizes the special challenges of planning and managing retirement income, and provides targeted assistance to pensioners (Tax Fairness Plan, 2006).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure extends the unit of taxation.
Subject	Retirement
CCOFOG 2014 code	71029 - Social protection - Old age
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support retirement income security. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 1.3 million couples split pension income in 2016.

Cost Information:

Millions of dollars	2013	2014	2015	2016	2017 (P)	2018 (P)	2019 (P)	2020 (P)
Personal income tax	1,065	1,145	1,165	1,135	1,165	1,260	1,355	1,455

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 147,000 individuals claimed this credit in 2016.

Cost Information:

Millions of dollars	**2013**	**2014**	**2015**	**2016**	**2017 (P)**	**2018 (P)**	**2019 (P)**	**2020 (P)**
Personal income tax	25	30	55	25	25	25	45	25

Pooled Registered Pension Plans

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

Cost Information:

Millions of dollars	**2013**	**2014**	**2015**	**2016**	**2017 (P)**	**2018 (P)**	**2019 (P)**	**2020 (P)**
Personal income tax	–	–	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

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

Preferential tax rate for small businesses

Description	The first $500,000 of annual income earned by a Canadian-controlled private corporation (CCPC) from an active business carried on in Canada is taxed at a preferential federal corporate income tax rate of 9% (as of January 1, 2019). The $500,000 annual small business limit must be shared by a CCPC with other CCPCs with which it is associated. In order to target the preferential tax rate to small businesses, the annual small business limit is gradually reduced when: • The taxable capital of the CCPCs that are part of the same associated group is between $10 million and $15 million, and is zero if the taxable capital of the associated group is $15 million or greater. • The investment income of the CCPCs that are part of the same associated group is between $50,000 and $150,000, and is zero if the investment income of the associated group is $150,000 or greater. The annual small business limit is the lesser of the two reduced amounts.
Tax	Corporate income tax
Beneficiaries	Small Canadian-controlled private corporations
Type of measure	Preferential tax rate
Legal reference	*Income Tax Act*, section 125
Implementation and recent history	• A lower federal corporate tax rate was introduced in Budget 1949 to assist smaller corporations. In general terms, a low 10% rate applied to business income up to $10,000 while additional income was taxed at a 33% rate. All corporations were eligible for this lower rate, regardless of size; however, only one corporation in a controlled corporate group could claim that lower rate. • Eligibility rules to this lower rate were modified as part of the 1972 Tax Reform to limit access to CCPCs and provide for the sharing of the small business limit among associated corporations. • Budget 1994 introduced rules to phase out the preferential tax rate for CCPCs with taxable capital of at least $10 million. • The annual business limit was increased in stages from $200,000 in 2002 to $300,000 in 2005. It was increased to $400,000 effective 2007. • The 2007 Economic Statement reduced the preferential tax rate from 12% to 11% effective 2008 (compared to the general corporate income tax rate of 19.5% in 2008). The federal corporate surtax (equivalent to 1.12 percentage points of tax) was also eliminated for all corporations as of 2008. • Budget 2009 increased the annual income limit to $500,000 (from $400,000), effective 2009. • Budget 2015 announced a series of reductions to the preferential tax rate, including a reduction from 11% to 10.5% in 2016. • On October 16, 2017 the Government announced a further reduction in the preferential tax rate to 10% as of January 1, 2018, and to 9% as of January 1, 2019. • Budget 2018 announced that the small business business limit would be reduced on a straight-line basis for CCPCs having between $50,000 and $150,000 of investment income, for tax years beginning after 2018.
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 762,000 corporations in 2016.

Cost Information:

Millions of dollars	**2013**	**2014**	**2015**	**2016**	**2017 (P)**	**2018 (P)**	**2019 (P)**	**2020 (P)**
Corporate income tax	2,950	3,105	3,260	3,750	4,020	4,590	5,585	5,575

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 2016.

Cost Information:

Millions of dollars	2013	2014	2015	2016	2017 (P)	2018 (P)	2019 (P)	2020 (P)
Personal income tax	175	180	190	190	105	–	–	–

Quebec Abatement

Description	The federal government provides an abatement of personal income tax to taxpayers residing in Quebec equal to 16.5% of Basic Federal Tax payable. The abatement represents compensation to the Province of Quebec for opting out of certain federal transfer programs established in the 1960s.
Tax	Personal income tax
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	2013	2014	2015	2016	2017 (P)	2018 (P)	2019 (P)	2020 (P)
Personal income tax	4,130	4,270	4,440	4,480	4,755	5,055	5,270	5,455

Rebate for book purchases made by certain organizations

Description	A 100% rebate is provided in respect of GST paid on books acquired by: • schools, universities, public colleges and municipalities; • charities and qualifying non-profit organizations that operate public lending libraries; and • designated charities and qualifying non-profit organizations whose primary purpose is the promotion of literacy. The rebate is not available when the books are acquired for resale.
Tax	Goods and Services Tax
Beneficiaries	Schools, colleges, universities, municipalities, certain charities and certain non-profit organizations
Type of measure	Rebate
Legal reference	*Excise Tax Act*, section 259.1
Implementation and recent history	• Introduced on October 23, 1996 (Department of Finance Canada news release 1996-076). Effective in respect of GST paid after that date. • Budget 2012 extended the rebate to include books acquired to be given away by designated literacy organizations.
Objective – category	To achieve a social objective
Objective	This measure recognizes the important role played by public libraries, educational institutions and other community organizations in helping people learn how to read and improve their reading skills (Department of Finance Canada news release 1996-076, October 23, 1996).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	GST rebates effectively reduce the value added subject to tax, and are therefore deviations from a broadly defined value-added tax base.
Subject	Education
CCOFOG 2014 code	70959 - Education - Education not definable by level
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada, the Social Sciences and Humanities Research Council, the Natural Sciences and Engineering Research Council, the Canadian Institutes of Health Research and Indigenous Services Canada also support objectives related to education and training. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Form GST66 - Application for GST/HST Public Service Bodies' Rebate and GST Self-Government Refund
Estimation method	The cost of this measure corresponds to the amounts of rebates approved, as reported in administrative data.
Projection method	The cost of this measure is projected to grow in line with provincial government expenditures on education.
Number of beneficiaries	About 2,000 entities claim this rebate each year.

Cost Information:

Millions of dollars	2013	2014	2015	2016	2017 (P)	2018 (P)	2019 (P)	2020 (P)
Goods and Services Tax	15	15	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 700 entities claim this rebate each year.

Cost Information:

Millions of dollars	2013	2014	2015	2016	2017 (P)	2018 (P)	2019 (P)	2020 (P)
Goods and Services Tax	635	650	695	630	665	695	720	745

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	2013	2014	2015	2016	2017 (P)	2018 (P)	2019 (P)	2020 (P)
Goods and Services Tax	2,060	2,165	2,245	2,280	2,495	2,595	2,660	2,725

Rebate for new housing

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

Cost Information:

Millions of dollars	2013	2014	2015	2016	2017 (P)	2018 (P)	2019 (P)	2020 (P)
Goods and Services Tax	595	570	570	520	510	550	535	525

Rebate for new residential rental property

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

Cost Information:

Millions of dollars	2013	2014	2015	2016	2017 (P)	2018 (P)	2019 (P)	2020 (P)
Goods and Services Tax	110	125	140	170	130	150	145	145

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	**2013**	**2014**	**2015**	**2016**	**2017 (P)**	**2018 (P)**	**2019 (P)**	**2020 (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	2013	2014	2015	2016	2017 (P)	2018 (P)	2019 (P)	2020 (P)
Goods and Services Tax	65	70	75	70	65	70	70	75

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	**2013**	**2014**	**2015**	**2016**	**2017 (P)**	**2018 (P)**	**2019 (P)**	**2020 (P)**
Goods and Services Tax	290	310	325	305	295	310	320	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 Services Canada also support objectives related to education and training. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Form GST66 - Application for GST/HST Public Service Bodies' Rebate and GST Self-Government Refund
Estimation method	The cost of this measure corresponds to the amounts of rebates approved, as reported in administrative data.
Projection method	The cost of this measure is projected to grow in line with provincial government expenditures on education.
Number of beneficiaries	About 4,500 entities claim this rebate each year.

Cost Information:

Millions of dollars	2013	2014	2015	2016	2017 (P)	2018 (P)	2019 (P)	2020 (P)
Rebate for schools	385	400	400	415	440	460	480	495
Rebate for colleges	80	80	85	95	105	110	115	120
Rebate for universities	230	230	235	235	280	290	305	315
Total – Goods and Services Tax	700	710	725	745	825	865	900	930

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	2013	2014	2015	2016	2017 (P)	2018 (P)	2019 (P)	2020 (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	2013	2014	2015	2016	2017 (P)	2018 (P)	2019 (P)	2020 (P)
Goods and Services Tax	65	60	55	55	55	60	60	60

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 30 corporations reclassified expenses under this provision in 2016.

Cost Information:

Millions of dollars	2013	2014	2015	2016	2017 (P)	2018 (P)	2019 (P)	2020 (P)
Personal income tax	-10	-5	-5	-4	-3	-2	-3	-3
Corporate income tax	-1	-1	-1	S	S	S	S	S
Total	-10	-10	-5	-4	-3	-2	-3	-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 65 investment and mutual fund corporations claimed a capital gain refund in 2016.

Cost Information:

Millions of dollars	**2013**	**2014**	**2015**	**2016**	**2017 (P)**	**2018 (P)**	**2019 (P)**	**2020 (P)**
Corporate income tax	220	535	960	855	1,230	975	1,040	1,040

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 2018, the supplement is available to individuals whose earnings from employment or self-employment meet or exceed a minimum threshold of $3,566. 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 $1,222 for 2018. The supplement is reduced by 5% of net family income above an income threshold of $27,044. 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 562,000 individuals received this benefit in 2016.

Cost Information:

Millions of dollars	**2013**	**2014**	**2015**	**2016**	**2017 (P)**	**2018 (P)**	**2019 (P)**	**2020 (P)**
Personal income tax	140	145	150	155	160	165	170	175

Refundable taxes on investment income of private corporations

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

Reason why this measure is not part of benchmark tax system	This measure is considered part of the benchmark tax system, and therefore is not a tax expenditure.
Subject	Other
CCOFOG 2014 code	n/a
Other relevant government programs	n/a
Source of data	T2 Corporation Income Tax Return
Estimation method	The tax expenditure is comprised of the additional Part I tax (the difference between the applicable Part I tax rate and the federal general corporate income tax rate of 15%), the Part IV tax and the sum of the aforementioned refunds. In these accounts, tax revenues are recorded as negative amounts.
Projection method	The cost of this measure is projected to grow in line with investment income and taxable income.
Number of beneficiaries	About 264,000 and 225,000 corporations were respectively subject to the additional Part I tax and Part IV tax in 2016, while 253,000 corporations claimed the dividend refund in that year.

Cost Information:

Millions of dollars	**2013**	**2014**	**2015**	**2016**	**2017 (P)**	**2018 (P)**	**2019 (P)**	**2020 (P)**
Additional Part I tax	-3,245	-3,705	-4,265	-4,940	-6,300	-6,640	-6,975	-7,310
Part IV tax	-3,880	-4,270	-4,855	-5,140	-6,055	-6,385	-6,705	-7,025
Dividend refund	7,125	7,255	8,770	8,790	10,435	10,995	11,590	12,155
Total – corporate income tax	1	-720	-350	-1,290	-1,925	-2,030	-2,090	-2,180

Refunds for Indigenous self-governments

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

Cost Information:

Millions of dollars	2013	2014	2015	2016	2017 (P)	2018 (P)	2019 (P)	2020 (P)
Goods and Services Tax	5	5	10	5	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 180,000 RDSPs were registered from December 2008 to October 2018.

Cost Information:

Millions of dollars	2013	2014	2015	2016	2017 (P)	2018 (P)	2019 (P)	2020 (P)
Personal income tax	30	35	40	50	65	70	80	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 Services Canada also support objectives related to education and training. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Employment and Social Development Canada
Estimation method	The value of this tax expenditure is calculated as the tax revenue forgone from the non-taxation of investment income earned on RESP assets, minus the taxes paid on RESP withdrawals. These amounts are determined using assumed marginal tax rates for plan contributors and beneficiaries. The tax-sheltered investment income is estimated assuming that the rate of return on net RESP assets is equal to the rate of return on Government of Canada bonds.
Projection method	The projection for the first year is based on projected RESP net assets and withdrawals produced by Employment and Social Development Canada, while projections for outer years are made based on historical growth. Future Government of Canada bond yields are 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 5.7 million individuals with an RESP have received a Canada Education Savings Grant between 1998 and 2016.

Cost Information:

Millions of dollars	**2013**	**2014**	**2015**	**2016**	**2017 (P)**	**2018 (P)**	**2019 (P)**	**2020 (P)**
Personal income tax	170	155	145	135	120	130	165	220

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 ($26,500 for 2018). For defined benefit RPP members, pension benefits are limited to 2% of employment earnings per year of service up to a specified dollar amount ($2,944 for 2018).
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 (Tables 11-10-0122-01, 11-10-0079-01 and 36-10-0576-01)
Estimation method	The value of this tax expenditure is calculated on a cash-flow basis as the sum of forgone tax revenue from the deductibility of RPP contributions and non-taxation of investment income earned on RPP assets, minus the tax revenue from RPP benefit payments.
Projection method	Projections are derived using T1 micro-simulation model and data from Statistics Canada on historical RPP assets.
Number of beneficiaries	About 7.9 million households had individuals that had accrued benefits under RPPs in 2016.

Cost Information:

Millions of dollars	**2013**	**2014**	**2015**	**2016**	**2017 (P)**	**2018 (P)**	**2019 (P)**	**2020 (P)**
Deduction for contributions	14,180	15,160	15,110	15,595	16,025	16,675	17,240	17,780
Non-taxation of investment income	15,835	19,365	19,610	20,955	22,930	23,050	24,715	26,505
Taxation of withdrawals	-9,425	-10,090	-10,630	-10,720	-11,475	-12,135	-13,005	-13,845
Total – personal income tax	20,590	24,435	24,090	25,830	27,480	27,590	28,950	30,440

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 ($26,230 for 2018), 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 (Table 36-10-0576-01)
Estimation method	The value of this tax expenditure is calculated on a cash-flow basis as the sum of forgone tax revenue from the deductibility of RRSP contributions and non-taxation of investment income earned on RRSP assets, minus the tax revenue from Registered Retirement Income Fund/annuity income and RRSP withdrawals.
Projection method	Projections are derived using the T1 micro-simulation model and Statistics Canada data on historical RRSP assets.
Number of beneficiaries	About 8.9 million households had individuals that had RRSPs or Registered Retirement Income Funds in 2016.

Cost Information:

Millions of dollars	2013	2014	2015	2016	2017 (P)	2018 (P)	2019 (P)	2020 (P)
Deduction for contributions	8,050	8,215	8,490	8,950	9,070	9,155	9,240	9,300
Non-taxation of investment income	11,270	13,900	13,450	13,355	14,685	14,565	15,410	16,300
Taxation of withdrawals	-5,885	-6,415	-7,025	-6,740	-6,955	-7,330	-7,750	-8,085
Total – personal income tax	13,435	15,700	14,915	15,565	16,800	16,390	16,900	17,515

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

Rollovers of investments in small businesses

Description	Individuals are permitted to defer the tax on a capital gain arising from the disposition of shares in a qualified small business investment, to the extent the proceeds are reinvested in shares of another qualified small business. An eligible small business investment consists of shares issued from treasury in an active Canadian-controlled private corporation with assets not exceeding $50 million, excluding professional corporations, specified financial institutions, rental or leasing corporations, and real estate corporations. The reinvestment must be made at any time in the year of disposition or within 120 days after the end of that year.
Tax	Personal income tax
Beneficiaries	Individual investors
Type of measure	Timing preference
Legal reference	*Income Tax Act*, section 44.1
Implementation and recent history	• Introduced in Budget 2000. Effective for dispositions after February 27, 2000. • The October 2000 Economic Statement and Budget Update increased the size of an eligible investment from $500,000 to $2 million and the size of business eligible for the rollover from $10 million to $50 million. • Budget 2003 eliminated the individual investor limits on the amount of the original investment and reinvestment eligible for the deferral and allowed a reinvestment to be eligible for the rollover when made at any time in the year of disposition or within 120 days after the end of the year.
Objective – category	To encourage or attract investment
Objective	This measure was implemented to improve access to capital for small business corporations (Economic Statement and Budget Update, October 2000; Budget 2003).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure permits the deferral of the recognition of income or gains for income tax purposes.
Subject	Business - small businesses
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandate of Innovation, Science and Economic Development Canada also support small businesses. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 1,100 individuals reported capital gains eligible for this measure in 2016.

Cost Information:

Millions of dollars	**2013**	**2014**	**2015**	**2016**	**2017 (P)**	**2018 (P)**	**2019 (P)**	**2020 (P)**
Personal income tax	5	5	X	25	5	5	5	5

Saskatchewan Pension Plan

Description	A deferral of tax is provided on contributions to the Saskatchewan Pension Plan (SPP) in order to encourage and assist Canadians to save for retirement. Contributions to the SPP are deductible from income, the investment income is not taxed as it accrues in the plan, and withdrawals and benefit payments are included in income for tax purposes. While the tax rules permit SPP contributions to be made within an SPP member's available Registered Retirement Savings Plan (RRSP) contribution limit, the SPP restricts annual contributions to a specified maximum ($6,000 for 2018).
Tax	Personal income tax
Beneficiaries	Individuals with available RRSP contribution room
Type of measure	Timing preference
Legal reference	*Income Tax Act*, subsections 146(21) to (21.3) *Income Tax Regulations*, section 7800
Implementation and recent history	• The SPP was introduced in 1986. Deductible contributions were initially limited to $600 annually, if made within an SPP member's available RRSP contribution limit. • In 2011, the federal tax rules were amended to accommodate certain changes proposed by the Saskatchewan government to improve the plan, in particular an increase in the annual contribution limit to $2,500 (Department of Finance Canada news release 2010-118, December 7, 2010). • In January 2018, the SPP increased its annual contribution limit to $6,000 and indexed the limit to increases in the Year's Maximum Pensionable Earnings for the Canada Pension Plan.
Objective – category	To encourage savings
Objective	This measure was introduced to ensure consistency in the tax treatment of Canadians saving for their retirement, whether they save through a private or a provincially sponsored registered plan (Budget 1987).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure permits the deferral of the recognition of income or gains for income tax purposes.
Subject	Retirement Savings and investment
CCOFOG 2014 code	71029 - Social protection - Old age
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support retirement income security. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	n/a
Estimation method	n/a
Projection method	n/a
Number of beneficiaries	About 12,200 individuals contributed to the Saskatchewan Pension Plan in 2017.

Cost Information:

Millions of dollars	**2013**	**2014**	**2015**	**2016**	**2017 (P)**	**2018 (P)**	**2019 (P)**	**2020 (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. The projected cost of the non-refundable portion of the measure is reduced in 2019 and 2020 by the introduction of the Accelerated Investment Incentive, full expensing for manufacturing or processing machinery and equipment, and full expensing for clean energy generation equipment, which will reduce corporate taxable income.
Number of beneficiaries	About 4,000 individuals and 20,700 corporations claimed this credit in 2016.

Cost Information:

Millions of dollars	**2013**	**2014**	**2015**	**2016**	**2017 (P)**	**2018 (P)**	**2019 (P)**	**2020 (P)**
Personal income tax	3	1	1	S	S	1	1	1
Corporate income tax								
Non-refundable portion								
Earned and claimed in current year	730	520	430	480	450	465	420	430
Claimed in current year but earned in prior years	1,100	755	865	890	995	1,005	835	865
Earned in current year but carried back to prior years	165	40	35	75	70	75	80	80
Total – non-refundable portion	1,995	1,315	1,330	1,445	1,510	1,550	1,335	1,375
Refundable portion	1,345	1,275	1,280	1,280	1,275	1,365	1,400	1,460
Total – corporate income tax	3,340	2,590	2,610	2,725	2,780	2,915	2,735	2,835
Total	3,340	2,590	2,615	2,725	2,785	2,915	2,735	2,835

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 4,800 individuals claimed this credit in 2016.

Cost Information:

Millions of dollars	**2013**	**2014**	**2015**	**2016**	**2017 (P)**	**2018 (P)**	**2019 (P)**	**2020 (P)**
Personal income tax	–	2	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 1.4 million small suppliers make use of this measure each year.

Cost Information:

Millions of dollars	2013	2014	2015	2016	2017 (P)	2018 (P)	2019 (P)	2020 (P)
Goods and Services Tax	210	220	225	230	245	255	265	275

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 500 individuals in 2016.

Cost Information:

Millions of dollars	**2013**	**2014**	**2015**	**2016**	**2017 (P)**	**2018 (P)**	**2019 (P)**	**2020 (P)**
Personal income tax	4	1	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 9% (as of January 1, 2019) that generally applies to a Canadian-controlled private corporation on the first $500,000 of qualifying income (the cost associated with this preferential tax rate is included under the tax expenditure "Preferential tax rate for small businesses"). An additional deduction, available only to credit unions, provided access to the preferential income tax rate for income that is not eligible for the small business deduction. This tax expenditure represents the cost of this additional preference. Budget 2013 announced the phase-out over five years of this additional preference for credit unions. For 2013, the preferential tax rate applied to 80% of the qualifying income of a credit union that exceeds $500,000. This percentage is reduced to 60% in 2014, 40% in 2015, 20% in 2016, and 0% in 2017 and subsequent years.
Tax	Corporate income tax
Beneficiaries	Credit unions
Type of measure	Preferential tax rate
Legal reference	*Income Tax Act*, subsection 137(3)
Implementation and recent history	• Introduced in 1972 to provide credit unions with access to the preferential tax rate for small businesses. • Over time, changes made to the design of the preferential tax rate for small businesses resulted in a more generous tax preference being available to credit unions. • Budget 2013 announced the phase-out over five years of this additional preference for credit unions (see the description for details). • On October 16, 2017 the Government announced a further reduction in the preferential tax rate to 10% as of January 1, 2018, and to 9% as of January 1, 2019.
Objective – category	To encourage or attract investment
Objective	This measure permits a credit union to accumulate capital on a tax-preferred basis up to a maximum of 5% of deposits and capital (Department of Finance Canada news release 71-157, December 6, 1971).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	The applicable tax rate departs from the benchmark tax rate.
Subject	Business - other
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T2 Corporation Income Tax Return
Estimation method	This tax expenditure is estimated by multiplying the additional deduction claimed by credit unions with a factor that represents the difference between the federal general corporate tax rate of 15% and the preferential small business tax rate.
Projection method	Projections for this measure are derived under the assumption that the amount of deduction claimed will increase at the same rate as the average of taxable income and will be subject to applicable phase-out factors.
Number of beneficiaries	About 325 credit unions applied this special tax rate in 2016.

Cost Information:

Millions of dollars	2013	2014	2015	2016	2017 (P)	2018 (P)	2019 (P)	2020 (P)
Corporate income tax	25	20	15	10	S	–	–	–

Spouse or Common-Law Partner Credit

Description	A taxpayer supporting a spouse or common-law partner may be eligible for the non-refundable Spouse or Common-Law Partner Credit, the value of which is calculated by applying the lowest personal income tax rate to the credit amount of $11,809 (in 2018). 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 Services Canada also support Canadian families and households. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 2.1 million individuals claimed this credit in 2016.

Cost Information:

Millions of dollars	2013	2014	2015	2016	2017 (P)	2018 (P)	2019 (P)	2020 (P)
Personal income tax	1,505	1,505	1,440	1,575	1,740	1,780	1,840	1,895

Student Loan Interest Credit

Description	Individuals can claim a non-refundable credit in respect of interest paid in the year or in the preceding five years on a student loan received for post-secondary education under the *Canada Student Loans Act*, the *Canada Student Financial Assistance Act*, the *Apprentice Loans Act* or similar provincial or territorial government programs. The value of the credit is calculated by applying the lowest personal income tax rate to the amount of interest paid.
Tax	Personal income tax
Beneficiaries	Students
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, section 118.62
Implementation and recent history	• Introduced in Budget 1998. Effective for the 1998 and subsequent taxation years. • Extended to Canada Apprentice Loans in Budget 2014.
Objective – category	To recognize education costs
Objective	This measure helps individuals manage their student debt loads by providing tax relief for interest payments on student loans and improving the Canada Student Loan Program to help borrowers facing financial difficulties (Budget 1998).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system. The tax benefit from this measure can be obtained in a taxation year other than the year during which it accrues.
Subject	Education
CCOFOG 2014 code	70939 - Education - College education 70949 - Education - University education 70959 - Education - Education not definable by level
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada, the Social Sciences and Humanities Research Council, the Natural Sciences and Engineering Research Council, the Canadian Institutes of Health Research and Indigenous Services Canada also support objectives related to education and training. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 537,000 individuals claimed this credit in 2016.

Cost Information:

Millions of dollars	**2013**	**2014**	**2015**	**2016**	**2017 (P)**	**2018 (P)**	**2019 (P)**	**2020 (P)**
Personal income tax	45	40	40	40	45	45	45	45

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	2013	2014	2015	2016	2017 (P)	2018 (P)	2019 (P)	2020 (P)
Corporate income tax	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	2013	2014	2015	2016	2017 (P)	2018 (P)	2019 (P)	2020 (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 Services Canada also support Canadian families and households. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model. The value of this tax expenditure corresponds to the value of the deduction to the payer, less the tax collected from the recipient.
Projection method	T1 micro-simulation model
Number of beneficiaries	About 86,000 individuals reported having received alimony or maintenance payments in 2016, while about 62,000 individuals claimed a deduction.

Cost Information:

Millions of dollars	**2013**	**2014**	**2015**	**2016**	**2017 (P)**	**2018 (P)**	**2019 (P)**	**2020 (P)**
Personal income tax	65	65	65	95	90	95	95	95

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 2018). 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 and Quebec Pension Plan (contributions to the enhanced portion of the Canada Pension Plan and Quebec Pension Plan will commence in 2019). The tax treatment of contributions to the base Canada Pension Plan and base Quebec 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. • Budget 2016 announced an enhancement of the Canada Pension Plan, which will be phased in starting in 2019. Employee contributions to the enhanced portion of the Canada Pension Plan will be deductible. • Budget 2018 introduced an amendment to provide a tax deduction for employee contributions to the enhanced portion of the Quebec Pension Plan (the enhanced portion of the Quebec Pension Plan 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 16 million individuals claimed the credit for Canada Pension Plan or Quebec Pension Plan contributions on employment income in 2016, while about 1.7 million claimed the credit for these contributions on self-employment or other income.

Cost Information:

Millions of dollars	2013	2014	2015	2016	2017 (P)	2018 (P)	2019 (P)	2020 (P)
Tax recognition for employee-paid contributions	3,415	3,575	3,715	3,815	3,940	4,050	4,190	4,340
Non-taxation of employer-paid contributions	5,480	5,695	6,095	5,795	6,010	6,195	6,465	6,710
Total – personal income tax	8,895	9,270	9,810	9,610	9,950	10,240	10,655	11,050

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 2016, about 15.3 million individuals claimed the credit for Employment Insurance contributions on employment income, while about 6,700 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 114,000 individuals claimed the credit on income earned outside Quebec. About 453,000 individuals claimed the Quebec Parental Insurance Plan credit on self-employment or other eligible income.

Cost Information:

Millions of dollars	**2013**	**2014**	**2015**	**2016**	**2017 (P)**	**2018 (P)**	**2019 (P)**	**2020 (P)**
Credit for employee-paid premiums	1,235	1,290	1,330	1,360	1,220	1,270	1,280	1,320
Non-taxation of employer-paid premiums	2,565	2,680	2,890	2,855	2,575	2,690	2,740	2,830
Total – personal income tax	3,800	3,970	4,220	4,215	3,795	3,960	4,020	4,150

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 2018 through 2020 are not provided as the value of this measure cannot be reliably forecast for these years.
Number of beneficiaries	As of December 2017, about 110,000 AgriInvest accounts were registered.

Cost Information:

Millions of dollars	2013	2014	2015	2016	2017	2018 (P)	2019 (P)	2020 (P)
AgriInvest program								
Personal income tax	15	4	3	15	5	n.a.	n.a.	n.a.
Corporate income tax	2	1	S	2	1	n.a.	n.a.	n.a.
Total	20	4	3	15	5	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	2013	2014	2015	2016	2017 (P)	2018 (P)	2019 (P)	2020 (P)
Personal income tax	270	255	220	205	225	230	245	260

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 2016.

Cost Information:

Millions of dollars	2013	2014	2015	2016	2017 (P)	2018 (P)	2019 (P)	2020 (P)
Personal income tax	4	3	3	3	3	3	3	3

Tax-Free Savings Account

Description	The Tax-Free Savings Account (TFSA) is a general-purpose savings account that allows individuals to earn tax-free investment income. Individuals 18 years of age and older acquire TFSA contribution room each year, with unused room being carried forward. 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 13.5 million individuals had a TFSA at the end of 2016.

Cost Information:

Millions of dollars	2013	2014	2015	2016	2017 (P)	2018 (P)	2019 (P)	2020 (P)
Personal income tax	425	565	635	810	1,030	1,010	1,160	1,315

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 47,000 individuals claimed this credit in 2016.

Cost Information:

Millions of dollars	**2013**	**2014**	**2015**	**2016**	**2017 (P)**	**2018 (P)**	**2019 (P)**	**2020 (P)**
Personal income tax	–	–	–	3	4	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 Services Canada also support objectives related to education and training. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 2.3 million individuals earned this credit in 2016.

Cost Information:

Millions of dollars	**2013**	**2014**	**2015**	**2016**	**2017 (P)**	**2018 (P)**	**2019 (P)**	**2020 (P)**
Personal income tax	115	115	120	115	65	50	40	30

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	2013	2014	2015	2016	2017 (P)	2018 (P)	2019 (P)	2020 (P)
Personal income tax	20,155	21,120	22,600	21,875	23,500	25,050	26,200	27,245
Corporate income tax	2,655	2,855	2,850	3,000	3,295	3,505	3,665	3,720
Total	22,815	23,975	25,450	24,875	26,795	28,560	29,865	30,970

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	**2013**	**2014**	**2015**	**2016**	**2017 (P)**	**2018 (P)**	**2019 (P)**	**2020 (P)**
Goods and Services Tax	225	240	260	260	285	295	310	320

Tuition Tax Credit

Description	A student can claim a non-refundable tax credit at the lowest personal income tax rate on tuition fees paid to designated educational institutions where the total for such fees exceeds $100. The student must claim the credit first on his or her own return. If the student does not need to use all of the credit, the unused amount may be transferred to a supporting individual or carried forward to a subsequent taxation year.
Tax	Personal income tax
Beneficiaries	Students and individuals supporting them
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, section 118.5
Implementation and recent history	• Introduced as a deduction in Budget 1960. Effective for the 1961 and subsequent taxation years. • Replaced by a non-refundable tax credit and made transferable to spouses, parents or grandparents as part of the 1987 Tax Reform. • Budget 1997 introduced a provision allowing unused tuition amounts to be carried forward for use in a subsequent year. • Budget 2011 made occupational, trade or professional examinations eligible for the Tuition Tax Credit. The 13-week minimum duration requirement applying to studies undertaken by Canadians at foreign universities was also reduced to 3 consecutive weeks. • Budget 2017 expanded the range of courses eligible for the credit to include occupational skills courses that are undertaken at a post-secondary institution in Canada, effective for the 2017 and subsequent taxation years.
Objective – category	To recognize education costs
Objective	This measure provides students with tax relief by recognizing the costs of enrolling in qualifying programs or courses (Budget 1960).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system. This measure extends the unit of taxation. The tax benefit from this measure can be obtained in a taxation year other than the year during which it accrues.
Subject	Education
CCOFOG 2014 code	70939 - Education - College education 70949 - Education - University education
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada, the Social Sciences and Humanities Research Council, the Natural Sciences and Engineering Research Council, the Canadian Institutes of Health Research and Indigenous Services Canada also support objectives related to education and training. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 2.4 million individuals earned this credit in 2016.

Cost Information:

Millions of dollars	2013	2014	2015	2016	2017 (P)	2018 (P)	2019 (P)	2020 (P)
Personal income tax	1,040	1,120	1,230	1,315	1,450	1,590	1,705	1,810

Volunteer Firefighters Tax Credit

Description	Individuals who performed at least 200 hours of eligible volunteer firefighting services during a year can claim the non-refundable Volunteer Firefighters Tax Credit. The value of the credit is calculated by applying the lowest personal income tax rate to a credit amount of $3,000. An individual who performs both eligible volunteer firefighting services and eligible volunteer search and rescue services for a total of at least 200 hours in the year can claim either the Volunteer Firefighters Tax Credit or the Search and Rescue Volunteers Tax Credit. An individual who claims the Volunteer Firefighters Tax Credit is ineligible for the exemption from income that would otherwise apply to up to $1,000 of income (honoraria) received in the year for being a volunteer firefighter (see the measure "Tax-free amount for emergency services volunteers").
Tax	Personal income tax
Beneficiaries	Volunteer firefighters
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, section 118.06
Implementation and recent history	• Introduced in Budget 2011. Effective for the 2011 and subsequent taxation years. • The Volunteer Firefighters Tax Credit was extended to recognize hours of eligible search and rescue volunteer service in Budget 2014.
Objective – category	To achieve a social objective
Objective	This measure recognizes the important role played by volunteer firefighters in contributing to the security and safety of Canadians (Budget 2011).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system.
Subject	Social
CCOFOG 2014 code	70329 - Public order and safety - Fire protection services
Other relevant government programs	Programs within the mandates of Canadian Heritage, Immigration, Refugees and Citizenship Canada, Transport Canada and Public Safety Canada (among other departments) also support various other social objectives. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 43,000 individuals claimed this credit in 2016.

Cost Information:

Millions of dollars	**2013**	**2014**	**2015**	**2016**	**2017 (P)**	**2018 (P)**	**2019 (P)**	**2020 (P)**
Personal income tax	15	20	20	20	20	20	20	20

Working Income Tax Benefit / Canada Workers 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 $1,059 for single individuals without dependants and $1,922 for families (couples and single parents) in 2018. The WITB is phased out at a rate of 15% of each dollar of adjusted net income above thresholds of $12,016 for single individuals without dependants and $16,593 for families in 2018. An additional WITB supplement of up to $529 in 2018 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 $19,073 for single individuals without dependants and $29,410 for families in 2018. 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 2018, 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. • Budget 2018 introduced the new Canada Workers Benefit, which will replace the WITB beginning in 2019.
Objective – category	To encourage employment To provide income support or tax relief
Objective	This measure makes work more rewarding and attractive for low income-earning Canadians already in the workforce, and encourages other Canadians to enter the workforce. The WITB also provides important income support to low-income working Canadians. (Budget 2007; Budget 2009)
Category	Refundable tax credit
Reason why this measure is not part of benchmark tax system	This measure is classified as a transfer payment for government accounting purposes, and therefore is not considered to be a tax expenditure.
Subject	Employment Income support
CCOFOG 2014 code	70412 - Economic affairs - General economic, commercial, and labor affairs - General labor affairs 71099 - Social protection - Social protection not elsewhere classified
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support employment. Programs within the mandates of Employment and Social Development Canada and Veterans Affairs Canada also support income security. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	The value of this measure corresponds to the amounts claimed as credits, as reported in administrative data.
Projection method	T1 micro-simulation model
Number of beneficiaries	About 1.5 million individuals received this benefit in 2016.

Cost Information:

Millions of dollars	**2013**	**2014**	**2015**	**2016**	**2017 (P)**	**2018 (P)**	**2019 (P)**	**2020 (P)**
Working Income Tax Benefit – personal income tax	1,180	1,165	1,160	1,185	1,160	1,160	–	–
Canada Workers Benefit – personal income tax	–	–	–	–	–	–	2,100	2,100

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	**2013**	**2014**	**2015**	**2016**	**2017 (P)**	**2018 (P)**	**2019 (P)**	**2020 (P)**
Goods and Services Tax	3,895	4,080	4,235	4,380	4,550	4,720	4,885	4,950

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 Services Canada also support Canadian families and households. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Statistics Canada, Supply and Use Tables and National Income and Expenditure Accounts
Estimation method	Goods and Services Tax model
Projection method	Goods and Services Tax model
Number of beneficiaries	No data is available.

Cost Information:

Millions of dollars	2013	2014	2015	2016	2017 (P)	2018 (P)	2019 (P)	2020 (P)
Goods and Services Tax	–	–	15	35	35	40	40	40

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	**2013**	**2014**	**2015**	**2016**	**2017 (P)**	**2018 (P)**	**2019 (P)**	**2020 (P)**
Goods and Services Tax	335	360	375	395	405	415	430	440

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	**2013**	**2014**	**2015**	**2016**	**2017 (P)**	**2018 (P)**	**2019 (P)**	**2020 (P)**
Goods and Services Tax	755	785	820	870	900	935	970	980

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, Innovative Solutions Canada, BizPal and Canada Business Network. More information on these programs can be found in the Departmental Plans of Innovation, Science and Economic Development Canada. The Business Development Bank of Canada, a federal Crown corporation, also provides financing and consulting services to small and medium-sized enterprises.
Business – research and development	Programs within the mandates of Innovation, Science and Economic Development Canada, the National Research Council Canada and the federal granting councils also support research and development. These include programs such as the Strategic Innovation Fund, Industrial Research Assistance Program, and Industrial Research Chairs. More information on these programs can be found in the Departmental Plans of these organizations.
Business – other	Programs within the mandates of Global Affairs Canada and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. These include programs such as the Canadian Trade Commissioner Service and the CanExport program at Global Affairs Canada, and the Regional Economic Growth Through Innovation program at each regional development agency across the country. More information on these programs can be found in the Departmental Plans of these organizations. Export Development Canada and the Canadian Commercial Corporation, two federal Crown corporations, also have mandates of facilitating and promoting international trade, notably by providing financing, market expertise and other services to Canadian businesses.
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 Services Canada also support objectives related to education and training. These include programs such as the Canada Student Loan Program and Canada Education Savings Grant, the Apprenticeship Incentive Grant and Apprenticeship Completion Grant, and the Canada Graduate Scholarships program. More information on these programs can be found in the Departmental Plans of these organizations. The federal government also provides funding to provinces and territories in support of post-secondary education through the Canada Social Transfer—see the Departmental Plans of the Department of Finance Canada.

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 Workforce Development Agreements, the Federal Workers' Compensation Service, the Youth Employment Strategy, the Indigenous Skills and Employment Training Program, and the Foreign Credential Recognition Program. More information on these programs can be found in the Departmental Plans of Employment and Social Development Canada.
Environment	Programs within the mandates of Environment and Climate Change Canada, the Canadian Environmental Assessment Agency, the Parks Canada Agency 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, as well as the Energy Innovation Program, the Clean Growth 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 Services 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, Indigenous Services Canada, the Public Health Agency of Canada and Veterans Affairs Canada also support health-related objectives. These include programs such as the Health System Priorities program, the Medical Devices program, the Federal Tobacco Control Strategy, the Healthy Child Development program, and the First Nations and Inuit Primary Health Care program. More information on these programs can be found in the Departmental Plans of these organizations. The federal government also provides long-term predictable funding for health care to provinces and territories through the Canada Health Transfer—see the Departmental Plans of the Department of Finance Canada.
Housing	Programs within the mandate of Canada Mortgage and Housing Corporation are intended to promote the construction, repair and renewal of affordable housing – currently under the umbrella of the National Housing Strategy. The Housing program of Indigenous Services Canada, and related programs at Crown-Indigenous Relations and Northern Affairs Canada, also pursue the goal of increasing the supply of safe and affordable housing to First Nations, Inuit and Métis. More information on these programs can be found in the annual report of Canada Mortgage and Housing Corporation and Departmental Plans of Indigenous Services Canada and Crown-Indigenous Relations and Northern Affairs Canada.
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 programs in support of emergency management. More information on these programs can be found in the Departmental Plans of these organizations. The federal government also provides funding to provinces and territories in support of programs for children, social assistance and other social programs through the Canada Social Transfer—see the Departmental Plans of the Department of Finance Canada.

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 Moving Expense Deduction[1]

1. Introduction

The moving expense deduction (MED) provides tax relief for taxpayers whose eligible relocation costs are not otherwise reimbursed. The deduction exists to recognize costs necessary to generate income and to encourage labour mobility across Canada. It may be claimed by workers, the self-employed and students, within the parameters established by the *Income Tax Act*.[2]

This paper presents an evaluation of the MED. Beyond minor technical changes to refine eligibility, and an enlarging of the expenses available for deduction, the MED has remained much as it was when it came into force in 1972. Thus, the paper focuses on usage of the deduction and the characteristics of claimants in the context of a changing labour market, using administrative data spanning 2002-2016. In particular, mobility among MED claimants is considered across both spatial and occupational dimensions.

The paper begins by providing background information on the MED and a discussion of the decision to move. This is followed by an overview of the relevance of the measure, an analysis of its effectiveness, a discussion of equity considerations, and an examination of the MED's efficiency.

2. Background

2.1 Current Rules

The MED may be claimed for "eligible relocations", the scope of which is defined in the Act.[3] First, eligible relocations refer to those which permit the taxpayer to carry on a business, be employed, or be a student in full-time attendance at a post-secondary level. Second, eligible relocations must be effected between an old residence and a new residence, in which the taxpayer ordinarily resided and subsequently ordinarily resides, respectively. This does not preclude moves into or out of Canada, nor moves made between two locations outside of the country, provided the claimant is considered a resident of Canada. Third, the relocation must reduce the distance to the new work location by at least 40 kilometres.[4]

The Act specifies that deductions may only be claimed for those moving expenses which are not otherwise reimbursed and which were not claimed in a previous tax year.[5] It also imposes limits on the total amounts which are deductible: for workers or the self-employed, deductible expenses may not exceed income earned at the new location (inclusive of income in respect of the *Wage Earner Protection Program Act*); for students, the limit is set to the sum of the value of taxable scholarships, bursaries, etc. and research grants for that taxation year. Moving expenses need not be claimed in the year in which they were incurred.[6]

The moving expenses which are eligible for deduction include: travel costs for the taxpayer and his or her household (including meals and lodging); the cost of transporting and storing household items; and costs related to the cancellation of a lease, or selling costs where the taxpayer owned the old residence. Budget 1998 extended this set to include certain costs of maintaining the previous residence and various incidental costs (e.g., changing the address on documents, utility hook-ups).[7]

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

2 Hereinafter, "the Act".

3 See section 248(1).

4 That is, the distance between the new residence and the new workplace must be at least 40 kilometres less than the distance between the old residence and the new workplace. The distance should be calculated respecting the shortest normal route available to the travelling public. See *Income Tax Folio S1-F3-C4, Moving Expenses* (Canada Revenue Agency).

5 See section 62.

6 There is no restriction on the carryforward period.

7 The eligible expenses are detailed in section 62(3) of the Act.

2.2 The Rationale for Moving and the Deduction

In the Sjaastad (1962) model, moving—or, more generally, migration—is conceived as an investment in human capital which entails both costs and returns.[8] The costs of migration fall into two categories:

- Money costs. Narrowly, the out-of-pocket costs necessary to effect the move, such as the costs of transportation, lodging and food. More broadly, ancillary costs such as those of maintaining a former residence and the transactional costs of changing residences.
- Non-money costs. These may be further subdivided into opportunity costs and psychic costs. Opportunity costs arise as forgone earnings while searching for a new job, travelling to the new work location, and learning the new job. Psychic costs, sometimes referred to as social capital costs (Morissette, 2017), represent the loss of well-being resulting from weakening ties to family, friends, or more generally the home environment.

The returns to migration are parallel to the costs. Gains to the real earnings stream may result from a nominal increase in salary, a reduction in costs associated with employment (such as decreased commuting time), a lower cost of living, or any combination thereof. The first two elements, in particular, correspond to an increase in allocative efficiency, i.e., an improvement in the use of inputs across the economy. Non-money returns are captured by the extent to which the migrant derives psychic benefit from the new environment.

The net present value of a job relocation is then the difference between the returns and the costs, and must be positive for the move to occur. In this context, moving expenses—the out-of-pocket money costs—reduce the net present value of the new job alternative. By lowering these costs, the MED is expected to induce some workers at the margin to relocate.

3. Evaluation

The evaluation proceeds according to four criteria. The relevance of the MED is assessed first. Tax return data are then analyzed to provide more information to assess whether the deduction has been effective. Matters of equity are addressed afterwards, and finally the efficiency of the measure is considered.

3.1 Relevance

The *Summary of 1971 Tax Reform Legislation* announced the MED in a context of concern for providing tax relief for lower-income Canadians, but also in a bid to "recognize the growing mobility of Canadians and their changing patterns of family life." To this end, a variety of other deductions were introduced alongside the MED, namely for child care, employment, and away-from-home expenses.

The objective of the MED, presented elsewhere in this report, is dual: "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." The recognition of expenses is a structural feature of the tax system and helps to define a taxpayer's ability to pay. In the case of the MED, it is considered that when a move is necessary to the generation of employment income, the individual has borne a cost and is at a disadvantage relative to a situation in which he or she did not relocate. By recognizing and partially offsetting such expenses, the tax expenditure works towards neutrality between the decision to earn income in the current location or in a new location.

The federal government plays a role in facilitating labour mobility, in particular through efforts with its provincial and territorial counterparts to reduce interjurisdictional barriers to the free movement of labour.[9] At the aggregate level, labour mobility contributes to economic growth by permitting an efficient allocation of productive inputs; at the individual level, an improved matching process between workers and employers leaves both parties better off.

8 In his words, as "investment increasing the productivity of human resources."

9 For example, in 2009, the Agreement on Internal Trade was amended to extend the recognition of qualifications for workers in regulated professions or trades across all jurisdictions. Its successor, the 2017 Canadian Free Trade Agreement, reaffirms such labour mobility provisions.

Labour mobility is present along two dimensions: spatial and occupational. Spatial mobility describes the extent to which workers have physical access to, or information about, employment opportunities (Rogers, 1997); occupational mobility, on the other hand, indicates the ease with which workers can move across jobs requiring different skill sets (Robinson, 2011). The MED seeks to directly improve spatial mobility by reducing the costs associated with relocation. To the extent that improved spatial mobility allows workers to access desired employment outside their current occupational group, the MED may be associated with greater mobility in the second dimension.

Two other tax expenditures cite the promotion of labour mobility as an objective, namely the *non-taxation of benefits in respect of home relocation loans* and the *Northern Residents Deductions*. The first of these rendered deductible the benefit on loans used to acquire a new residence in the context of a job-related move.[10,11] The measure was repealed as of the 2018 taxation year on the grounds that it did not reduce barriers to mobility, covered a personal expense as opposed to one necessary to earn income, and was regressive. The second measure is intended to draw skilled labour to northern and isolated communities and features both residency and travel components. In contrast to the MED, it does not recognize expenses necessary to earn income but rather the additional costs faced by individuals residing in such areas. As such, it does not target a specific employer-employee match but more generally aims to provide support to regional labour markets.

Since its inception, the MED has applied to students, which from a human capital perspective may ensure they obtain necessary skills, thereby promoting labour market efficiency. In practice, however, take-up of the MED by students is likely limited. Subparagraph 62(1)(c)(ii) of the Act allows students to deduct eligible moving expenses from taxable scholarships, fellowships, bursaries, etc. and research grants. Yet along with the introduction of the MED in 1972, the first $500 of scholarships, fellowships and bursaries was made exempt from income tax. For most scholarships, Budget 2000 subsequently increased the exempt amount to $3,000, and Budget 2006 rendered the remainder tax-free. Therefore, since 2006, eligibility among students has likely been primarily among those receiving taxable grants.

3.2 Effectiveness

Beyond the recognition of expenses incurred to earn employment income, the objective of the MED is to improve labour mobility. Therefore, its effectiveness as a tax expenditure should be measured against this criterion. In this section, the usage of the deduction over time is first examined, followed by a number of statistics which show how the MED is associated with the two dimensions of labour mobility: spatial and occupational. A discussion of the findings follows.

Trends in Usage

Chart 1 presents an overview of the tax expenditure cost, value of claimed deductions and number of MED claimants for the period spanning 2002-2016.[12] All three series increased with the tightening labour market preceding the 2008-2009 Great Recession. The number of claimants peaked at 156,000 in 2006, while the value of claimed deductions reached its maximum of $677 million the following year. However, a decrease in all three measures is observed in 2008 and 2009, and no recovery appears to follow. The number of claimants fell sharply through 2009 and continued a modest downward trend thereafter, reaching 94,000 in 2016—despite a year-over-year increase in the number of tax filers. Similarly, the value of deductions also dropped during the recession, and by the end of 2016 stood at $454 million, 32.9% lower than at its peak. As a result of these reductions, the aggregate tax expenditure cost slid from a maximum of $144 million in 2007 to $105 million in 2016. At the individual level, however, the cost per claimant increased by 46.7% over the period, from $762 to $1,118. Two tendencies underlie this change: first, an increase in the average claim from $3,107 to $4,841; and second, an increase in the average effective tax rate applicable to the claim, from 20% to 23.1%, which owes to a change in the age composition of MED claimants (see Table 1).

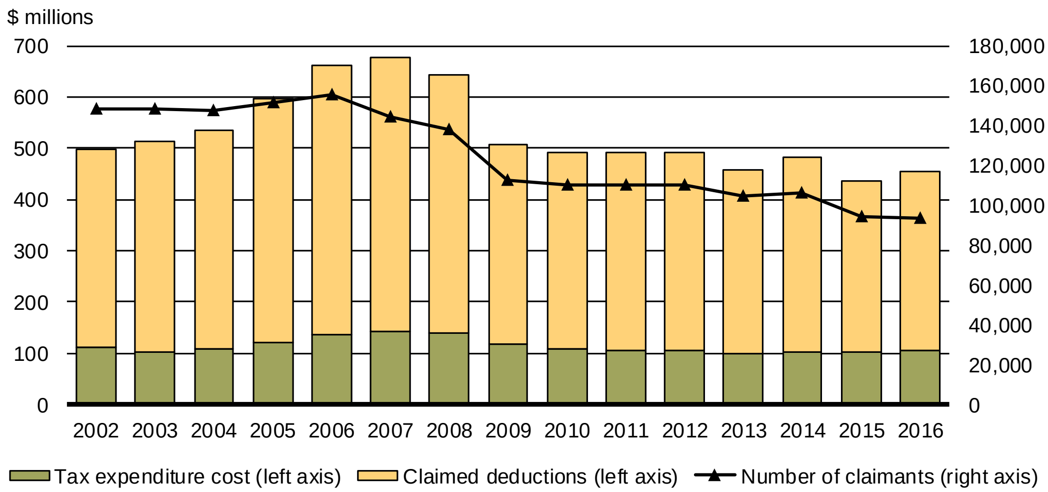
10 The benefit was equal to the difference between interest calculated on the loan at the prescribed interest rate and the interest actually paid.

11 That is, the home relocation loan would have been designated for the acquisition of a residence in the context of a new work location, and where the new residence was at least 40 kilometres closer to the new work location.

12 Values are expressed in constant 2016 dollars throughout.

Chart 1

MED Cost, Claimed Deductions, and Number of Claimants, 2002-2016

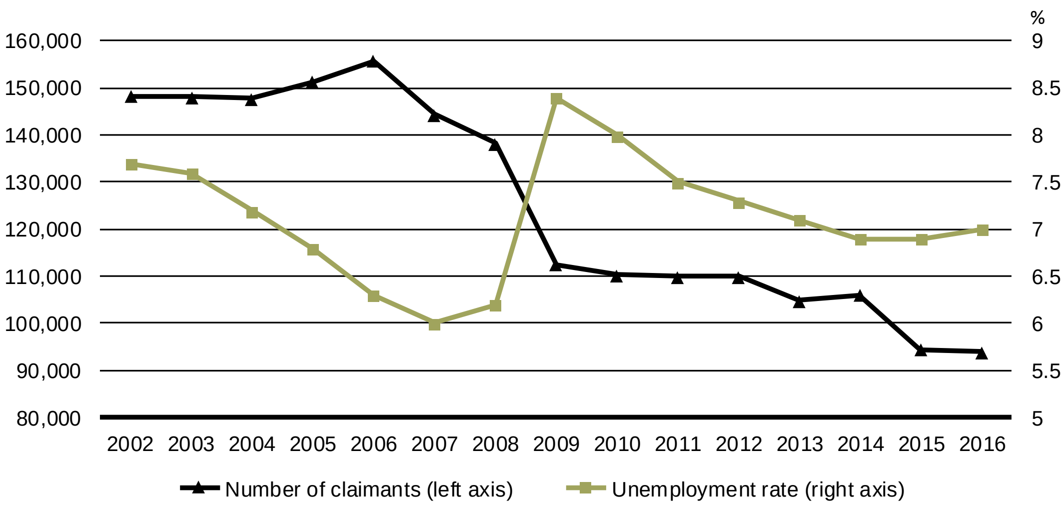


Source: T1 return data.

At the outset, there are two ways in which the MED might interact with the business cycle. On one hand, a weaker labour market could motivate workers to search further afield for a job; all else being equal, this should yield an increase in MED usage, with the measure acting as an automatic stabilizer (countercyclical effect). On the other hand, an economy-wide scarcity of job vacancies could depress mobility and thus the number of claims (procyclical effect). In Chart 2, the number of claimants are plotted alongside the country-wide unemployment rate. Through 2009, the data were consistent with the procyclical effect winning out: as the unemployment rate fell, the number of claimants rose, and vice versa during the recession, with claimants acting as a lead indicator. However, the trend disappears after 2009: the number of claimants continued declining, despite a decreasing unemployment rate. At the aggregate level then, there is no obvious relationship between the unemployment rate and the take-up of the MED.

Chart 2

Number of MED Claimants and Unemployment Rate, 2002-2016

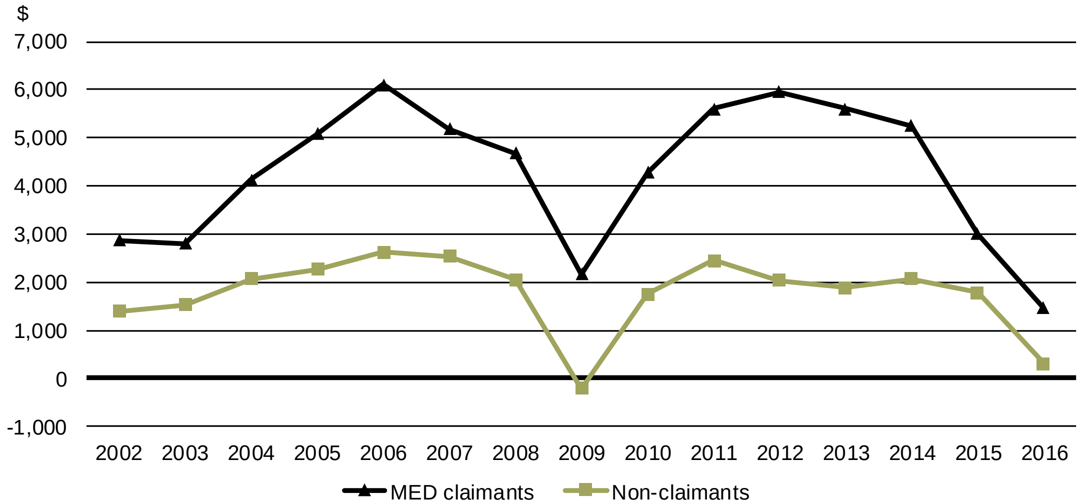


Sources: T1 return data; Labour Force Survey, Statistics Canada.

Two hypotheses for the breakdown of this procyclical association are considered: lower returns to mobility, and aging of the population. First, as moves are costly, it is necessary for those moving for job-related reasons to obtain a sufficient wage premium to make the cost-benefit analysis pass. Chart 3 plots the difference in T4 earnings between two consecutive years among MED claimants and non-claimants. There is a significant premium enjoyed by the MED claimants (approximately $2,500 on average over the period), which held even during the recession. Moreover, it cannot be that the raw earnings change among MED claimants explains the drop in usage, since this metric recovered after 2009.[13] Thus the decline in the number of claimants cannot be explained by lower returns to mobility. The narrowing of the premium observed in 2015 and 2016, however, may result from the decline in the resource sector of western provinces, an issue considered again in the next section.

Chart 3

Change in T4 Earnings Over Two Consecutive Years, MED Claimants vs. Non-Claimants, 2002-2016



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

Second, younger individuals are expected to be more mobile (Finnie, 2004). In Table 1, the age structure of MED claimants is displayed. Between 2002 and 2016, the average age of claimants increased from 32.5 to 35, the result of a decline in the number and proportion of claimants aged less than 55 (the number of claimants 55 and above having actually increased). In particular, usage of the MED fell considerably among those aged 18-24, who represented 29.3% of the total in 2002 but only 20.3% in 2016. By comparison, the 18-24 share of overall tax filers only fell from 11.7% to 10.3% over the same period. An increase in post-secondary education attendance among this group, from 34% in 2000–2001 to 42% in 2015–2016, may underlie the change, given that eligibility for the MED is limited among students.

Table 1

Evolution of the Age Structure of MED claimants, 2002-2016

(%) Age group

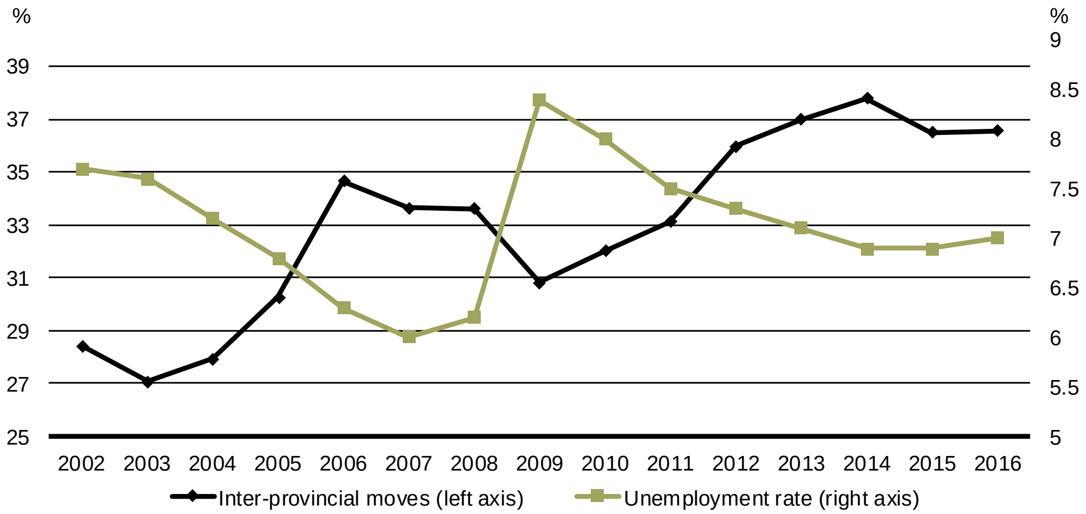
	2002	2004	2006	2008	2010	2012	2014	2016
18-24	29.3	29.7	27.0	25.3	25.0	23.6	22.8	20.3
25-34	35.2	34.4	34.3	34.8	36.5	36.7	37.5	38.7
35-44	19.0	18.0	19.2	18.9	17.8	18.4	18.6	19.1
45-54	11.6	12.1	12.8	13.4	12.8	12.8	12.4	12.4
55-64	4.3	5.1	5.9	6.5	6.8	7.2	7.3	7.8
65+	0.6	0.8	0.8	1.0	1.1	1.3	1.5	1.7

13 These results are also obtained when disaggregating to the 2-digit North American Industry Classification System level.

Spatial Mobility

The spatial labour mobility of MED claimants is examined next. Chart 4 plots the proportion of interprovincial moves among MED claimants against the unemployment rate. In this paper, a MED claimant is considered to have effected an interprovincial move if the T1 province of residence in the year the claim was made differs from the T1 province of residence of the immediately preceding year.[14] In the sample period considered, an average of 33% of claimants moved across provincial lines, compared to 1.2% of other tax filers.[15] The data also reveal a procyclical trend: as the unemployment rate decreases, claimants are more likely to move interprovincially. Therefore, if overall usage of the MED seems to have lost its relationship to the business cycle (recalling Chart 2), the character of relocations has not. Moreover, the data suggest a secular upward trend in interprovincial moves.

Chart 4
Share of MED Claimants Moving Interprovincially vs. Unemployment Rate, 2002-2016



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

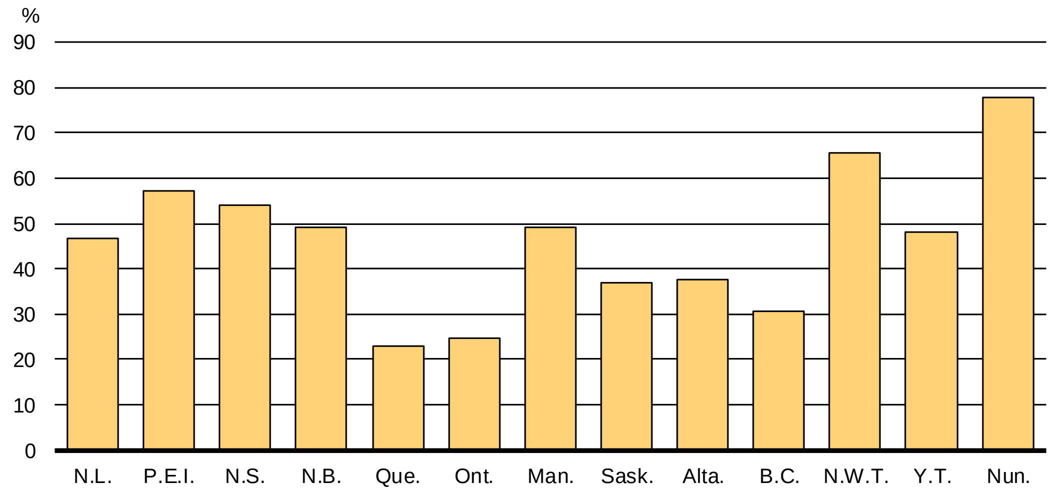
14 As the carryforward period is not restricted, there may be interprovincial movers who did not claim until a later year and who would not be counted by this method, leading to an underestimation.

15 For other tax filers, a 10% representative sample was used.

The share of claimants moving interprovincially also varies significantly with the source province, as shown in Chart 5. The share is lower among those claimants residing in larger or more prosperous provinces, i.e., Quebec, Ontario, and British Columbia, closely followed by Alberta and Saskatchewan. By comparison, claimants sourced from the Atlantic provinces and the territories are far more likely to cross provincial lines. This is consistent with evidence from Finnie (2004), who found that interprovincial mobility is negatively related to the population of the home province.

Chart 5

Share of MED Claimants Moving Interprovincially, by Source Province, 2002-2016

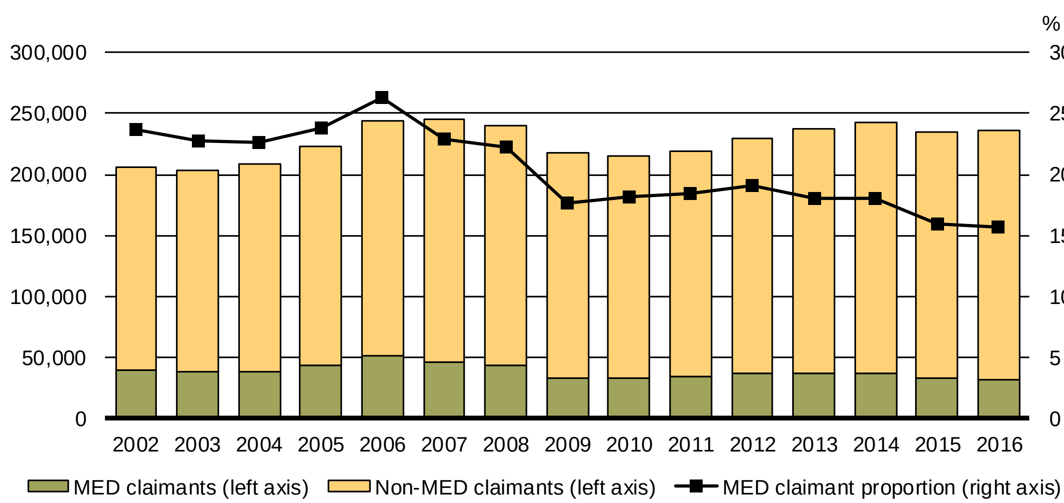


Note: Excludes claimants who had multiple provinces of residence, and non-residents.
Sources: T1 return data; Statistics Canada.

As context for the preceding, Chart 6 shows all interprovincial movers in a year, based on the change in T1 province of residence. In a given year, only a minority of interprovincial moves are tied to MED claims. Moreover, this proportion is decreasing over time, from a peak of 26% in 2006 to 15% in 2016.

Chart 6

Number of MED Claimants and Non-MED Claimants Moving Interprovincially, and MED Claimants as a Share of All Interprovincial Movers, 2002-2016



Note: Non-MED claimants exclude the spouses of MED claimants.
Sources: T1 return data; Statistics Canada.

Table 2 presents the distribution of claimants moving interprovincially according to their source province (rows) and destination province (columns; shares within a row add up to 100%) for the 2002-2016 period. Whatever the source province, MED claimants who move across provinces typically settle in Ontario, Alberta, or British Columbia. There is, by comparison, little movement in either direction between the Atlantic provinces and the territories.

Table 2
Distribution of MED Claimant Interprovincial Movers, by Source and Destination Province, 2002-2016 Period (%)

Source province	Destination province												
	N.L.	**P.E.I.**	**N.S.**	**N.B.**	**Que.**	**Ont.**	**Man.**	**Sask.**	**Alta.**	**B.C.**	**N.W.T.**	**Y.T.**	**Nun.**
N.L.	0	1	9	3	1	19	2	2	55	5	2	0	1
P.E.I.	3	0	15	9	2	18	1	2	40	7	1	0	1
N.S.	5	2	0	8	3	25	2	3	41	9	1	1	1
N.B.	3	3	14	0	7	20	1	2	40	7	1	0	1
Que.	1	1	2	4	0	41	2	2	30	14	1	1	1
Ont.	3	1	7	3	7	0	5	6	41	25	1	1	1
Man.	1	0	2	1	2	22	0	12	37	20	1	0	1
Sask.	1	0	2	1	1	13	8	0	53	19	1	0	1
Alta.	4	1	5	3	3	23	6	13	0	39	1	1	1
B.C.	1	0	3	1	4	26	4	6	51	0	1	1	1
N.W.T.	4	1	5	2	2	14	4	6	39	18	0	4	1
Y.T.	1	1	4	1	4	13	3	5	29	35	2	0	2
Nun.	2	1	5	2	7	20	5	8	21	26	0	1	0

Notes: Shares within a row add up to 100%. Excludes the spouses of MED claimants.

Table 3 presents the same distribution for non-MED claimant interprovincial movers, as a benchmark. The patterns are similar, with the remaining movers also favouring large provinces with relatively high average incomes as their destination.

Table 3
Distribution of Non-MED Claimant Interprovincial Movers, by Source and Destination Province, 2002-2016 Period (%)

Source province	Destination province												
	N.L.	**P.E.I.**	**N.S.**	**N.B.**	**Que.**	**Ont.**	**Man.**	**Sask.**	**Alta.**	**B.C.**	**N.W.T.**	**Y.T.**	**Nun.**
N.L.	0	2	15	6	2	28	2	1	36	6	1	0	1
P.E.I.	5	0	19	14	3	29	1	2	20	7	0	0	1
N.S.	7	3	0	14	4	32	2	2	24	9	1	0	1
N.B.	4	3	19	0	15	27	2	1	21	6	0	0	1
Que.	1	0	2	6	0	58	1	1	14	11	0	0	4
Ont.	4	1	8	5	19	0	5	4	27	23	1	0	3
Man.	1	0	3	2	3	28	0	12	29	21	0	0	1
Sask.	1	0	2	1	2	13	9	0	51	19	1	0	2
Alta.	5	1	5	3	4	21	5	13	0	40	1	0	2
B.C.	1	0	3	1	5	29	4	5	46	0	1	1	2
N.W.T.	5	1	5	2	2	15	4	6	39	16	0	4	1
Y.T.	2	0	4	2	4	13	2	5	24	39	4	0	2
Nun.	1	1	3	2	17	32	3	4	18	20	0	0	0

Notes: Shares within a row add up to 100%. Excludes the spouses of MED claimants.

Finally, the difference between the two distributions is shown in Table 4. This distinguishes the MED claimant interprovincial movers as more likely to choose Alberta as a destination (as indicated by the cells in bold), and less likely to settle in the Atlantic provinces, Quebec or Ontario (as indicated by the cells in italic). This is in line with the prediction that job-related movers are seeking the best returns in the labour market.

Table 4
Difference in Distribution of MED Claimant and Non-Med Claimant Interprovincial Movers, by Source and Destination Province, 2002-2016 Period (Percentage Points)

Source province	Destination province												
	N.L.	**P.E.I.**	**N.S.**	**N.B.**	**Que.**	**Ont.**	**Man.**	**Sask.**	**Alta.**	**B.C.**	**N.W.T.**	**Y.T.**	**Nun.**
N.L.	0	-1	-6	-3	-1	-9	0	0	**19**	-1	**1**	0	0
P.E.I.	-1	0	-4	-5	-1	-11	0	**1**	**20**	0	0	0	0
N.S.	-2	-1	0	-6	-2	-7	0	**1**	**17**	0	0	0	0
N.B.	-1	-1	-4	0	-7	-7	-1	**1**	**19**	**1**	0	0	0
Que.	0	0	0	-2	0	-18	**1**	**1**	**16**	**3**	0	0	-2
Ont.	-1	0	-1	-1	-12	0	0	**2**	**14**	**2**	0	0	-2
Man.	0	0	0	-1	-1	-5	0	0	**8**	0	0	0	0
Sask.	0	0	0	0	0	0	-1	0	**2**	0	0	0	-1
Alta.	-1	0	**1**	0	-1	**2**	**1**	**1**	0	-1	0	0	-1
B.C.	0	0	0	0	-2	-3	0	**1**	**5**	0	0	0	-2
N.W.T.	-1	0	0	0	0	-1	0	0	0	**1**	0	0	0
Y.T.	-1	0	**1**	0	0	-1	**1**	0	**5**	-4	-2	0	0
Nun.	**1**	**1**	**2**	**1**	-10	-11	**2**	**4**	**3**	**7**	0	0	0

Note: Excludes the spouses of MED claimants.

Since the preceding are an average over the sample period (2002-2016), the results account for but do not distinguish between two significant recessionary episodes: the 2008-2009 Great Recession, and the decline in crude oil prices which led to a downturn in Alberta in 2015. In the first case, the interprovincial pattern of migration was largely unaffected, the downturn having caused a country-wide increase in the unemployment rate. By contrast, the spike in Alberta's unemployment rate in 2015 and 2016 led to a decrease in the proportion of MED users choosing that province as their destination. The difference between the distribution of MED claimants and non-claimants is generally less marked during this period.

To summarize, MED claimants are more likely to effect an interprovincial move than non-claimants, despite accounting for a small share of all interprovincial movers. In addition, an examination of the source and destination provinces indicates that the claims are consistent with return-maximizing behaviour on the part of job-seekers.

Occupational Mobility

Occupational mobility is the second dimension of interest. For the purposes of this analysis, a claimant's 2-digit North American Industry Classification System (NAICS) code is determined in a given year based on the employer with which they earned the most employment income in that year.[16] Following the logic of the preceding section, an inter-occupational move is considered to have occurred if the 2-digit NAICS code applicable to the year in which the MED was claimed differs from that of the immediately preceding year.[17,18] As the 2-digit level of classification is highly general, a change represents a substantial shift in the nature of employment.

Chart 7 compares MED claimants and other taxpayers in terms of the proportion changing industries. First, note that among non-claimants, approximately 13% changed industries on average between two taxation years, according to the definition just given. This figure is comparable to the 1994-2005 average of 15% across all workers calculated by Chen and Fougère (2010). For these non-claimants, there appears to be a faint relationship with the business cycle, with the proportion changing industries somewhat depressed in recessionary years. By contrast, between 40% and 50% of MED claimants report a different industry in the year the claim is made over the preceding year, and the trend appears weakly increasing over time. Thus, although the MED is by design concerned with improving the spatial mobility of movers, it is also associated with a large increase in occupational mobility.

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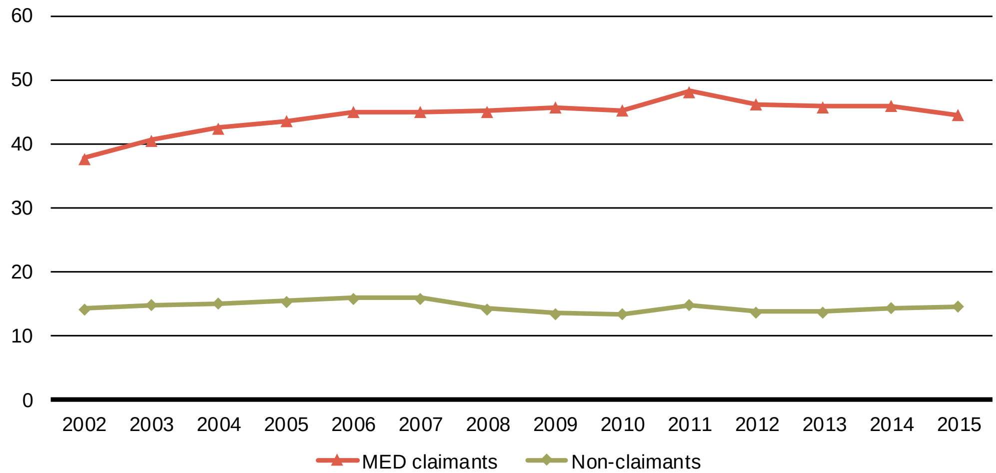
[16] This information is not always provided in the data. In many cases, however, due to the generality of the 2-digit classification, it is often possible to determine the NAICS code based on the business name. Overall, where a business number was present, a NAICS code could be assigned in 89.6% of cases.

[17] Alternatively, inter-occupational moves could be counted within the year of the claim, but this would require limiting observations to the one-third of claimants in the sample which had exactly two employers.

[18] Those reporting tuition fees and the self-employed are excluded.

Chart 7

Share of Med Claimants and Non-Claimants Changing Industries (2-Digit NAICS Code), 2002-2015



Sources: T1, T2 and T4 return data; Department of Finance Canada calculations.

Discussion

The preceding suggests a strong association between claiming the MED and greater mobility. However, this is insufficient to establish a causal relationship running from the deduction to relocation. In this discussion, two sources of simultaneity (or reverse causality) are considered, along with movers' ability to finance the relocation in the first place.

First, timing matters: for the MED to motivate relocation, the decision to claim must be made prior to the move. However, claimants may only become aware of the deduction subsequent to the move, in which case the deduction serves to recognize costs without motivating a relocation. This is to be contrasted with programs where the recipients are made aware of the relocation assistance prior to obtaining a job (e.g., Briggs and Kuhn, 2008; Caliendo et al., 2015). More generally, whenever the expected benefit of relocation exceeds the costs before factoring in the deduction, the move would have occurred anyway.

Formally, the condition which must be satisfied to move can be written as follows (abstracting from social capital considerations). Let ΔY denote the gross mobility premium of a would-be mover in the new work location,[19] τ the applicable marginal tax rate on this income, and M nominal moving costs. Without the deduction, the relocation condition is:

$$(1-\tau)\Delta Y > M \qquad (1)$$

i.e., the gross mobility premium ΔY must be greater than $M/(1-\tau)$.With the MED in place, the condition becomes easier to satisfy:

$$(1-\tau)\Delta Y > (1-\tau)M \qquad (2)$$

or simply $\Delta Y > M$. Any individual who satisfied the first, stricter condition will have moved regardless of existence of the MED.

To get a sense of the proportion of movers satisfying the stricter condition, suppose conservatively that the hurdle to meet in the absence of the MED is a gross mobility premium twice as large as the nominal moving costs, i.e., assuming a marginal tax rate of 50%. Using the change in employment income between the year of the claim and the preceding year (excluding students and the self-employed) as a measure of ΔY and the claimed moving expenses as M, the data suggest that approximately 35.1% of movers meet this condition.[20]

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[19] ΔY should be understood to represent the total gain to the earnings stream, where such income may accrue over multiple periods. This issue is revisited in Section 3.4.

[20] If the move occurs closer to the end of the year, it is more pertinent to consider the difference between the following year's employment income and that of the year of the claim. This exercise yields a nearly identical result of 36.1%.

Second, for the MED to increase labour mobility, it must act at the margin to incentivize a move—that is, the value of the deduction in terms of tax savings should be the very difference that causes some individuals to opt to move, where they otherwise would not have. Even if the individual is aware of the MED prior to the move, its presence may still not affect the decision to relocate. “Treatment”, i.e., claiming the MED, is non-randomly assigned, so there may be unobservable characteristics which cause individuals to self-select both into an interprovincial move and a claim. For instance, highly skilled or educated individuals may simultaneously have more opportunities to relocate for employment and be aware of tax deductions available to them, even if the MED does not actually factor into the decision to move.

Lastly, human capital market imperfections are a known barrier to labour mobility (Courchene, 1970). A potential mover facing liquidity constraints may not be able to borrow to finance a relocation, whatever the expected gain to themselves, the prospective employer, or more broadly in terms of allocative efficiency. The MED would not be claimed by these individuals since the deduction can only be applied against income earned in the new location, i.e., *after* the move.[21]

Nevertheless, the data clearly indicate that the MED is associated with greater mobility in both geographical and occupational dimensions, and that claimants also enjoy a substantial earnings premium over non-claimants.

3.3 Equity

In this section the MED’s relationship to different measures of equity is considered, first from a theoretical standpoint and then by reference to the data.

Forms of Equity

Horizontal equity requires that taxpayers with similar income pay a similar amount of tax. Since the MED regards the costs of moving as necessary to earn income, the first equity consideration may be illustrated by comparing two taxpayers, one of which had out-of-pocket expenses in the form of moving costs. There are, however, three other relevant comparisons which relate to the MED’s effect on equity. The second is between two taxpayers who move at the same cost, but which face different marginal tax rates. The third is stated explicitly in the *Summary of 1971 Tax Reform Legislation*: “The deduction is intended…to put taxpayers who pay their own moving expenses more nearly on a par with others whose moving expenses are paid by their employers.” Finally, a comparison is drawn between a taxpayer who receives an allowance from an employer with one whose employer reimburses those costs. Each of these is taken in turn.

One taxpayer moves, the other does not. Suppose that of two taxpayers A and B, A faces moving costs M. The MED considers the costs of moving necessary to earn income, and adjusts A’s net income downward by M to put both individuals on a more even footing in their ability to pay tax, thereby favouring horizontal equity.

Both taxpayers move and claim but face different marginal tax rates. Suppose now A and B both incur moving expenses of M on which marginal tax rates τ_A and τ_B are applied, and where $\tau_A > \tau_B$, i.e., A faces a higher marginal tax rate than B. Since the value of the deduction is based on the applicable marginal tax rate, A’s net moving expenses will be lower than B’s.[22]

[21] See *Income Tax Folio S1-F3-C4, Moving Expenses*, paragraphs 4.16 and 4.17, which clearly set out that expenses can only be deducted both after they are paid and after the relocation has occurred. Thus the MED can in no way act as a subsidy or advance to increase the liquidity of a potential mover.

[22] Relatedly, since moving expenses may be shared between an employer and employee and are deductible by either, the value of the deduction will be maximized for the party facing the higher marginal tax rate.

Both taxpayers move and claim, but one also has costs partly reimbursed. In this scenario, A and B have the same nominal moving costs M and the same marginal tax rate τ, but A has a fraction α of said expenses reimbursed by an employer. Absent the MED, the difference in net costs between B and A of is simply αM.[23] It can be shown that with the deduction in place, B will be more on a par with A, with the difference falling to $\alpha M(1-\tau)$. This occurs even though A may still claim the MED on the remaining $(1-\alpha)$ of expenses not reimbursed.[24]

One taxpayer receives a relocation allowance, the other has costs reimbursed directly by the employer. Suppose A receives an allowance for nominal moving expenses M while B has those costs reimbursed directly. Without the MED, the net cost of moving for A would be the tax paid on the allowance while B does not face any cost. With the MED in place, A becomes eligible to a deduction on the allowance, and his net cost falls to zero, putting him on a par with B.[25]

Empirical Results and Gender-Based Analysis

Table 5 presents a disaggregation of MED claim characteristics by income bracket for 2016. Three quarters (76.1%) of claims were made by individuals reporting no more than $75,000 in total income. Average and median claim amounts, as well as the 99th percentile of claim amounts, increase with income; among those earning $250,000 and over, this last measure is in the six figures. This positive relationship with income levels stems in part from the set of expenses which are available for deduction. For instance, one may deduct the costs associated with selling the old residence, but this implies ownership, which in turn should be associated with income level. Thus as one's income rises, the set of expenses which could be drawn from in claiming the deduction becomes larger, and so too the value of the claimed deduction—as seen in the vertical equity comparison provided above. As a result, while only 23.9% of claims are made by individuals with income in excess of $75,000, they are responsible for 52.1% of the total claimed value.

Table 5
MED Claimants, by Income Group, 2016

Total income group	Total number of claimants		Total value of claims		Average claim	Median claim	Top 1% of claims
($)	N	(%)	($ millions)	(%)	($)	($)	($)
<25,000	22,914	24.4	35.2	7.7	1,538	747	13,237
25,000-50,000	29,201	31.1	82.8	18.2	2,834	1,257	23,762
50,000-75,000	19,386	20.6	99.8	22.0	5,150	2,126	33,775
75,000-100,000	10,937	11.6	87.3	19.2	7,979	3,520	43,382
100,000-150,000	7,683	8.2	85.6	18.8	11,138	5,323	56,136
150,000-250,000	2,942	3.1	43.7	9.6	14,844	7,802	74,571
250,000+	900	1.0	20.4	4.5	22,711	11,402	133,775
Total	93,963	100.0	454.8	100	4,840	1,600	40,809

The corresponding beneficiary information by income group is shown in Table 6. The tax expenditure cost is based on the estimated change in net tax owing among beneficiaries due to the existence of the measure. The results largely mirror those seen among claimants. 72.8% of beneficiaries reported total income no greater than $75,000. The remaining 27.2% of beneficiaries, however, accounted for 63.9% of the tax expenditure cost, as a result of larger claim amounts and higher applicable marginal tax rates. This is also reflected in the average, median and 99th percentile benefit amounts, which increase with income bracket.

Table 6

23 This assumes the reimbursed expenses are a benefit to the employer and non-taxable. It is also assumed that the expenses in this example fall under the set described in section 62 of the Act. In reality, however, employers could also cover the following without generating a taxable benefit: the cost of housing hunting trips, including child care and pet care expenses while the employee is away; long-distance telephone charges that relate to selling the old residence; and adjustments and alterations to existing furniture and fixtures to arrange them in the new residence, including plumbing and electrical changes in the new residence. Moreover, the $5,000 limit on interest, property taxes, insurance premiums and the cost of heating and utilities in respect of the old residence, which governs MED claims, does not appear on the employer side. Lastly, the MED includes "the cost of meals and lodging incurred near the old residence or the new residence for a period not exceeding 15 days" (see *Income Tax Folio S1-F3-C4, Moving Expenses*, Canada Revenue Agency), while on the employer side this expense is defined as "reasonable temporary living expenses while waiting to occupy the new, permanent accommodation" (see *Employers' Guide: Taxable Benefits and Allowances*, Canada Revenue Agency).

24 That is, by claiming, B's moving costs fall to $M-\tau M$, while A's costs are reduced to $M-\alpha M-(1-\alpha)\tau M$, where the last term is the value of the deduction on the non-reimbursed portion. The difference between B's and A's costs is $\alpha M(1-\tau)$.

25 Note that the first $650 of allowance for moving expenses are regarded as a reimbursement and are therefore non-accountable and non-taxable.

MED Beneficiaries, by Income Group, 2016

Total income group	Total number of beneficiaries		Tax expenditure cost		Average benefit	Median benefit	Top 1% of benefits
($)	N	(%)	($ millions)	(%)	($)	($)	($)
<25,000	12,383	15.0	2.3	2.6	101	20	942
25,000-50,000	28,302	34.4	11.4	12.7	389	181	2,957
50,000-75,000	19,257	23.4	18.5	20.7	953	422	5,785
75,000-100,000	10,916	13.3	17.7	19.9	1,622	734	8,279
100,000-150,000	7,670	9.3	20.3	22.8	2,646	1,323	12,323
150,000-250,000	2,940	3.6	12.2	13.7	4,163	2,243	19,984
250,000+	900	1.1	6.6	7.5	7,383	3,704	42,475
Total	82,368	100	89.1	100	948	235	9,536

A further breakdown by gender is offered in Table 7. In 2016, take-up of the MED among those reporting employment income was similar between men (0.6%) and women (0.5%), but since the ability to deduct moving expenses is a function of income earned (in the new workplace), it is unsurprising that the male-female distribution of claims reflects broader labour market trends. Men claimed a total of $293 million, or 64.4% of the total, while women accounted for $161.8 million, or 35.6%. Similarly, $60.3 million, or 67.6%, of the tax expenditure cost resulted from claims by men, compared to $28.8 million, or 32.4%, by women. The income disaggregation reveals that both in terms of claimants and beneficiaries, there are more women than men in the lowest total income bracket. In all other brackets, however, there are a greater number of men. This accounts for the higher average benefit among men ($1,253) compared to women ($841).

Table 7
MED Claimants and Beneficiaries, by Gender and Income Group, 2016

Gender	Total income group	Claimants	Deductions claimed	Beneficiaries	Tax expenditure cost
	($)	N	($ millions)	N	($ millions)
Male	<25,000	10,276	16.5	5,764	1.1
	25,000-50,000	15,659	44.7	15,262	6.1
	50,000-75,000	11,667	61.1	11,606	11.4
	75,000-100,000	7,036	56.9	7,025	11.6
	100,000-150,000	5,538	63.5	5,531	15.2
	150,000-250,000	2,237	34.1	2,236	9.6
	250,000+	675	16.2	675	5.3
	Subtotal	53,088	293.0	48,099	60.3
Female	<25,000	12,638	18.8	6,619	1.2
	25,000-50,000	13,542	38.1	13,040	5.2
	50,000-75,000	7,719	38.8	7,651	7.1
	75,000-100,000	3,901	30.3	3,891	6.1
	100,000-150,000	2,145	22.0	2,139	5.2
	150,000-250,000	705	9.6	704	2.7
	250,000+	225	4.2	225	1.4
	Subtotal	40,875	161.8	34,269	28.8
	Total	93,963	454.8	82,368	89.1

Generally, the MED's design advances horizontal equity by recognizing costs borne to generate employment income, but the extent of the offset is a function of the applicable marginal tax rate. Meanwhile, the data indicate the deduction is mostly claimed by individuals in lower income brackets but that the tax expenditure cost is driven by individuals with total income in excess of $75,000.

3.4 Efficiency

Tax measures are considered efficient insofar as they meet their stated objectives in a cost-minimizing fashion. The cost of a tax expenditure is calculated in terms of forgone revenues, that is, the dollar difference in collected tax revenue in the presence of the measure compared to a counterfactual in which the measure was not implemented.[26] Each aspect of the MED's objective—the recognition of expenses necessary to earn employment income, and the promotion of labour mobility—relate to efficiency and are reviewed in this section.

Moving is a large expense that is considered necessary to the generation of employment income, and the MED recognizes such outlays. As this tax expenditure operates as a deduction, the cost of meeting this objective depends directly on the marginal tax rate of claimants, that is, on their income distribution (as shown in the previous section).

Improving labour mobility bears on efficiency through an indirect channel. To the extent that improved labour mobility increases the allocative efficiency of productive inputs, the cost of the measure will be indirectly offset by greater overall tax revenue. Formally, the net change in tax revenue from a claimant is

$$\Delta_\tau = \tau\Delta Y - \tau M \qquad (3)$$

Since the mobility premium should exceed the cost of moving for a relocation to occur, the net change in tax revenue will be positive among MED users. However, there a few considerations to highlight in this respect.

Recall that the deduction would not be claimed by those who do not possess the funds ex ante to effect a move. For these individuals, any expected gain in allocative efficiency—in terms of their income, and the additional output their relocation will occasion—is left unrealized since they can only claim on income earned in the new work location. As an illustration, recent survey evidence by Morissette (2017) on unemployed workers reveals that 10% cite financial reasons as an impediment to relocation for the purposes of employment. The T1 data show that, among claimants minimally attached to the labour market in the year prior to a claim (i.e., with employment income not exceeding $1,000, and excluding students and the self-employed), the average change in earnings is $18,500 for a mean claimed deduction of $3,600. This compares favourably to an increase in earnings $4,500 among other claimants, for a mean claim of $4,900. However, only 6.7% of claimants fit the definition of minimally attached, and those without sufficient funds to move would not claim the MED.

For some claimants, the decision to move may already be guaranteed by a sufficient premium on their future real earnings stream before the value of the deduction is taken into account, and the MED simply recognizes relocation costs incurred. As suggested in the discussion of the measure's effectiveness, a conservative estimate of claimants in this position is 35.1%. Among these individuals, the tax revenue on the mobility premium would have been realized independently of the MED.

In addition, it can be noted that the mobility premium and associated tax take may be parcelled out over several periods, subject to appropriate discount factors, while the deduction can be claimed upfront. In 2015, for instance, 39% of claimants did not have employment income greater than the moving costs, which suggests that the decision to relocate was based on an expected stream of future earnings.[27] A mover in this situation would maximize the net present value of the deduction by claiming immediately, and this is possible because moving expenses may be deducted against all income earned in the new workplace (not merely the premium). Tax revenue on the additional income, meanwhile, would only be collected over the succession of periods.

These considerations aside, it remains that where the MED is encouraging mobility, the net change in tax revenue (increase in income tax less the cost of the deduction) will be positive.

[26] See Part 1 and 2 of this report for more information about the benchmark taxation system.

[27] Excluding students and the self-employed. Using the difference in the next year's employment income and employment income in the year of the claim yields a comparable figure of 39.9%.

4. Conclusion

This paper presents an evaluation of the MED against the criteria of relevance, effectiveness, equity and efficiency. The MED features a dual objective: the recognition of moving expenses as costs incurred to generate income and the encouragement of labour mobility, which is desirable as allocative efficiency should promote economic growth. The MED is also available to students moving to an educational institution, but take-up is likely limited to those receiving taxable grants. With respect to effectiveness, several noteworthy trends appear in the data: a decrease in usage matched by an increase in the tax expenditure cost on a per-claimant basis; a decline in the number of claimants which, while not explained by a drop in the returns to moving, is characterized by a decrease in usage among the youngest claimants (18-24 years of age); and an upward trend in the proportion of claimants moving interprovincially and between industries, with the levels of both far outpacing what is seen among non-claimants. Determining the MED's causal effect on moving is made difficult by potential simultaneity and unobserved confounding variables, and it is noted that the deduction would not be claimed by individuals whose moves are inhibited by liquidity constraints. There is, nevertheless, a clear association between usage of the MED and greater spatial and occupational mobility, as well as an earnings premium among claimants. A review of equity indicates the MED works towards horizontal equity by recognizing costs incurred to earn income, and that the bulk of claims are seen at lower income levels, but that the extent to which moving costs are offset depends on claimants' marginal tax rates. Finally, in considering the efficiency of the measure, it is shown that insofar as the MED encourages relocations, it will lead to additional net tax revenue.

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Gender-Based Analysis Plus of Existing Federal Personal Income Tax Measures[1]

1. Introduction

In recent years, gender-related considerations have been incorporated in the development of new federal tax policies through the use of Gender-based Analysis Plus (GBA+). GBA+ is an analytical tool that helps assess whether proposed policies are likely to have differential impacts on different groups. The "plus" in GBA+ indicates the need to consider identity factors that go beyond biological differences (sex), such as race, ethnicity, age, the presence of a disability or sexual orientation. In order to further advance its priorities for gender equality and strengthen the use of GBA+ in the policy development and decision-making processes, the Government presented in Budget 2018 a Gender Results Framework. This framework identifies six main areas for progress: 1) education and skills development; 2) economic participation and prosperity; 3) leadership and democratic participation; 4) gender-based violence and access to justice; 5) poverty reduction, health and well-being; and 6) gender equality around the world. In Budget 2018, the Government also committed to introducing new legislation to ensure that GBA+ is used to inform not only the budget-making process, but also the review of current government spending, including existing tax expenditures.

The *Canadian Gender Budgeting Act*, which received Royal Assent on December 13, 2018,[2] aims to ensure that Parliamentarians and Canadians are better informed about the way in which new and existing Government measures impact people differently based on gender and other intersecting identity factors. It requires that the Minister of Finance make available to the public analysis of the impacts of tax expenditures in terms of gender and other intersecting factors on an annual basis.

In conformity with this reporting requirement, this report examines the redistributive impact of the 2016 federal personal income tax (PIT) system by gender and other intersecting identity factors. It primarily uses T1 return data—the most reliable source of information on all Canadian tax filers—to examine the impact of a wide range of federal PIT measures on the distribution of income between men and women. The report focuses on the beneficiaries from these measures rather than on claimants and uses a methodology that accounts for existing pre-tax income inequality between genders which is mainly due to differences in labour market participation and outcomes. While women represented slightly more than half of Canadian tax filers in 2016, they reported about 42% of total pre-tax income. In comparison, they paid about 35% in federal personal income taxes suggesting that the system is redistributive towards women. To analyze the gender-redistributive impact of the federal PIT system, the current study examines the distribution of beneficiaries and benefits associated with the various tax measures of the system as other available studies do, but also complements this information by assessing how each of its components helps to reduce pre-existing income inequality between genders (i.e., income inequality that exist prior to the application of the tax system). Compared to existing studies, it also goes beyond a gender-based comparison by taking into account other available identity factors that have the potential to explain income disparities between genders, i.e., age, family type, and personal and family income groups. The main findings are as follows:

- Overall, the federal PIT system reduces pre-existing income inequality between men and women. In 2016, the share of income held by women after the application of the federal tax system (43.5 per cent) was 1.9 percentage points higher than their share of pre-tax income (41.6 per cent) while, conversely, the share held by men was 1.9 percentage points lower (56.5 compared to 58.4 per cent).
  - This redistributive impact towards women is greater among certain groups of tax filers, including tax filers aged 30 to 49, those with dependent children and those reporting low pre-tax income.

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

2 Division 9 of Part 4 of Bill C-86 (*A second Act to implement certain provisions of the budget tabled in Parliament on February 27, 2018 and other measures*) enacted the *Canadian Gender Budgeting Act*.

- Among the major components of the tax system, refundable credits have the most significant redistributive impact towards women, followed by the progressive tax rate structure especially among high-income tax filers (those in the fourth income quartile). Changes made to income for tax purposes are generally to the advantage of men.
- A similar study performed in 2011 showed that the share of total income rose by 1.4 percentage points for women as a result of the application of the 2008 PIT system.[3] It also found that, independent of gender, the redistributive impact of the federal PIT system was largely due to the progressive statutory tax rate structure and to refundable credits.

- When it is assumed that claimants are the sole beneficiaries of tax expenditures, men and women appear to benefit relatively more from a similar number of the individual tax expenditures included in this study. Women also receive a little more than half of the total tax savings associated with these measures.
  - Men benefit relatively more from most of the deductions examined while women benefit relatively more from almost all refundable credits. The Canada Child Benefit is the one that benefits women the most.
  - Both men and women benefit from exemptions and non-refundable credits, but in different ways. For example, women benefit relatively more from the non-taxation of social assistance benefits and the non-taxation of Guaranteed Income Supplement and Allowance benefits, as well as from the various non-refundable credits related to the care of dependants, age, health and educational participation. On the other hand, men benefit more from measures such as the Lifetime Capital Gains Exemption and the non-taxation of workers' compensation benefits, as well as from non-refundable credits related to being in a couple, charitable donations, political contributions, or the purchase of a first home.
- The primary beneficiaries of tax expenditures may vary depending on the group of tax filers considered.
  - For some tax expenditures, the advantage for men or women changes depending on age group, family type or income group. For example, the advantage for men from the Lifetime Capital Gains Exemption and the non-taxation of workers' compensation benefits does not apply to tax filers under the age of 30. On the other hand, many tax expenditures that, on the whole, are mostly of benefit to women, are only so among tax filers who are part of a couple, especially the tax expenditures related to labour force participation and the Basic Personal Amount.

The remainder of this paper is organized as follows. Section 2 presents background information including details on data sources, the scope and main objective of the analysis and provides a statistical profile of tax filers. Section 3 presents the detailed results of the GBA+ and Section 4 concludes the paper. Additional supporting information is provided in the annexes.

2. Background

2.1 Data Sources

This GBA+ is primarily based on T1 return data, which represents the most reliable source of information on all Canadian tax filers. The analysis also uses a stratified sample of 700,000 tax filers that is representative of the full T1 return data, as well as supplementary data on Canada Child Benefit (CCB) and Goods and Services Tax/Harmonized Sales Tax (GST/HST) Credit payments. The analysis is based on returns from the 2016 tax year, generally filed by the end of April 2017, and uses the tax parameters that prevailed that year.[4] While the payment period for the CCB and GST/HST Credit ran from July 2017 to June 2018, recipients and amounts were determined based on the income that individuals reported in their 2016 tax returns.

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[3] Distributional Impact of the Federal Personal Income Tax System and Refundable Credits: Analysis by Income, Sex, Age and Family Status. *Tax Expenditures Report 2011*, Department of Finance Canada.

[4] 2016 was the most recent year for which complete tax data were available at the time the study was conducted. In 2016, the federal statutory PIT rates were 15 per cent, 20.5 per cent, 26 per cent, 29 per cent and 33 per cent.

2.2 Scope of the Analysis

The analysis focuses on federal PIT expenditures[5] that impact individuals to which a gender can be assigned.[6] Certain PIT expenditures were excluded from the detailed analysis (Section 3.2), notably those for which beneficiaries and benefit amounts could not be identified using available data since, without this information, a breakdown based on gender or other identity factors could not be produced. Registered plans, such as Registered Pension Plans and Registered Retirement Savings Plans, were also excluded due to incomplete information.[7] The tax expenditures that mainly benefit taxpayers who are not resident individuals (e.g., non-profit organizations, other levels of government, non-residents) are also excluded from the analysis. A list of all PIT expenditures that have been excluded from the detailed analysis for the above-mentioned reasons is presented in Annex B. The results of tax expenditures that have been eliminated or replaced since 2016 are not presented in the tables but are considered in the analysis.

The analysis also takes into account other available characteristics that have the potential to explain income disparities between genders. Table 1 shows the intersecting identity factors that are included and provides details on how these factors are categorized. Although the GBA+ analytical framework published in Budget 2018 suggests taking into account intersecting identity factors that go beyond biological differences (sex) such as race, ethnicity, sexual orientation or gender identity,[8] tax data do not allow for such distinctions to be made.[9]

Table 1
Intersecting Identity Factors Examined in Addition to Gender, and Categories Chosen for Each of These Factors, 2016 Tax Year, Situation on December 31

Age group	Family type[1]	Pre-tax personal income	Adjusted pre-tax family income[4]
Under age 30	Sole filer[2] without children[3]	Quartile 1 (Min – $15,231)	Quartile 1 (Min – $20,175)
Age 30 to 49	Sole filer with children	Quartile 2 ($15,232 – $32,651)	Quartile 2 ($20,176 – $41,582)
Age 50 to 64	In a couple with children	Quartile 3 ($32,652 – $60,074)	Quartile 3 ($41,583 – $71,631)
Age 65 and over	In a couple without children	Quartile 4 ($60,075 – max)	Quartile 4 ($71,632 – max)

Note: The upper limits of each quartile were determined using T1 return data for 2016.

1 Family type only considers whether the tax filer has a filing spouse or partner as well as whether he or she lives with children. It does not consider whether he or she lives with other relatives since T1 return data does not permit the identification of such family situations.

2 In this study, tax filers who are not in a couple, or who report being in a couple but with a non-filer or a filer that can't be identified in the T1 return data, are classified as sole filers.

3 The presence or absence of children is determined based on claims for the CCB or child care expense deduction.

4 Total adjusted family income is a more appropriate indicator of the socio-economic status of individuals since it accounts for the fact that family needs increase with family size. In the current study, the adjusted family income of an individual is obtained by dividing his/her total pre-tax family income by the square root of 2 for those in a couple without children or sole filers with children, and by the square root of 3 for those in a couple with children.

To ensure the protection of tax filers' information, estimates obtained based on fewer than 10 cases are not included and are represented by an "X" in the tables. All shares have been rounded to the nearest tenth (or hundredth for ratios), and dollar amounts, which are presented in 2016 dollars, have been rounded to the nearest million (unless otherwise indicated). As a result, totals may not always add up.

5 The provincial/territorial tax systems are not taken into account in this study. The study covers all federal refundable tax credits that are delivered through the PIT system, including the CCB, the GST/HST Credit and the rebate to employees and partners (though these last two measures are categorized as GST measures in this report). It also covers the Part XII.2 trust tax credit that individuals could claim in respect of certain income received from trusts and on which Part XII.2 tax was paid by trusts.

6 In the T1 return data, each record is assigned a code which represents the sex of the tax filer. The Canada Revenue Agency assigns the code by matching the social insurance number (SIN) reported on the tax return to the SIN master file, which includes the sex of every person who has received a SIN.

7 While information is available in T1 return data on deductible contributions made to, and taxable withdrawals made from, registered plans, no information is available on investment income earned (which is non-taxable) in such plans.

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

9 Ways to make better use of available data and overcome existing data limitations will continue to be explored to improve future GBA+ of tax expenditures.

2.3 Profile of Tax Filers

Tables 2 and 3 provide an overview of the distribution of tax filers for the 2016 tax year by gender and the four selected intersecting identity factors. As Table 2 shows, over 27 million individuals filed a 2016 Canadian personal income tax return, of which 48.4 per cent were men and 51.6 per cent were women. Women reported 41.6 per cent of total pre-tax income[10] while men reported 58.4 per cent.

Table 2

Distribution of Tax Filers and Total Pre-Tax Income, by Gender, 2016

	All	Men	Women
Total number of tax filers (thousands)	27,445	13,290	14,155
Distribution of tax filers (%)	100	48.4	51.6
Total reported pre-tax income ($ billions)	1,299	759	540
Distribution of total reported pre-tax income (%)	100	58.4	41.6

Notes: Data includes all tax filers regardless of age.
The total number of tax filers identified for the 2016 tax year by the Canada Revenue Agency (CRA) in its *T1 Final Statistics* publication and the number presented here may differ slightly due to timing issues. When the 2016 T1 return data were shared with the Department of Finance Canada in 2018, reassessments for the 2016 tax year had not yet been finalized by the CRA.

According to Table 3, tax filers' age profile is quite similar between men and women (columns 2 to 4). Among both men and women, the highest proportion of tax filers (close to one-third) were aged 30 to 49 in 2016. However, a slightly higher proportion of female tax filers were 65 and over (23.3 per cent vs. 20.9 per cent for men), while a slightly higher proportion of male tax filers were under age 30 or aged 50 to 64.

Among both men and women, over 40 per cent of tax filers were sole filers, i.e., they were not in a couple with another filer and had no dependent children. Women were more likely to be sole filers with children (6.5 per cent vs. 1.2 per cent of men) and less likely to be part of all other types of families, especially of a couple without children (34.0 per cent vs. 36.3 per cent).

A substantially smaller proportion of women than men reported pre-tax personal income in the top income quartile (18.1 per cent of women vs. 32.3 per cent of men). Conversely, a much higher proportion of women reported pre-tax personal income that is at the bottom of the income distribution (29.6 per cent of women were in the first quartile vs. 20.1 per cent of men).[11]

The gender differences are, however, less pronounced when tax filers are categorized according to their adjusted pre-tax family income. While the difference between the proportion of men and women in the top personal income quartile is more than 14 percentage points, this difference falls to below 3 percentage points when considering adjusted family income. The same pattern is observed in the bottom income quartile: although women were significantly more likely than men to report low pre-tax personal income (29.6 per cent vs. 20.1 per cent), they were only slightly more likely than men to be in a low family income situation (26.4 per cent vs. 23.5 per cent).

[10] Pre-tax income includes all income for federal tax purposes,[i] with the following adjustments: a) plus the non-taxable portion of capital gains;[ii] b) less the gross-up of dividends received;[iii] c) less the split income amounts transferred from a spouse; and d) less the net capital losses incurred during the year and those carried over from prior years.

[i] Income for federal tax purposes corresponds to line 150 of the federal income tax return. In addition to taxable employment and investment income, it includes some government transfers (i.e., those reported in the T1 return as well as support payments received from a former spouse when this amount is deductible by the payers). Some other sources of exempt income, such as all capital gains realized on the sale of a principal residence, investment income in a Tax-Free Savings Account, scholarships and lottery winnings, cannot be taken into account in total pre-tax income, as they are not reported on the PIT return and it is not possible to produce reliable estimates of these amounts for each tax filer. GST/HST Credit or Canada Child Tax Benefit payments received in 2016 are also excluded from 2016 taxable income.

[ii] Under current federal tax legislation, 50 per cent of capital gains are taxable (the other 50 per cent are exempt).

[iii] In 2016, the calculation of income for federal tax purposes included income from dividends paid by corporations grossed-up by a factor of 1.38 for eligible dividends and by a factor of 1.17 for other dividends.

[11] An analysis by quartile divides the income distribution into four groups. The first group, referred to as the first or bottom quartile, includes the 25 per cent of the population with the lowest incomes, while the last or top quartile includes the 25 per cent of the population with the highest incomes.

Regardless of age or family type, women's average pre-tax personal income is consistently lower than that of men. However, this is not necessarily the case when the average income of men and women in different personal income brackets is compared. It is only among tax filers who are at the top of the income distribution (those in the top pre-tax income quartile) that a significant difference between the average income of men and women is observed. The per capita pre-tax personal income of women in the top personal income quartile is $104,000 compared to $120,300 for their male counterparts. When family income groups are examined, significant differences can be observed starting in the second quartile with a difference of over $5,000 which increases with each quartile. This indicates that in any given adjusted family income group, except the first quartile, men have higher pre-tax personal income on average than women.

Table 3

Distribution of Tax Filers and Average Pre-Tax Personal Income, by Gender and Selected Intersecting Identity Factors, 2016

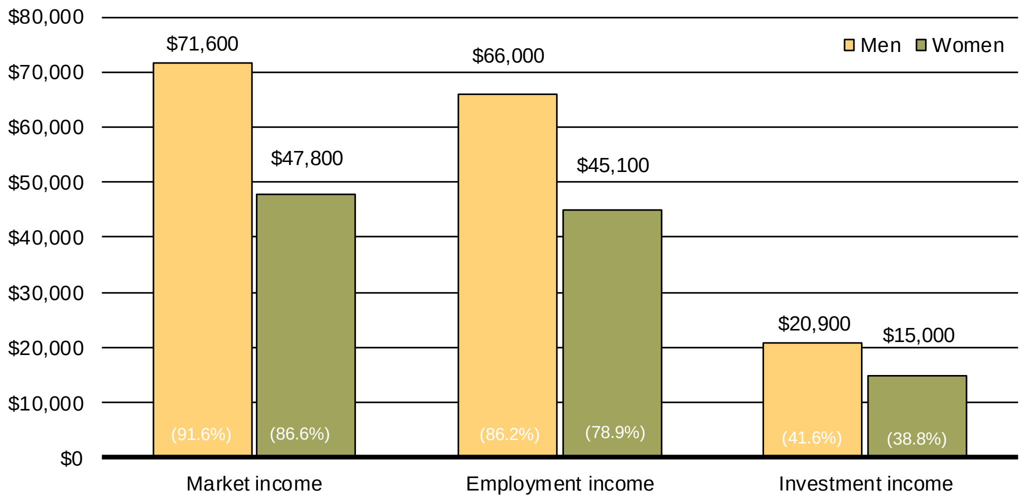
	Distribution of tax filers by intersecting identity factor (%)			Pre-tax personal income per tax filer ($)		
	All	**Men**	**Women**	**All**	**Men**	**Women**
All tax filers	100.0	100.0	100.0	47,300	57,100	38,100
Age group						
Under age 30	19.5	20.1	18.9	24,700	27,900	21,600
30 – 49	32.3	32.5	32.0	55,000	66,600	44,000
50 – 64	26.1	26.5	25.8	58,500	71,800	45,600
65+	22.2	20.9	23.3	42,900	51,800	35,400
Family type						
Sole filer without children	41.1	42.0	40.2	37,100	39,700	34,500
Sole filer with children	4.0	1.2	6.5	37,100	56,100	33,800
In a couple with children	19.9	20.5	19.3	59,500	76,500	42,500
In a couple without children	35.1	36.3	34.0	53,600	66,300	40,800
Pre-tax personal income						
Quartile 1 (Min – $15,231)	25.0	20.1	29.6	7,000	7,000	6,900
Quartile 2 ($15,232 – $32,651)	25.0	21.6	28.2	23,000	23,200	22,900
Quartile 3 ($32,652 – $60,074)	25.0	25.9	24.1	45,100	45,500	44,700
Quartile 4 ($60,075 – max)	25.0	32.3	18.1	114,200	120,300	104,000
Adjusted pre-tax family income						
Quartile 1 (Min – $20,175)	25.0	23.5	26.4	10,300	10,000	10,500
Quartile 2 ($20,176 – $41,582)	25.0	24.1	25.9	26,900	29,700	24,500
Quartile 3 (41,583 – $71,631)	25.0	25.9	24.2	47,000	53,900	40,100
Quartile 4 ($71,632 – max)	25.0	26.5	23.6	105,100	126,900	82,100

Source: T1 return data, 2016.

The differences in average pre-tax personal income may be explained by differences in labour market outcomes. Despite significant progress made by women over the past decades in a number of areas including educational attainment, labour force participation and earnings, some challenges remain.[12] Notably, female tax filers' market income is still lower, on average, than that of men. Chart 1 shows that female tax filers aged 30 to 64 are less likely than male tax filers to report market income (86.6 per cent vs. 91.6 per cent in 2016). It also shows that women who earn market income report amounts that are significantly lower on average than men ($47,800 compared to $71,600). These results apply to both components of market income—employment and investment income.

Chart 1

Share of Tax Filers Aged 30 to 64 With Market, Employment and Investment Income, and Average Amounts Reported, by Gender, 2016



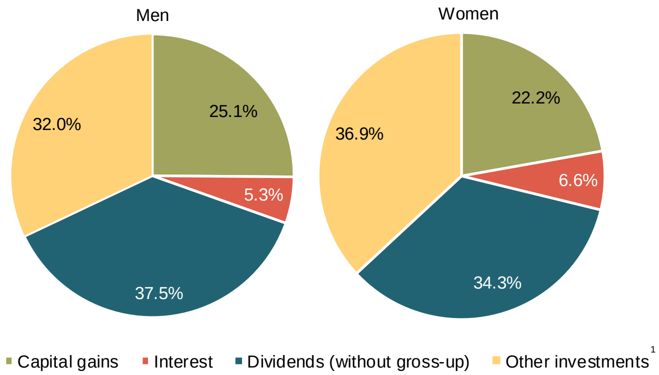
Note: Market income includes employment and investment income. Shares of tax filers are shown in parenthesis.
Source: T1 return data, 2016.

Gender differences are also observed in the composition of investment income (Chart 2). Compared to male tax filers aged 30 to 64, a smaller share of the investment income of female tax filers in this age group is composed of dividends (34.3 per cent vs. 37.5 per cent for men) and capital gains (22.2 per cent vs. 25.1 per cent). However, interest, private pension and other investment income represent a larger share of women's investment income compared to men (43.5 per cent vs. 37.3 per cent).

[12] Dan Fox and Melissa Moyser, "The Economic Well-Being of Women in Canada," Statistics Canada, 2018.

Chart 2

Composition of Total Investment Income Reported by Tax Filers Aged 30 to 64, by Gender, 2016

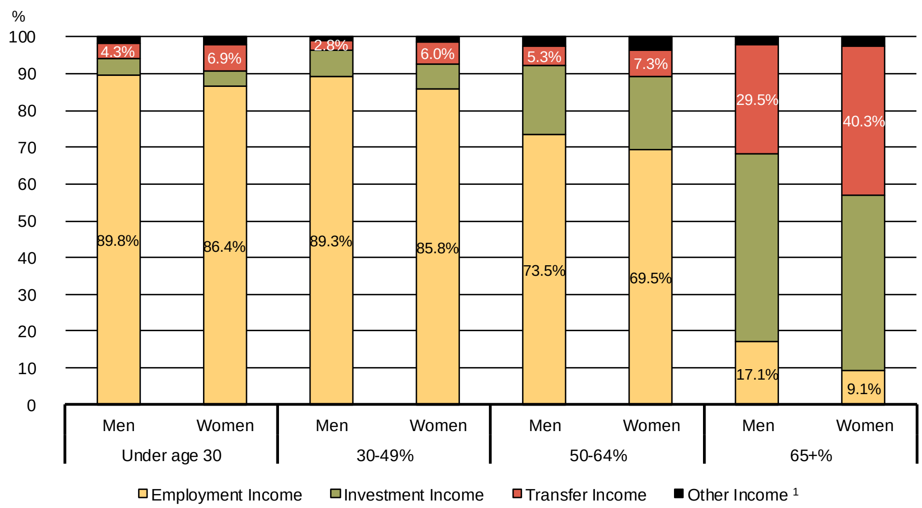


[1] Includes private pension income, Registered Retirement Savings Plan income, rental income, etc.
Source: T1 return data, 2016.

Gender differences in the level and composition of total income are observed not only among tax filers aged 30 to 64, but also among younger (less than 30 years) and senior tax filers (age 65 and over). In all of these age groups, employment income represents a smaller share of women's total income compared to men, whereas transfer income represents a smaller share of men's total income (Chart 3).

Chart 3

Employment, Investment, Transfer and Other Income as a Share of Tax Filers' Total Income, by Gender and Age Group, 2016



Note: Total income includes employment, investment, transfer and other income.
[1] Includes income from alimony and allocations received minus paid alimony and allocations, and other income.
Source: T1 return data, 2016.

In the federal tax system, tax rates increase with taxable income, some sources of income are treated distinctly (e.g., 50 per cent of capital gains are exempt from tax while certain government transfers, such as provincial social assistance benefits and Guaranteed Income Supplement and Allowance benefits, are entirely exempt from tax), and a number of tax provisions are available to individuals with certain characteristics (e.g., seniors, those with dependants). In addition, there are differences in the socio-demographic characteristics of male and female tax filers as well as in their level and composition of income independent of the tax system. As a result, it can reasonably be expected that the tax system will have different impacts on men and women.

2.4 Main Objective of the Current Analysis

One of the basic principles underlying the tax system is neutrality, which requires that economic activities of tax filers be taxed in the same manner so that their decisions are made on economic merits rather than for tax reasons. There is also the principle of equity, generally examined from the standpoint of vertical equity—the idea that tax filers who have the ability to pay more taxes should contribute more. Progressivity of the tax system generally refers to the principle of vertical equity or, in other words, the effectiveness with which the tax system redistributes income between high- and lower-income tax filers. There is also the concept of horizontal equity—the idea that tax filers who have the same ability to pay should contribute equally. Simplicity is another principle which requires the tax system to be as easy to understand and administer as possible.

Individual tax measures can have more or less important impacts on the various basic principles of the tax system. Although the statutory tax rate structure is usually considered to be the component that primarily contributes to the progressivity of the tax system, tax expenditures can also play a redistributional role. For example, certain tax expenditures can reduce the tax burden on some tax filers but not others, and thus have an impact on the progressivity of the tax system. Tax expenditures can also affect horizontal equity by treating individuals with the same level of income differently. Depending on the situation, certain tax expenditures can have opposite impacts on these various basic principles. For example, tax measures introduced with the main objective of offering better income support to vulnerable populations, thereby improving the progressivity of the tax system, can potentially influence their decisions to participate in the labour market or to save, and thus impact neutrality.

While a thorough policy-making process requires that the various possible impacts of tax measures be taken into account, the current GBA+ focuses specifically on the short-term impact of the 2016 federal PIT tax system on the distribution of income between men and women.

In the case of provisions of the federal PIT system that do not specifically target men or women (i.e., the same tax rules apply independent of the tax filer's gender),[13] it is not necessarily the tax filer's gender that results in a different tax treatment, but rather pre-existing differences in the specific characteristics of men and women (e.g., the fact that they have different profiles in terms of age, family type and/or earned income). Therefore, to capture the redistributive impact of the federal PIT system between genders, it is necessary to not only examine the male-female distribution of beneficiaries and benefits of the various tax system's components, but also to assess how each of the components helps to reduce pre-existing income inequality between genders.

[13] For CCB purposes, when both parents live together, the female parent is usually considered to be primarily responsible for the care of the child and is therefore the parent who must apply for the credit.

3. Results

In 2016, women represented 51.6 per cent of tax filers but reported 41.6 per cent of total income before the application of the federal tax system. Therefore, to help reduce pre-existing income inequality between men and women, the 2016 federal PIT system would need to have an overall redistributive impact towards women. For this to occur, it would be required that the sum of its components reduces the share of tax that women pay compared to that of men, and thus increases the share of women's after-tax income compared to their share of pre-tax income. In other words, the 2016 federal PIT system would be required to impact taxable income or net tax payable in favour of women as follows:

- impact women's taxable income through adjustments, exemptions and deductions so that their share of taxable income is lower than their share of pre-tax income;[14] and/or,
- impact net tax payable through the progressive tax rate structure as well as non-refundable credits, tax withholdings transfers and refundable credits so that their share of net tax payable is lower relative to that of men.

3.1 Analysis of the Overall Impact of the Federal Personal Income Tax System

By comparing various concepts of income and tax payable, this section assesses the overall impact of the federal PIT system on the redistribution of income between men and women, and identifies the impact of each of its major components (i.e., adjustments to income for tax purposes, exemptions, deductions, tax rates, non-refundable credits and refundable credits). Table 4 illustrates the various concepts that are compared. The starting point for this comparison is total pre-tax income—a concept of income that reflects tax filers' total income before the application of the federal PIT system,[15] while the end point is total income after net tax payable, the transfer of tax withholdings and the calculation of refundable credits—a concept of income that reflects tax filers' total income after the application of the federal PIT system.

The diagram in Annex A provides more details on the various concepts of income and tax examined as well as on the major components of the tax system analysed in this section. It is worth noting that they are all based on the assumption that the tax savings associated with the various federal PIT measures only benefit claimants.

3.1.1 Impacts on the Male-Female Distribution of Income

A comparison of women's share of total taxable income (42.0 per cent) with their share of total pre-tax income (41.6 per cent) shows that the changes made to income for tax purposes are generally to the advantage of men, since they increase women's share of income on which tax is payable by 0.40 percentage points. This is primarily due to adjustments for dividends received, split pension income received and net capital loss (+0.4 percentage points) as well as to deductions (+0.2 percentage points). Conversely, exemptions favour income redistribution towards women as they reduce the share of taxable income held by women by 0.2 percentage points (see numbers in parentheses in Table 4).

The fact that women's share of taxable income after net tax payable, tax withholdings transfers on split pension income[16] and the calculation of refundable credits (44.2 per cent) is 2.2 percentage points higher than their share of taxable income (42.0 per cent) indicates that, overall, the progressive tax rate structure, non-refundable credits and refundable credits are to the benefit of women as they reduce their share of tax liabilities, and consequently increase their share of disposable income. In this case, each of the three components are to the advantage of women, i.e., they each increase the share of income held by women (by 0.5, 0.3 and 1.3 percentage points, respectively- including a 0.1 percentage points for tax withholdings transfers). Refundable credits have the largest redistributive impact towards women, followed by the progressive tax rate structure.

[14] In this study, exemptions cover amounts not includable in total income as well as amounts that, while includable in total income, are deductible in determining net income or taxable income.

[15] See footnote 10 for a definition of pre-tax income.

[16] See section 3.2.1 (Other Types) for more information on tax withholdings transfers.

Table 4

Total Amounts of Various Concepts of Income and Tax Payable and Distribution of These Amounts by Gender, 2016

Concepts of income and tax payable	Total amount ($ millions)		Distribution of total amount by gender		Major components of the federal PIT system (redistributive impact towards women)
	Men	**Women**	**Men**	**Women**	
Pre-tax income (i.e., disposable income before the application of the tax system)	759,219	539,916	58.4 %	41.6 %	***Adjustments*** *for dividends, split pension income, net capital loss* *(+0.4 pp)*
Income for federal tax purposes, including exempt income	769,941	557,667	58.0 %	42.0 %	***Exemptions****, including the partial inclusion of capital gains* *(-0.2 pp)*
Income for federal tax purposes	740,624	531,110	58.2 %	41.8 %	***Deductions*** *(+0.2 pp)*
Taxable income	669,959	484,350	58.0 %	42.0 %	
Tax payable on taxable income	126,082	82,856	60.3 %	39.7 %	***Progressive tax rate structure*** *(+0.5 pp)*
Taxable income less tax payable	543,877	401,494	57.5 %	42.5 %	
Net tax payable (i.e., after non-refundable credits) before tax withholdings transfers and refundable credits	86,697	47,578	64.6%	35.4 %	***Non-refundable credits****, including the Basic Personal Amount and Basic Federal Tax* *(+0.3 pp)*
Taxable income less net tax payable	583,262	436,772	57.2 %	42.8 %	
Net tax payable after tax withholdings transfers and refundable credits	84,514	21,210	79.9 %	20.1 %	***Tax withholdings transfers*** *(+0.1 pp) and* ***Refundable credits*** *(+1.2 pp)* *(+1.3 pp)*
Taxable income less net tax payable after tax withholdings transfers and refundable credits	585,446	463,140	55.8%	44.2 %	
After-tax income or disposable income after the application of the tax system (i.e., Pre-tax income less net tax payable, tax withholdings transfers and refundable credits)	674,705	518,706	56.5 %	43.5 %	

Overall redistributive impact towards women of the federal PIT system (+1.9 pp)

Components affecting taxable income (a positive change *negatively* impacts income redistribution towards women)

Components affecting net tax payable (a positive change *positively* impacts income redistribution towards women)

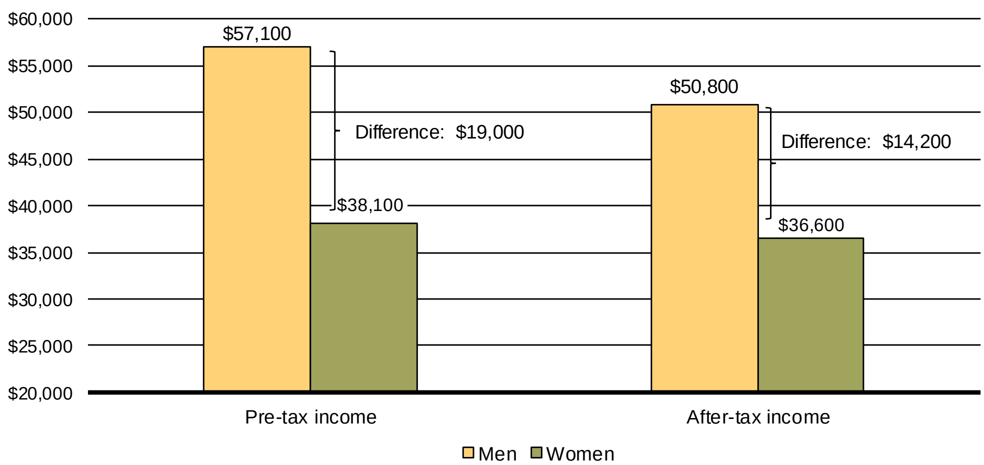
Notes: PP stands for percentage points. The credit for the Basic Personal Amount (BPA) is universal and provides a zero tax rate up to an initial level of income. It thus can be viewed as being part of the tax rate structure, and as such, parts 1, 2 and 3 of this report classify the BPA as a "benchmark tax measure". In this study, however, the credit for the BPA is controlled for among non-refundable tax credits, as in the T1 return.
Sources: Concepts of income and tax payable obtained from T1 return data and from CCB and GST/HST Credit payment data, 2016 tax year.

The overall impact of the federal PIT system on the redistribution of income between men and women can be determined by comparing women's total disposable income before and after the application of the federal tax system, since these are the concepts of income that best capture the impact of the tax system on the income that women have at their disposal to meet their needs. By making this comparison, it is found that women's share of total disposable income increased by 1.9 percentage points as a result of the application of the 2016 federal PIT system: they reported 41.6 per cent of total pre-tax income, while their share of total after-tax income was 43.5 per cent. The size of the change in the distribution of income in favour of women due to the 2016 federal PIT system is slightly larger than what was observed in the 2011 Department of Finance Canada study for the 2008 tax year (i.e., 1.4 percentage points).

On the other hand, this 1.9 percentage points increase in women's share of total disposable income resulting from the application of the tax system implies a 1.9 percentage points reduction in men's share of total disposable income. As shown in Table 4, men reported 58.4 % of total pre-tax income while their share of total after-tax income was 56.5%. This is equivalent to a reduction by $63.3 billion in the difference between total income of men and women or to a reduction by $4,800 in their average income when comparing pre-tax and after-tax income (Chart 4).

Chart 4

Average Pre-Tax and After-Tax Income, by Gender, 2016



Source: T1 return data, 2016.

It should be noted that excluding the CCB and the GST/HST Credit reduces the overall redistributive impact towards women of the 2016 federal PIT system from 1.9 to 0.8 percentage points.

3.1.2 Impacts on the Male-Female Distribution of Income Among Various Groups

It has been observed in the literature that some tax expenditures are likely to provide larger benefits to specific groups of women (e.g., women with high incomes), or that vulnerable populations (e.g., immigrant women, Indigenous women or women with disabilities) are sometimes less likely to benefit from certain tax measures. In particular, Philipps (2018) points out the importance of examining the interaction between gender and different income groups. Accordingly, this section focuses on men and women in particular age, family and income groups, and assesses whether different conclusions can be drawn for these groups.

In general, the federal PIT system remains redistributive towards women when taking into consideration these other characteristics. Notably, Table 5 (columns 3 to 6) shows that the redistributive impact towards women is the largest (+3.0 percentage points) among tax filers aged 30 to 49 years, followed by tax filers under age 30 (+2.5 percentage points). In contrast, the overall redistributive impact is the smallest among seniors (+0.8 percentage points), due to adjustments and deductions affecting the level of taxable income. Indeed, in this age group, such broad components significantly increase women's share of taxable income relative to their share of pre-tax income, and accordingly their relative share of tax payable. This effect is, however, partially compensated by transfers of tax withholdings on split pension income. As for younger women, older women are also relatively more likely than men to benefit from exemptions, the progressive tax rate structure and non-refundable credits. While older female tax filers see only a small increase in their share of income as a result of refundable credits, among tax filers under the age of 50, refundable credits are the main contributor of income redistribution towards women. Among tax filers under age 30, non-refundable credits contribute more to the redistribution of income towards women than the progressive tax rate structure, while the opposite is true for all other age groups.

The breakdown by family type (columns 7 to 10) shows that the tax system's redistributive impact towards women is the largest among tax filers with dependent children. The positive change in the share of women's disposable income resulting from the application of the tax system is 3.9 percentage points among parents living as part of a couple and 3.2 percentage points among lone parents, particularly due to the impact of refundable credits. The progressive tax rate structure is more redistributive towards women among tax filers living in a couple than sole tax filers (regardless of whether they have children or not), while deductions are redistributive towards women only among tax filers living in a couple with children. Exemptions are, for their part, redistributive towards women only among sole filers. The components that have an impact on income for tax purposes have a negative redistributive impact exclusively among tax filers who are part of a couple without children. In all other types of families, female tax filers generally benefit from or are not impacted by these components of the tax system.

Table 5

Change in Women's Share of Income Attributable to the Main Components of the 2016 Federal PIT System, by Age Group and Family Type

	Age group					Family type			
	All	**<30**	**30–49**	**50–64**	**65+**	**Sole filer without children**	**Sole filer with children**	**In a couple with children**	**In a couple without children**
Share (%) of tax filers who are women	51.6	50.1	51.2	50.9	54.3	50.5	85.1	50.0	49.9
Women's share (%) of total **pre-tax income** (i.e., disposable income before the application of the tax system)	**41.6**	**43.7**	**40.9**	**39.7**	**44.7**	**47.0**	**77.5**	**35.7**	**38.0**
Change (pp) in women's share of income attributable to the components affecting taxable income:									
Adjustments	*0.4*	*0.0*	*0.0*	*0.5*	*1.2*	*0.0*	*-0.1*	*0.1*	*1.2*
Exemptions	*-0.2*	*-0.2*	*-0.1*	*0.0*	*-0.6*	*-0.5*	*-0.7*	*0.0*	*0.1*
Deductions	0.2	-0.2	-0.5	0.2	1.6	0.0	0.0	-0.5	0.7
Women's share (%) of total **taxable income**	42.0	43.4	40.4	40.4	46.9	46.5	76.8	35.3	40.0
Change (pp) in women's share of income attributable to the components affecting net tax payable:									
Progressive tax rate structure	*0.5*	*0.2*	*0.5*	*0.7*	*0.5*	*0.3*	*0.3*	*0.6*	*0.6*
Non-refundable credits,	*0.3*	*0.5*	*0.4*	*0.3*	*0.2*	*0.4*	*0.5*	*0.3*	*0.2*
Tax withholdings transfers	*0.1*	*0.0*	*0.0*	*0.2*	*0.4*	*0.0*	*0.0*	*0.0*	*0.3*
Refundable credits	*1.2*	*2.0*	*2.5*	*0.2*	*0.1*	*0.1*	*3.0*	*3.4*	*0.1*
Women's share (%) of total taxable income after net tax payable, tax withholdings transfers and refundable credits	44.2	46.0	43.7	41.6	48.1	47.2	80.5	39.6	38.9
Women's share (%) of total **after-tax income** (i.e., disposable income after the application of the tax system)	**43.5**	**46.2**	**43.9**	**40.6**	**45.6**	**47.7**	**80.7**	**39.6**	**38.9**
Total change (pp) in women's share of disposable income after the application of the tax system	**1.9**	**2.5**	**3.0**	**1.0**	**0.8**	**0.7**	**3.2**	**3.9**	**0.8**

Notes: PP stands for percentage points.
Source: T1 return data, 2016.

Table 6 shows that the lower the pre-tax income of tax filers, the greater the redistributive impact of the federal PIT system towards women. Among tax filers in the first pre-tax personal income quartile, the federal PIT system is clearly to the advantage of women as it increases the share of income held by women by 6.0 percentage points. A redistributive impact towards women is also seen in all other income quartiles, although to a lesser extent than in the first quartile. With the exception of the first quartile, the redistributive impact towards women appears to be greater when family income of tax filers is used to determine income groups rather than personal income. The results presented in Table 6 also indicate that, in the first three family income quartiles, the redistribution of income towards women is mainly due to refundable credits, while in the top quartile, the progressive tax rate structure plays the most significant redistributive role. Interestingly, among tax filers in the first personal income quartile, some components of the PIT system affecting taxable income (i.e., adjustments for dividends and split pension income received—before taking account of tax withholdings transfers—as well as exemptions) negatively impact income redistribution towards women. This negative impact is, on the other hand, largely compensated by the positive impact of refundable credits among those in this quartile and, to some extent, by the positive impact of tax withholdings transfers on split pension income.

Table 6

Change in Women's Share of Income Attributable to the Main Components of the 2016 Federal PIT System, by Quartile of Personal Income and Adjusted Family Income

		Personal income quartile				Adjusted family income quartile			
	All	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
Share (%) of tax filers who are women	51.6	61.0	58.1	49.8	37.4	54.5	53.3	49.9	48.6
Women's share (%) of total **pre-tax income** (i.e., disposable income before the application of the tax system)	**41.6**	**60.8**	**57.7**	**49.3**	**34.1**	**55.7**	**48.5**	**42.6**	**38.0**
Change (pp) in women's share of income attributable to the components affecting taxable income:									
Adjustments	*0.4*	*3.0*	*0.7*	*0.3*	*0.1*	*0.0*	*0.4*	*0.8*	*0.4*
Exemptions	*-0.2*	*2.2*	*-0.2*	*0.1*	*-0.2*	*-1.0*	*-0.1*	*0.0*	*-0.1*
Deductions	0.2	*-0.6*	*0.0*	*0.0*	*-0.3*	*-0.4*	*0.2*	*0.3*	*-0.1*
Women's share (%) of total **taxable income**	42.0	65.5	58.2	49.7	33.8	54.3	49.0	43.7	38.2
Change (pp) in women's share of income attributable to the components affecting net tax payable:									
Progressive tax rate structure	*0.5*	*0.0*	*0.0*	*0.0*	*0.4*	*0.0*	*0.0*	*0.1*	*0.7*
Non-refundable credits,	*0.3*	*-0.2*	*-0.1*	*0.0*	*0.1*	*0.1*	*0.2*	*0.3*	*0.2*
Tax withholdings transfers	*0.1*	*0.4*	*0.1*	*0.1*	*0.1*	*0.0*	*0.1*	*0.2*	*0.1*
Refundable credits	*1.2*	*5.3*	*1.5*	*0.8*	*0.2*	*5.7*	*1.9*	*1.0*	*0.2*
Women's share (%) of total taxable income after net tax payable, tax withholdings transfers and refundable credits	44.2	70.9	59.8	50.6	34.5	60.1	51.2	45.2	39.4
Women's share (%) of total **after-tax income** (i.e., disposable income after the application of the tax system)	**43.5**	**66.8**	**59.1**	**50.1**	**34.7**	**59.9**	**50.5**	**43.9**	**38.9**
Total change (pp) in women's share of disposable income after the application of the tax system	**1.9**	**6.0**	**1.4**	**0.8**	**0.7**	**4.3**	**2.0**	**1.4**	**1.0**

Notes: PP stands for percentage points.
Source: T1 return data, 2016.

3.2 Analysis of the Impact of the Various Tax Expenditures That Make Up the Federal Personal Income Tax System

This section examines the redistributive impact towards women of individual federal PIT measures. To this end, statistics on the number of beneficiaries as well as on the amount of benefits received for each of the selected tax expenditures were produced by gender and the other intersecting identity factors considered.[17]

The "number of beneficiaries" refers to the number of tax filers who, in the absence of a particular tax expenditure, would have had to pay a higher amount of net federal tax, all else being equal (or, in other words, assuming no behavioural change by tax filers). The "total amount of benefits" refers to the amount of net federal tax saved by tax filers due to the tax expenditure, all else being equal. Net federal tax is before refundable tax credits; as such, possible changes in eligibility for refundable credits and benefit amounts that would occur in the absence of the tax expenditure are not accounted for when calculating the number of beneficiaries and total amount of benefits.

Based on these statistics, a number of indicators that provide insight on the use and impact of each tax expenditure were derived:

1. **The share of beneficiaries:** Share of the total number of tax filers who benefit from the measure.
2. **The average amount of benefits:** The per capita amount of total tax payable that beneficiaries saved due to the measure.
3. **The distribution of total benefits:** Share of the total amount of benefits attributed to a particular group (e.g., men or women).

As mentioned before, to determine if and how the PIT system contributes to promoting gender income equality in the short term, it is not sufficient to examine the distribution of beneficiaries and benefits by gender. It is also necessary to look at how each measure contributes to reducing pre-existing income inequality between men and women. In order to control for pre-existing income inequality (i.e., before the application of the federal tax system) and draw conclusions on the impact of the various tax measures, the following indicator was also derived:

4. **Ratio of the share of total benefits received relative to the share of total pre-tax income reported**: A ratio higher than one indicates that a group of tax filers benefits from the tax expenditure proportionally more than others, and vice versa.

If each of these four indicators can bring different and complementary perspectives on the groups of tax filers who benefit the most from each tax expenditure, the last indicator is considered the most informative for the purposes of the current study. Indeed, since this indicator identifies the proportion of total benefits of a tax measures that goes to a particular group of tax filers in relation to the proportion of total pre-tax income reported by this group, it allows a distinction between the impact of the tax system and the impact of pre-existing differences in income earned by men and women.[18]

[17] For all PIT measures except refundable credits, the number of beneficiaries and the total amount of benefits differ from the number of claimants and the total amounts of claims since amounts claimed by tax filers are recorded at their full value by the Canada Revenue Agency, regardless of whether they are eligible or not. The amounts claimed can only serve as a proxy for the actual amount of benefits received for each of the tax expenditures considered.

[18] Philipps (2018) uses a similar indicator based on the total amount claimed by tax filers relative to their total income. St-Cerny (2014) suggests that alternative indicators may also be used to determine the main beneficiaries from tax expenditures. For instance, MacDonald (2019) compares the share of total benefits that goes to men or women to the proportion that this group represents among all tax filers and concludes, on the basis of this indicator, that a smaller number of measures benefit women more. However, the use of this indicator implies that all groups of tax filers should benefit equally from the tax savings resulting from tax expenditures, irrespective of their level of pre-tax income (St-Cerny, 2014).

All indicators were derived based on the assumption that tax expenditures benefit only tax filers who claim them on their income tax return. Also, in order to determine the number of beneficiaries and the amount of benefits attributable to a particular tax expenditure, it was assumed that most other tax expenditures remain unchanged (i.e., assuming no interactions among tax expenditures)[19] and that the behaviour of claimants is not affected by the absence/presence of the tax expenditure. For these reasons, the sum of the benefits associated with each tax expenditure in a group of tax expenditures may not correspond to the total benefits associated with that group, especially since data limitations precluded an examination of the benefits associated with a number of individual federal PIT expenditures in each of the broad types of tax expenditures (i.e., exemptions, deductions, non-refundable credits, refundable credits and others).[20]

Of course, determining who benefits relatively more from a tax expenditure and to what extent may not provide a complete picture of its gender-based impact. Tax expenditures that improve the allocation of income between men and women may, from another standpoint, be seen as representing a disincentive to the labour market participation of women, thereby affecting their longer-term financial security. As mentioned previously, this GBA+ does not examine the impact of federal PIT measures on the labour market participation of men and women. It only provides evidence on the extent to which they affect redistribution of income between men and women in the short term.

3.2.1 Impacts on the Male-Female Distribution of Income

The final column of Table 7 identifies the tax expenditures that, based on the ratio described above, benefit women relatively more[21] (in **bold**) and men relatively more (in *italics*). Other ratios benefit men and women almost equally.

Exemptions

The ratios suggest first that, in 2016, men and women benefited relatively more from about the same number of exemptions reviewed. Relative to their reported proportion of pre-tax income, women benefited to a relatively larger extent from the non-taxation of Guaranteed Income Supplement and Allowance benefits, and from the non-taxation of social assistance benefits. For their part, men benefited relatively more from the non-taxation of income earned by military and police deployed to international operational missions, and from the non-taxation of workers' compensation benefits. Men also benefited relatively more from the Lifetime Capital Gains Exemption, but almost as equally as women from the partial inclusion of capital gains.

Deductions

The ratios also indicate that male tax filers benefited relatively more from most deductions. Only 3 of the 14 deductions examined mostly benefited women in 2016: the child care expense deduction, which generally requires that the parent with the lowest income make the claim; the deduction of union and professional dues; and the disability supports deduction.

While the deduction of carrying charges incurred to earn income benefits men and women almost equally, men benefit relatively more from all other deductions examined. In particular, men mostly benefited from measures related to business investments, the deduction of other employment expenses, such as the deduction for tradespeople's tool expenses, the employee stock option deduction, and the deduction for clergy residence. Deductions are of more benefit to higher-income tax filers as they reduce taxable income and provide tax savings based on the tax filers' marginal tax rate or, in other words, tax savings which increase with income. Since men report, on average, significantly higher pre-tax income than women, it makes sense that men benefit relatively more from most deductions.

[19] With the following exceptions: the calculation of the number of beneficiaries of the partial inclusion of capital gains because, assuming an increase from 50 per cent to 100 per cent in the amount of taxable capital gains, the allowable Lifetime Capital Gains Exemption would most likely be increased to 100 per cent; the inclusion of the Universal Child Care Benefit in an eligible dependant's income (repealed) because, without the inclusion, the dependant's income level used to determine eligibility for the Eligible Dependant Credit is lower; and the Age Credit and the Medical Expense Tax Credit, for which eligibility and amounts are based on the tax filer's net income, an income concept that depends on the presence or absence of certain other tax expenditures.

[20] Annex B provides a list of PIT expenditures that are not part of this GBA+ and the main reason for their exclusion.

[21] A measure is considered to "benefit women relatively more" if their share of its total benefits is greater than their share of reported pre-tax income. For simplicity, the expressions "mostly benefits" and "to the advantage of" are also employed to denote such an outcome. Given the state of the male-female distribution of pre-tax income, a measure that "is to the advantage of women" can also be interpreted as a measure that "has a redistributive impact towards women" or a measure that "reduces income inequality between men and women."

Non-Refundable Credits

Unlike deductions, for which the benefit depends on marginal tax rates, non-refundable tax credits yield the same tax savings to all claimants, provided they have enough taxable income to receive the full value of the credit. Of the 31 non-refundable credits reviewed (including those repealed or replaced since 2016), 13 mostly benefited women in 2016, 11 were of relatively more benefit to men, and 7 benefited women and men almost equally. The non-refundable credits that benefited women relatively more include some of those related to the care of dependants (the Eligible Dependant Credit and the Disability Tax Credit),[22] those related to age and health (Age Credit, Pension Income Credit, Medical Expense Tax Credit, Disability Tax Credit and Home Accessibility Tax Credit) and those related to education (Student Loan Interest Credit and Tuition Tax Credit). Other indicators in Table 7 suggest that women benefited relatively more from these measures mainly because they were more likely to claim and benefit from them, rather than because they received a larger average benefit compared to benefiting men. These results are consistent with the greater tendency for women to be the primary caregiver of dependants, their greater participation in post-secondary education, and their longer life expectancy compared to men.

Although men and women are equally likely to claim the credit for the Basic Personal Amount (BPA), the ratios indicate that the BPA was of relatively more benefit to women. Women report incomes that are lower on average than those of men, and as a result, the BPA generally weighs more for them. In the same vein, credits granted to recognize the cost of "regular" labour market participation, such as the Canada Employment Credit and the credits for Canada Pension Plan/Quebec Pension Plan contributions and Employment Insurance/Quebec Parental Insurance Plan premiums, were also of slightly greater benefit to women, although they were used more often by men.

For their part, men mostly benefited from the more "targeted" employment credits examined, such as the Volunteer Firefighters Tax Credit and the Search and Rescue Volunteers Tax Credit. Men also benefited relatively more from non-refundable tax credits that recognize a reduced ability to pay taxes for those with a dependant spouse, i.e., the Spouse or Common-Law Partner Credit and unused credits transferred from a spouse or common-law partner. Credits for foreign taxes, charitable donations, political contributions, the purchase of a first home and adoption expenses were also of relatively more benefit to men in 2016.

Refundable Credits

Due to their lower personal income on average and higher likelihood of being in a low-income family situation, almost all refundable credits benefit women relatively more. For the 2016 tax year, the CCB (with amounts paid during the 2017-18 benefit year based on the 2016 tax year) was the refundable credit that benefited women the most. This is consistent with expectations given that, for CCB purposes, when both male and female parents live together with a child, the female parent is usually considered to be the primary individual responsible for the care of the child and is therefore the parent who must apply for the credit. Among 2016 female tax filers, 22.9 per cent were entitled to a CCB amount in the following benefit year, compared to just over 1.2 per cent of male tax filers. The CCB average amount that female beneficiaries received ($6,715) was also greater than that of male beneficiaries ($5,808). That same year, women also benefited relatively more from the Refundable Medical Expense Supplement, the GST/HST Credit and the Teacher and Early Childhood Educator School Supply Tax Credit. The Working Income Tax Benefit also benefited women relatively more, despite a slightly lower benefit rate among women (5.1 per cent compared to 5.5 per cent among men). The only refundable tax credits that were, on the whole, mostly of benefit to men in 2016 were the investment tax credit refund, the rebate to employees and partners, and the Part XII.2 trust tax credit.

[22] In this study, the benefits of the Disability Tax Credit (as well as of the Age Credit, Family Caregiver Tax Credit (repealed), Pension Income Credit and Tuition Tax Credit), only consider the benefits related to the portion of the credit that tax filers claim for themselves or their dependants. The unused portion that is transferrable to the spouse or common-law partner is considered separately in the "Unused credits transferred from a spouse or common-law partner" measure.

Other types

Estimating the benefits of tax expenditures involving income transfers (notional or real) between tax filers—the tax treatment of alimony and maintenance payments and the pension income splitting—is somewhat more complex. A breakdown between transferors and recipients helps to understand their direct impacts by gender. In 2016, women represented 76.7 per cent of tax filers to whom pension income was transferred and 96.3 per cent of those who received income from taxable alimony or maintenance payments. Since the inclusion of an additional source of income typically results in a higher amount of tax payable, women are more likely to see their net federal tax payable increase as a result of these measures. Correspondingly, because such income transfers allow for deductions, men are more likely to see their net federal tax payable decrease as a result of these measures. However, the income deduction/inclusion aspects of these tax expenditures are not the only ones that need to be considered when attributing their benefits to specific groups of tax filers.

Specifically, attributing the entire benefit of the tax treatment of alimony and maintenance payments to men, as done in some external studies, may be inaccurate in a context where the amounts claimed by the payers and recipients may already account for tax implications. The deduction/inclusion tax rule for support payment results in a tax expenditure for the government (or tax savings for filers) with a total cost that corresponds to the value of deductions by the payers minus taxes collected from recipients. According to 2016 tax data, the amount of this tax expenditure is estimated at $95 million. Determining the share of the tax savings that is captured respectively by payers and recipients is not straightforward. The *Spousal Support Advisory Guidelines* from the Department of Justice[23] propose formulas for computing spousal support that lead to gross amounts on the assumption that the payer will be able to deduct the support and the recipient will pay tax upon it. However, the results of negotiations and how the amounts are determined in practice are unknown since they are not part of the tax system and not observable in T1 data. In absence of this information, the distribution of benefits of the tax treatment of alimony and maintenance payments that is actually accruing to men and women cannot be estimated accurately. For this reason, this specific tax expenditure has been excluded from the current section.

For pension income splitting, once spouses or partners elect to use the measure, tax withholdings already applied to the split pension income also need to be transferred to the receiving spouses or partners[24]. Considering the three aspects of pension income splitting (i.e., system of deduction and inclusion and the transfer of tax withholdings) the results indicate that men received 68.8% of the total benefits associated with pension income splitting in 2016 compared to 31.2% for women. While such results suggest that men benefit proportionally more from pension income splitting than women, the benefits that they get from this measure are much less important than if no tax withholdings were transferred at the time of filing. Further, for this measure in particular, attributing the ex-post benefits entirely to the claimants may not be the most appropriate assumption for assessing its impact. Pension income splitting was put in place with the objective of extending or modifying the unit of taxation from individual to family, and allowing couples with pension income to reduce their combined taxes. Given that both spouses or partners are required to agree to use this measure at the time of filing, it is conceivable that some of them would also agree to share the post-tax treatment benefits of it. While administrative tax data do not allow us to observe the couples' decision-making process with respect to ex-post benefits, a study by Vincent, St-Cerny and Godbout (2019)[25] indicates that the majority of the couples who responded to their survey, including those who use pension income splitting, chose to share their tax refunds or balances owing.[26] This suggests that most transferors and recipients using this measure ultimately get similar benefits.

23 Government of Canada, Department of Justice, *Spousal Support Advisory Guidelines*, July 2008.

24 Step 5 of the Canada Revenue Agency's Form T1032, Joint Election to Split Pension income.

25 Vincent, Carole, Suzie St-Cerny and Luc Godbout. "Le fractionnement du revenu de pension : Fonctionnement, enjeux et pistes de réflexion," research paper 2019-02, Chaire en fiscalité et en finances publiques, Université de Sherbrooke, February 2019.

26 The federal PIT system includes a certain number of measures that can be transferred or shared between family members, and some measures for which family income is used to determine entitlement. For such measures, a prior negotiation process within the couple could lead to the tax expenditure being claimed in the tax return of the highest or lower-income spouse or partner and/or to the attribution of ex-post benefits to both spouses or partners. Further sensitivity analysis regarding the distribution of resources within couples would be considered in future research.

Table 7

Portrait of Beneficiaries of the Various Selected Tax Expenditures, by Gender, 2016

Tax expenditures by type	Share (%) of beneficiaries among all tax filers		Average amount ($) of benefits per beneficiary		Distribution (%) of total benefits between men and women		Share of benefits received by women relative to their share of pre-tax income
	Men	**Women**	**Men**	**Women**	**Men**	**Women**	**Ratio[4]**
Type 1 – Exemptions							
Lifetime Capital Gains Exemption	0.3	0.2	27,782	23,915	63.9	36.1	*0.87*
Non-taxation of Guaranteed Income Supplement and Allowance benefits	1.7	2.9	291	271	37.0	63.0	**1.52**
Non-taxation of income earned by military and police deployed to international operational missions	0.0	0.0	4,172	2,928	88.7	11.3	*0.27*
Non-taxation of social assistance benefits	1.7	1.5	563	569	50.2	49.8	**1.20**
Non-taxation of workers' compensation benefits	2.2	1.3	1,512	1,226	66.5	33.5	*0.81*
Partial inclusion of capital gains	8.5	8.2	3,191	2,063	60.1	39.9	0.96
Type 2 – Deductions							
Capital loss carry-overs	2.1	1.6	1,082	643	66.9	33.1	*0.80*
Deduction of carrying charges incurred to earn income	7.1	5.6	895	721	59.5	40.5	0.97
Non capital loss carry-overs	0.2	0.1	2,943	1,597	67.0	33.0	*0.79*
Rollovers of investments in small businesses	0.0	0.0	58,937	6,719	93.4	6.6	*0.16*
Child care expense deduction	2.5	5.9	866	797	30.3	69.7	**1.68**
Deduction for clergy residence	0.2	0.0	2,894	2,343	83.3	16.7	*0.40*
Deduction of allowable business investment losses	0.0	0.0	4,981	2,971	77.5	22.5	*0.54*
Deduction for tradespeople's tool expenses	0.1	0.0	94	96	96.8	3.2	*0.08*
Deduction of other employment expenses	3.8	1.8	1,310	767	77.3	22.7	*0.55*
Deduction of union and professional dues	19.2	18.5	194	151	55.4	44.6	**1.07**
Disability supports deduction	0.0	0.0	990	1,031	48.3	51.7	**1.24**
Employee stock option deduction	0.2	0.1	19,432	9,097	85.6	14.4	*0.35*
Moving expense deduction	0.4	0.2	1,253	841	67.6	32.4	*0.78*
Northern Residents Deductions	1.1	0.6	1,041	851	66.3	33.7	*0.81*
Type 3 – Non-refundable credits							
Adoption Expense Tax Credit	0.0	0.0	1,033	992	63.0	37.0	*0.89*
Age Credit – for self[1]	14.5	15.6	764	761	46.6	53.4	**1.28**
Canada Employment Credit	59.8	49.6	167	167	53.0	47.0	**1.13**
Charitable Donation Tax Credit	21.4	17.6	638	394	64.9	35.1	*0.85*
Credit for the Basic Personal Amount	94.1	91.8	1,475	1,387	50.6	49.4	**1.19**
Disability Tax Credit – for self and for a dependant[1]	2.4	2.1	1,208	1,087	54.9	45.1	**1.09**
Dividend gross-up and tax credit	14.5	12.7	1,436	1,077	59.0	41.0	0.95
Eligible Dependant Credit	1.0	3.8	1,481	1,374	21.5	78.5	**1.89**
First-Time Home Buyers' Tax Credit	0.9	0.5	672	633	61.5	38.5	*0.93*
Foreign tax credit	5.8	5.4	1,585	592	72.8	27.2	*0.65*
Labour-Sponsored Venture Capital Corporations Credit	1.4	1.1	462	381	60.2	39.8	0.96
Medical Expense Tax Credit	12.2	17.0	443	397	43.0	57.0	**1.37**
Pension Income Credit – for self[1]	14.6	15.8	288	286	46.6	53.4	**1.29**
Political Contribution Tax Credit	0.7	0.4	186	164	64.4	35.6	*0.86*
Search and Rescue Volunteers Tax Credit	0.0	0.0	445	439	82.1	17.9	*0.43*
Spouse or Common-Law Partner Credit	9.0	2.3	1,113	998	80.2	19.8	*0.48*
Student Loan Interest Credit	1.5	2.3	80	81	38.7	61.3	**1.47**
Tax credit for Canada Pension Plan/Quebec Pension Plan (CPP/QPP) contributions by employed and self-employed persons	56.8	47.3	279	248	55.9	44.1	**1.06**
Non-taxation (exemption) of CPP/QPP contributions by employers	67.3	57.8	356	279	58.2	41.8	1.00

Table 7

Portrait of Beneficiaries of the Various Selected Tax Expenditures, by Gender, 2016

Tax expenditures by type	Share (%) of beneficiaries among all tax filers		Average amount ($) of benefits per beneficiary		Distribution (%) of total benefits between men and women		Share of benefits received by women relative to their share of pre-tax income
	Men	Women	Men	Women	Men	Women	Ratio[4]
Type 3 (cont.) – Non-refundable credits							
Tax credit for Employment Insurance (EI) and Quebec Parental Insurance Plan (QPIP) premiums paid by employed and self-employed persons	51.5	44.5	112	98	55.3	44.7	**1.08**
Non-taxation (exemption) of EI and QPIP premiums paid by employers	51.6	44.6	216	174	57.5	42.5	1.02
Tuition Tax Credit – for self or for a dependant[1]	8.8	9.0	900	859	49.0	51.0	**1.23**
Volunteer Firefighters Tax Credit	0.3	0.0	445	436	92.2	7.8	*0.19*
Unused credits transferred from a spouse or common-law partner[1]	2.9	1.2	590	671	67.7	32.3	*0.78*
Home Accessibility Tax Credit	0.1	0.1	656	621	55.5	44.5	**1.07**
Type 4 – Refundable credits							
Canada Child Benefit	1.2	22.9	5,808	6,715	4.1	95.9	**2.31**
Working Income Tax Benefit	5.5	5.1	810	822	49.7	50.3	**1.21**
Goods and Services Tax/Harmonized Sales Tax Credit	35.3	39.3	395	431	43.6	56.4	**1.36**
Refundable Medical Expense Supplement	1.6	2.4	278	275	38.9	61.1	**1.47**
Teacher and Early Childhood Educator School Supply Tax Credit	0.1	0.3	66	66	18.4	81.6	**1.96**
Other refundable tax credits[2]	1.9	1.5	283	110	75.4	24.6	*0.59*
Other types							
Pension income splitting – total (considers spouses or partners who receive and make the transfer of income and tax withholdings)[3]	9.4	8.6	698	325	68.8	31.2	*0.75*

Notes: For simplicity, the term "tax expenditures" refers to the concepts of "tax expenditures" and "benchmark measures" throughout the study. These concepts are discussed in Part 1 of this report. The tax expenditures that were in place in 2016 but that are no longer in force (e.g. the Public Transit Tax Credit or the Children's Fitness Tax Credit) are not presented in this table but are included in the analysis (i.e., as part of the total of 60 measures studied).

1 The unused portion of the following credits can be transferred to a spouse or common-law partner: Age Credit, Family Caregiver Tax Credit (repealed), Pension Income Credit, Disability Tax Credit and Tuition Tax Credit. For these tax expenditures, the portions transferable to a spouse or common-law partner are considered in the "Unused credits transferred from a spouse or common-law partner" measure. Thus, only the portions of these measures that tax filers claim for themselves or their dependants, and that are therefore not related to their marital status, are presented separately in the table.

2 Other refundable tax credits include the refund of the investment tax credit, the rebate to employees and partners, and the Part XII.2 trust tax credit.

3 Net benefits attributable to the "Pension income splitting" consider the deduction obtained by the transferor and the tax collected from the receiver as well as the tax withholdings transferred. Except for the Age Tax Credit, other potential interactions (e.g. with the Pension Income Credit or the Spouse or Common-Law Partner Credit) were not accounted for in the calculation.

4 The **bold** ratios identify tax expenditures for which the share of benefits attributed to women was at least 5 per cent greater than the share of total pre-tax income reported by women, while the ratios in *italics* identify tax expenditures for which the share of benefits attributed to women was at least 5 per cent lower than the share of total pre-tax income reported by women.

Sources: T1 return data, CCB and GST/HST Credit payment data, and the Department of Finance Canada's T1 microsimulation model for the partial inclusion of capital gains, 2016.

Overall, the ratios show that among the 60 federal PIT expenditures examined in this study, 25 benefited women relatively more, 25 benefited men relatively more, and 10 benefited men and women almost equally, meaning that more than half either reduced or did not worsen income inequality between men and women in 2016. The results, however, underline important differences in the types of measures mostly benefiting each gender. As an illustration, the following table identifies the top five measures for men and women as per the ratios presented in Table 7 regardless of the total cost of each tax expenditure.

Table 8
The Top Five Federal PIT Expenditures for Men and Women in 2016

Men	Women
Deduction for tradespeople's tool expenses	Canada Child Benefit
Rollovers of investments in small businesses	Teacher and Early Childhood Educator School Supply Tax Credit
Volunteer Firefighters Tax Credit	Eligible Dependant Credit
Non-taxation of income earned by military and police deployed to international operational missions	Child care expense deduction
Employee stock option deduction	Non-taxation of Guaranteed Income Supplement and Allowance benefits

Obviously, identifying the total number of measures mostly benefiting men and women may be seen as partially informative given that total benefit amounts may differ greatly from one measure to another. As previously mentioned, it is preferable not to sum up benefits associated with each tax expenditure because this may not correspond to the total value of benefits associated with that group of tax expenditures. Nonetheless, such an estimate suggests that women benefited from about 55 per cent of the total amount of net federal tax saved due to the presence of these 60 tax measures in 2016, while men benefited from about 45 per cent of this total amount. Excluding CCB and GST/HST Credit payments, the share of total benefits that went to women decreases to about 45 per cent, a proportion that is still slightly higher than their share of pre-tax income.

3.2.2 Impacts on the Male-Female Distribution of Income Among Various Groups

Tables 9 and 10 show the ratios of the share of benefits received by women relative to the share of pre-tax income that they reported in 2016, by age group, family type, and personal and family income group. These ratios make it possible to verify whether the conclusions drawn in the previous section are robust (i.e., remain relatively the same) regardless of the group of men and women considered. The analysis in this section continues with the assumption that the benefits of each tax expenditure only accrue to claimants.

In many cases, it is difficult to draw firm conclusions due to the small number of tax filers from which the ratios are calculated. When a group is small, the results are more likely to be influenced by the presence of outliers and thus, to present significant variations between groups or from one year to another. Therefore, the ratios calculated based on 250 or fewer observations (denoted by [E] in Tables 9 and 10) are not commented on in the present study. It should also be noted that, due to the large number of new statistics produced by gender and other intersecting identity factors, only a limited portion is discussed.

Age Group

Overall, the main findings discussed in the previous section remain unchanged regardless of the age group of tax filers considered. However, for some particular tax expenditures, the overall results do not hold true for all age groups. Notably, the ratios presented in columns 3 to 6 of Table 9 indicate that the overall advantage to men of certain tax expenditures disappears for tax filers under the age of 30. This is the case for the Lifetime Capital Gains Exemption and the non-taxation of workers' compensation benefits, two measures for which the difference in benefit rates between men and women is much less significant among young tax filers.

In addition, the relatively larger benefit to men of non-refundable credits related to the presence of a spouse or common-law partner (i.e., the Spouse or Common-Law Partner Credit and unused credits transferred from a spouse or common-law partner) is more pronounced among senior tax filers. It is also interesting to note that the unused credits transferred from a spouse or common-law partner and pension income splitting among those aged 50 to 64 mostly benefit women. Furthermore, for a few tax expenditures, the gender of the main beneficiary varies by age group. For instance, the Disability Tax Credit is mostly of benefit to men among young tax filers (under 30), while the opposite is true among older tax filers (50 or over).

Lastly, some tax expenditures that recognize expenses incurred to earn employment income (such as the deduction of union and professional dues, the Canada Employment Credit, and tax credits for Canada Pension Plan/Quebec Pension Plan contributions and Employment Insurance/Quebec Parental Insurance Plan premiums) that were previously identified as being to the advantage of women, are of relatively more benefit to men among the senior population. This, is likely due to the larger difference in the employment rate between men and women in that age group. This latter finding also applies to the Working Income Tax Benefit.

Family Type

A review of the share of benefits received by men and women with the same family type suggests that several tax expenditures that appear, on the whole, mostly of benefit to women are only so among tax filers who are in a couple with another tax filer. This is observed for tax expenditures related to the recognition of expenses incurred to earn employment income and the Basic Personal Amount.[27] Among sole tax filers (with or without children), men and women benefit relatively equally from these last tax measures. The overall advantage to women of expenditures related to education, the Teacher and Early Childhood Educator School Supply Tax Credit and the CCB is also more pronounced among tax filers who are in a couple.

By contrast, the ratios calculated by family type indicate that the overall advantage to women from benefits related to the non-taxation of Guaranteed Income Supplement and Allowance benefits is only seen among sole tax filers (i.e., who do not live with another tax filer). For tax filers in a couple, this measure seems instead to be of relatively more benefit to men. In addition, the non-taxation of social assistance benefits does not appear as much to the advantage of women when grouping tax filers by family type. Moreover, among sole tax filers with children, women do not necessarily benefit relatively more from the child care expense deduction, as is the case among tax filers in a couple with children.

[27] This also appears to be the case for the Eligible Dependant Credit. However, as tax filers are not entitled to claim this credit when in a couple, this result is based on a small particular number of cases which presumably experienced a separation during the tax year.

Table 9

Ratio of the Share of Benefits Received by Women Relative to the Share of Pre-Tax Income That They Report, by Age Group and Family Type, 2016

Tax expenditures by type	All	Age group				Family type			
		<30	*30-49*	*50-64*	*65+*	*Sole filer without children*	*Sole filer with children*	*In a couple with children*	*In a couple without children*
Type 1 – Exemptions									
Lifetime Capital Gains Exemption	*0.87*	1.07	0.84	0.89	0.81	0.91	0.80[E]	0.88	0.88
Non-taxation of Guaranteed Income Supplement and Allowance benefits	**1.52**	X	X	2.14	1.34	1.51	1.05[E]	0.41	0.84
Non-taxation of income earned by military and police deployed to international operational missions	*0.27*	0.28[E]	0.27	0.27[E]	X	0.32[E]	0.62[E]	0.16[E]	0.32[E]
Non-taxation of social assistance benefits	**1.20**	1.04	1.22	1.28	1.23	0.99	1.15	0.95	1.07
Non-taxation of workers' compensation benefits	*0.81*	1.28	0.90	0.70	0.83	0.85	0.83	1.06	0.64
Partial inclusion of capital gains	0.96	0.91	0.86	0.93	0.97	1.12	0.99	0.93	0.83
Type 2 – Deductions									
Capital loss carry-overs	*0.80*	0.79	0.70	0.75	0.83	0.93	0.79	0.56	0.81
Deduction of carrying charges incurred to earn income	0.97	0.91	0.86	0.95	1.00	1.22	0.99	0.73	0.90
Non capital loss carry-overs	*0.79*	0.72	0.92	0.86	0.59	0.64	0.93	0.85	0.89
Rollovers of investments in small businesses	*0.16*	0.01[E]	1.34[E]	0.76[E]	0.37[E]	0.11[E]	X	0.62[E]	0.17[E]
Child care expense deduction	**1.68**	1.95	1.71	1.04	0.61[E]	X	1.01	1.91	X
Deduction for clergy residence	*0.40*	0.42	0.35	0.47	0.35	0.79	0.85[E]	0.26	0.42
Deduction of allowable business investment losses	*0.54*	0.49[E]	0.58	0.58	0.43	0.70	0.70[E]	0.51	0.53
Deduction for tradespeople's tool expenses	*0.08*	0.09	0.07[E]	0.07[E]	X	0.09	0.14[E]	0.05[E]	0.06[E]
Deduction of other employment expenses	*0.55*	0.57	0.57	0.57	0.36	0.58	0.80	0.48	0.56
Deduction of union and professional dues	**1.07**	1.07	1.23	1.21	0.91	0.93	0.99	1.17	1.16
Disability supports deduction	**1.24**	1.08[E]	1.04	0.98	1.37[E]	1.28	1.09[E]	0.83[E]	1.10[E]
Employee stock option deduction	*0.35*	0.45	0.36	0.39	0.16[E]	0.52	0.63	0.31	0.33
Moving expense deduction	*0.78*	0.93	0.80	0.88	0.48	1.04	1.06	0.60	0.80
Northern Residents Deductions	*0.81*	0.84	0.90	0.95	0.89	0.83	1.03	0.67	0.82
Type 3 – Non-refundable credits									
Adoption Expense Tax Credit	*0.89*	0.51[E]	0.91	1.02[E]	0.56[E]	1.44[E]	1.16[E]	0.87	1.02[E]
Age Credit – for self	**1.28**	X	X	X	1.19	1.46	0.93	0.59	1.16
Canada Employment Credit	**1.13**	1.06	1.16	1.21	0.88	0.96	1.02	1.25	1.25
Charitable Donation Tax Credit	*0.85*	0.94	0.83	0.85	0.82	1.22	0.97	0.69	0.72
Credit for the Basic Personal Amount	**1.19**	1.10	1.19	1.25	1.16	1.06	1.04	1.30	1.27
Disability Tax Credit – for self and for a dependant (excludes unused amounts transferred to a spouse)	**1.09**	0.81	0.97	1.13	1.13	1.30	1.07	0.80	1.01
Dividend gross-up and tax credit	0.95	1.04	0.99	1.00	0.95	0.97	0.83	1.10	1.03
Eligible Dependant Credit	**1.89**	1.94	1.94	1.78	1.42	1.02	1.09	1.91	1.38
First-Time Home Buyers' Tax Credit	*0.93*	0.91	0.91	1.05	0.97	0.88	1.08	0.79	1.02
Foreign tax credit	*0.65*	0.61	0.56	0.61	0.89	0.82	0.88	0.46	0.66
Labour-Sponsored Venture Capital Corporations Credit	0.96	0.76	0.96	1.03	0.84	0.86	0.75	0.96	1.07
Medical Expense Tax Credit	**1.37**	1.26	1.49	1.45	1.24	1.43	1.10	1.52	1.33
Pension Income Credit – for self	**1.29**	1.24	1.56	1.44	1.16	1.41	0.88	1.25	1.25
Political Contribution Tax Credit	*0.86*	0.75	0.75	0.88	0.84	1.07	0.80	0.70	0.80

Table 9

Ratio of the Share of Benefits Received by Women Relative to the Share of Pre-Tax Income That They Report, by Age Group and Family Type, 2016

Tax expenditures by type	All	Age group				Family type			
		<30	*30-49*	*50-64*	*65+*	*Sole filer without children*	*Sole filer with children*	*In a couple with children*	*In a couple without children*
Search and Rescue Volunteers Tax Credit	*0.43*	0.46[E]	0.46	0.46	0.25[E]	0.58	0.69[E]	0.30[E]	0.40
Spouse or Common-Law Partner Credit	*0.48*	0.53	0.49	0.50	0.26	0.47	0.98	0.42	0.62
Student Loan Interest Credit	**1.47**	1.44	1.47	1.51	1.19	1.23	1.18	1.71	1.64
Tax credit for Canada Pension Plan/Quebec Pension Plan (CPP/QPP) contributions by employed and self-employed persons	**1.06**	0.98	1.08	1.13	0.86	0.91	1.00	1.11	1.20
Non-taxation (exemption) of CPP/QPP contributions by employers	1.00	0.94	1.03	1.06	0.88	0.89	0.97	1.03	1.11
Tax credit for Employment Insurance (EI) and Quebec Parental Insurance Plan (QPIP) premiums paid by employed and self-employed persons	**1.08**	0.99	1.10	1.16	0.86	0.93	1.01	1.12	1.21
Non-taxation (exemption) of EI and QPIP premiums paid by employers	1.02	0.96	1.04	1.09	0.83	0.91	1.00	1.04	1.14
Tuition Tax Credit – for self or for a dependant	**1.23**	1.23	1.31	1.00	0.61	1.13	1.17	1.24	1.19
Volunteer Firefighters Tax Credit	*0.19*	0.22	0.19	0.19	0.11[E]	0.22	0.39[E]	0.14	0.20
Unused credits transferred from a spouse or common-law partner	*0.78*	0.65	0.70	1.30	0.49	0.72	0.77[E]	0.73	0.87
Home Accessibility Tax Credit	**1.07**	0.88[E]	1.00	1.22	0.99	1.57	1.09[E]	0.83	0.87
Type 4 – Refundable credits									
Canada Child Benefit	**2.31**	2.24	2.35	2.20	1.75	1.61	1.19	2.75	2.58
Working Income Tax Benefit	**1.21**	1.15	1.32	1.11	0.88	0.95	1.19	0.75	0.92
Goods and Services Tax/Harmonized Sales Tax Credit	**1.36**	1.22	1.45	1.32	1.34	1.15	1.18	1.28	1.07
Refundable Medical Expense Supplement	**1.47**	1.43	1.55	1.49	1.17	1.34	1.19	1.10	1.25
Teacher and Early Childhood Educator School Supply Tax Credit	**1.96**	2.00	2.00	1.96	1.39[E]	1.78	1.20[E]	2.18	2.18
Other refundable tax credits	*0.59*	0.72	0.66	0.57	0.35	0.62	0.83	0.59	0.57
Other types									
Pension income splitting – total (considers spouses or partners who receive and make the transfer of income and tax withholdings)	*0.75*	1.82[E]	0.74	1.27	0.56	0.88	0.95[E]	0.63	0.82

[E] Statistics to be use with caution.

Notes: Tax filers who report being in a couple, but with a non-filer or a filer that can't be identified in the T1 return data, are identified in this study as sole filers. This explains why there are some sole tax filers who benefit from tax measures related to the presence of a spouse or partner. The methodology employed to identify tax filers with children (e.g., situation on December 31, 2016) also explains the use of certain measures related to the presence of dependants among sole filers or filers without children.

Sources: T1 return data, CCB and GST/HST Credit payment data, and the Department of Finance Canada's T1 microsimulation model for the partial inclusion of capital gains, 2016.

Personal Income and Adjusted Family Income Groups

When the ratios are calculated for tax filers in specific personal and family income quartiles (Table 10), the relative advantage to women of many tax expenditures is seen more at the tails of the income distribution. Notably, for some measures for which an overall advantage for women was noted (e.g., the child care expense deduction, the Eligible Dependant Credit and the CCB), the redistributive impact towards women is more pronounced in the highest pre-tax personal income quartiles (quartiles 3 and 4). For some other measures (such as the Basic Personal Amount, measures related to the recognition of employment and education expenses, the Working Income Tax Benefit, the GST/HST Credit and the Refundable Medical Expense Supplement), the advantage to women is only seen among the highest quartiles. These results suggest that, for these tax expenditures, the redistributive impact towards women generally increases with the tax filer's income, whether personal or family income.

Conversely, while men are found to benefit proportionally more from the pension income splitting at the aggregate level, this advantage does not hold in the lowest income groups of tax filers, where women benefit relatively more.

For a few other measures, the trend in terms of a redistributive impact between genders becomes less clear or is reversed when income groups are accounted for. For instance, while the non-taxation of social assistance benefits appears to be to the advantage of women, this is not the case when the population of tax filers is categorized by income quartiles. Likewise, while neither gender appears to benefit relatively more from the partial inclusion of capital gains or the deduction of carrying charges incurred to earn income, both measures appear to be to the advantage of women when considering tax filers in the same personal income quartile. A comparable result is also observed with regards to capital loss carry-overs: this measure is found to be to the advantage of men at the aggregate level, but to the advantage of women in each of the first three personal income quartiles.[28] Such results underline the importance of considering income categories when analyzing the redistributive impact of the tax system by gender.

It is also interesting to note that, for a few federal PIT measures, the GBA+ results are also sensitive to whether the income groups considered are based on the tax filers' personal or family income. Notably, women with low pre-tax personal incomes tend to benefit mostly from several non-refundable credits which, on the whole, tend to be of relatively more benefit to men (e.g., credits for charitable donations, dividends, foreign tax and political contributions, and unused credits transferred from a spouse or common-law partner). However, that advantage for women does not remain when considering the low-family-income population, which suggests that the majority of women with low personal incomes who benefit mostly from these credits are likely not living in low-income families.

Table 10

Ratio of the Share of Benefits Received by Women Relative to the Share of Pre-Tax Personal Income That They Report, by Personal Tax Filers' Income and Adjusted Family Income Quartiles, 2016

Tax expenditures by type	All	Personal income				Adjusted family income			
		Q1	***Q2***	***Q3***	***Q4***	***Q1***	***Q2***	***Q3***	***Q4***
Type 1 – Exemptions									
Lifetime Capital Gains Exemption	*0.87*	1.09[E]	0.87	0.98	1.06	0.41[E]	0.75	0.80	0.95
Non-taxation of Guaranteed Income Supplement and Allowance benefits	**1.52**	1.39	1.16	1.02	1.56	1.35	1.29	1.28	1.50
Non-taxation of income earned by military and police deployed to international operational missions	*0.27*	X	0.55[E]	0.31[E]	0.33	0.50[E]	0.07[E]	0.19[E]	0.35
Non-taxation of social assistance benefits	**1.20**	0.81	0.90	0.91	1.01	0.94	1.00	0.93	0.99
Non-taxation of workers' compensation benefits	*0.81*	0.93	0.76	0.64	0.89	0.69	0.67	0.74	0.97
Partial inclusion of capital gains	0.96	1.20	1.15	1.20	1.14	0.73	1.15	1.27	1.03

28 These kinds of results may not appear intuitive at first glance. However, the results are based on an indicator (ratio) that is sensitive to multiple factors, notably the proportion of tax filers, the proportion of claimants who benefit from a measure, as well as the total amounts of pre-tax income reported and benefits received within each group. The multiplicity of factors that are captured by the ratio explains apparent counter-intuitive results.

Table 10

Ratio of the Share of Benefits Received by Women Relative to the Share of Pre-Tax Personal Income That They Report, by Personal Tax Filers' Income and Adjusted Family Income Quartiles, 2016

Tax expenditures by type	All	Personal income				Adjusted family income			
		Q1	*Q2*	*Q3*	*Q4*	*Q1*	*Q2*	*Q3*	*Q4*
Type 2 – Deductions									
Capital loss carry-overs	*0.80*	1.36	1.13	1.10	0.91	1.02	1.02	1.06	0.84
Deduction of carrying charges incurred to earn income	0.97	1.35	1.16	1.18	1.12	0.96	1.13	1.19	1.03
Non capital loss carry-overs	*0.79*	0.91	0.83	0.81	0.85	0.62	0.79	0.84	0.83
Rollovers of investments in small businesses	*0.16*	0.87[E]	0.63[E]	1.39[E]	0.11[E]	0.85[E]	1.63[E]	0.83[E]	0.10[E]
Child care expense deduction	**1.68**	1.15	1.30	1.49	1.94	1.34	1.53	1.64	1.81
Deduction for clergy residence	*0.40*	0.84[E]	0.62	0.43	0.41	0.21[E]	0.21	0.36	0.53
Deduction of allowable business investment losses	*0.54*	0.83[E]	0.84	0.75	0.59	0.54[E]	0.73	0.69	0.55
Deduction for tradespeople's tool expenses	*0.08*	X	0.16[E]	0.07	0.06[E]	0.21[E]	0.10	0.07[E]	0.06[E]
Deduction of other employment expenses	*0.55*	0.86	0.76	0.63	0.60	0.65	0.62	0.54	0.58
Deduction of union and professional dues	**1.07**	0.92	1.06	1.16	1.16	0.89	1.05	1.05	1.15
Disability supports deduction	**1.24**	X	1.00[E]	1.28	1.41	0.69[E]	1.25[E]	1.35	1.28
Employee stock option deduction	*0.35*	0.37[E]	0.69[E]	0.94	0.42	0.26[E]	0.85	0.77	0.38
Moving expense deduction	*0.78*	0.92	0.89	0.87	0.84	0.85	0.79	0.77	0.82
Northern Residents Deductions	*0.81*	0.93	0.92	0.93	0.85	0.82	0.93	0.86	0.80
Type 3 – Non-refundable credits									
Adoption Expense Tax Credit	*0.89*	X	1.16[E]	0.95[E]	0.94	X	0.76[E]	0.85[E]	0.99
Age Credit – for self	**1.28**	1.44	1.07	0.89	0.94	1.20	1.16	1.16	1.35
Canada Employment Credit	**1.13**	0.96	1.01	1.03	1.08	0.91	1.00	1.09	1.21
Charitable Donation Tax Credit	*0.85*	1.28	1.06	0.98	0.89	0.91	1.00	0.98	0.83
Credit for the Basic Personal Amount	**1.19**	1.03	1.02	1.01	1.10	0.94	1.06	1.14	1.25
Disability Tax Credit – for self and for a dependant (excludes unused amounts transferred to a spouse)	**1.09**	1.22	1.03	0.97	1.00	0.87	1.04	1.03	1.09
Dividend gross-up and tax credit	0.95	1.40	0.95	0.95	1.15	0.75	0.77	0.94	1.09
Eligible Dependant Credit	**1.89**	1.44	1.52	1.66	2.00	1.63	1.73	1.71	1.49
First-Time Home Buyers' Tax Credit	*0.93*	0.90	0.93	0.86	0.91	0.78	0.86	0.90	0.96
Foreign tax credit	*0.65*	1.32	1.05	1.05	0.75	0.64	0.84	0.91	0.69
Labour-Sponsored Venture Capital Corporations Credit	0.96	1.25[E]	1.19	1.03	0.94	0.89	0.93	0.92	1.04
Medical Expense Tax Credit	**1.37**	1.27	1.12	1.16	1.41	0.99	1.12	1.39	1.50
Pension Income Credit – for self	**1.29**	1.48	1.16	0.99	1.18	1.11	1.18	1.23	1.35
Political Contribution Tax Credit	*0.86*	1.31	1.01	0.89	0.89	0.69	0.93	0.92	0.88
Search and Rescue Volunteers Tax Credit	*0.43*	1.00[E]	0.55[E]	0.41	0.37	0.66[E]	0.48[E]	0.38	0.45
Spouse or Common-Law Partner Credit	*0.48*	0.48	0.51	0.49	0.39	0.50	0.50	0.39	0.29
Student Loan Interest Credit	**1.47**	1.15	1.19	1.30	1.59	1.10	1.29	1.43	1.60
Tax credit for Canada Pension Plan/Quebec Pension Plan (CPP/QPP) contributions by employed and self-employed persons	**1.06**	0.93	1.00	1.04	1.08	0.90	0.96	1.00	1.16
Non-taxation (exemption) of CPP/QPP contributions by employers	1.00	0.94	0.98	1.01	1.04	0.86	0.93	0.96	1.09
Tax credit for Employment Insurance (EI) and Quebec Parental Insurance Plan (QPIP) premiums paid by employed and self-employed persons	**1.08**	0.95	1.02	1.05	1.08	0.92	0.98	1.02	1.17

Table 10

Ratio of the Share of Benefits Received by Women Relative to the Share of Pre-Tax Personal Income That They Report, by Personal Tax Filers' Income and Adjusted Family Income Quartiles, 2016

Tax expenditures by type	All	Personal income				Adjusted family income			
		Q1	*Q2*	*Q3*	*Q4*	*Q1*	*Q2*	*Q3*	*Q4*
Non-taxation (exemption) of EI and QPIP premiums paid by employers	1.02	0.95	1.02	1.03	1.05	0.92	0.97	0.98	1.10
Tuition Tax Credit – for self or for a dependant	**1.23**	0.96	0.98	1.10	1.22	0.99	1.10	1.22	1.20
Volunteer Firefighters Tax Credit	*0.19*	0.50[E]	0.31	0.18	0.12	0.26[E]	0.22	0.16	0.18
Unused credits transferred from a spouse or common-law partner	*0.78*	1.24	0.66	0.66	0.81	0.72	0.67	0.79	0.75
Home Accessibility Tax Credit	**1.07**	1.39[E]	1.12	0.97	1.13	0.75[E]	1.11	1.05	1.09
Type 4 – Refundable credits									
Canada Child Benefit	**2.31**	1.60	1.67	1.92	2.68	1.71	1.97	2.27	2.57
Working Income Tax Benefit	**1.21**	0.77	0.99	1.18	1.10	0.90	1.18	1.44	1.57
Goods and Services Tax/Harmonized Sales Tax Credit	**1.36**	0.98	1.06	1.28	1.57	1.04	1.12	1.41	2.06
Refundable Medical Expense Supplement	**1.47**	0.98	1.06	1.28	1.57	1.08	1.28	1.50	1.58
Teacher and Early Childhood Educator School Supply Tax Credit	**1.96**	1.26	1.50	1.79	2.33	1.31	1.75	1.95	2.13
Other refundable tax credits	*0.59*	0.59	0.70	0.63	0.65	0.57	0.60	0.56	0.64
Other types									
Pension income splitting – total (considers spouses or partners who receive and make the transfer of income and tax withholdings)	*0.75*	1.50	1.12	0.00	0.08	1.47	1.05	0.86	0.33

Sources: T1 return data, CCB and GST/HST Credit payment data, and the Department of Finance Canada's T1 microsimulation model for the partial inclusion of capital gains, 2016

4. Conclusion

This study confirms that the progressive nature of the federal PIT system reduces pre-tax income inequality that exists between genders, as the share of after-tax income held by women is higher than their share of income before the application of the tax system. The analysis of the impacts of the broad components of the 2016 federal PIT system indicates that its overall redistributive impact towards women was primarily due to refundable credits, followed by the progressive tax rate structure. Exemptions and non-refundable credits also played a redistributive role, albeit more modest. However, this was not necessarily the case for the set of adjustments made to tax filers' incomes for tax purposes, nor for the set of deductions which tended to benefit men relatively more.

A more detailed analysis of the allocation of benefits for each tax expenditure suggests that certain measures more strongly contribute to the redistribution of income between men and women, the CCB in particular. Overall, more than half of the individual tax expenditures examined in this GBA+ were found to improve, or not worsen, the distribution of income between men and women in 2016.

While some tax expenditures were found to favour particular groups of tax filers (men or women, or specific groups of men and women), it is important to recall that the tax system has various objectives and that a tax expenditure cannot be assessed entirely on the impact it has on the allocation of income between groups. A thorough process for assessing tax measures requires the consideration of a much broader range of possible effects than the ones studied in the current GBA+. It is also important to note that the tax system is only one of the tools at the Government's disposal for the promotion of gender equality.

Annex A: The Different Income and Tax Concepts of the Federal Personal Income Tax System

Before the Application of the Federal PIT System

Income and Tax Concepts Considered	Components of the Federal PIT System
Pre-tax income (Disposable personal income *before the application of the tax system*)	Include **adjustments** for the gross-up of dividends received, split income transferred from a spouse, and net capital losses.
Income for federal tax purposes, including exempt income	Subtract the various sources of exempt income (**exemptions**) for federal tax purposes included in total pre-tax income (including 50 per cent of capital gains).
Income for federal tax purposes (Corresponds to line 150 of the income tax return minus certain sources of exempt income: workers' compensation benefits, social assistance benefits and net payment of federal supplements)	Subtract the first set of **deductions** (mostly related to the accumulation of employment income) to obtain *net income*, and the second set to obtain *taxable income*.
Taxable income (Income used to calculate federal tax payable)	Multiply by the statutory **tax rates**.
Tax payable on taxable income	Subtract all **non-refundable credits** (including the Basic Personal Amount) and take into account the Basic Federal Tax.
Net tax payable before tax withholdings transfers and refundable credits	Consider the tax withholdings transfers on split pension income and subtract all **refundable credits** (e.g., the Canada Workers Benefit and the Refundable Medical Expense Supplement, as well as the Canada Child Benefit and the Goods and Services Tax/Harmonized Sales Tax Credit.)
Net tax payable after tax withholdings transfers and refundable credits (Pre-tax income minus the amount of net tax payable after tax withholdings transfers and refundable credits equals **After-tax income --** Disposable personal income *after the application of the tax system*)	

After the Application of the Federal PIT System

Annex B: List of Tax Expenditures Excluded from the Analysis and the Main Reason for Their Exclusion

Tax expenditures by type	Main reason for exclusion
Type 1 – Exemptions	
$200 capital gains exemption on foreign exchange transactions	No data is available on claimants or beneficiaries
Capital gains exemption on personal-use property	No data is available on claimants or beneficiaries
Deduction for certain contributions by individuals who have taken vows of perpetual poverty	No data is available on claimants or beneficiaries
Exemption for international shipping and aviation by non-residents	Main beneficiaries other than resident individuals
Exemptions from non-resident withholding tax	Main beneficiaries other than resident individuals
Exemption of scholarship, fellowship and bursary income	Available data do not permit breakdown of beneficiaries by gender
Non-taxation of allowances for diplomats and other government employees posted abroad	Available data do not permit breakdown of beneficiaries by gender
Non-taxation of allowances for members of legislative assemblies and certain municipal officers	Available data do not permit breakdown of beneficiaries by gender
Non-taxation of benefits from private health and dental plans	Available data do not permit breakdown of beneficiaries by gender
Non-taxation of benefits in respect of home relocation loans	Available data do not permit breakdown of beneficiaries by gender
Non-taxation of capital dividends	No data is available on claimants or beneficiaries
Non-taxation of capital gains on donations of cultural property	Available data do not permit breakdown of beneficiaries by gender
Non-taxation of capital gains on donations of ecologically sensitive land	Available data do not permit breakdown of beneficiaries by gender
Non-taxation of capital gains on donations of publicly listed securities	Available data do not permit breakdown of beneficiaries by gender
Non-taxation of capital gains on principal residences	Available data do not permit breakdown of beneficiaries by gender
Non-taxation of certain non-monetary employment benefits	No data is available on claimants or beneficiaries
Non-taxation of certain veterans' benefits	Available data do not permit breakdown of beneficiaries by gender
Non-taxation of investment income on certain amounts received as damages in respect of personal injury or death	No data is available on claimants or beneficiaries
Non-taxation of lottery and gambling winnings	No data is available on claimants or beneficiaries
Non-taxation of non-profit organizations	Main beneficiaries other than resident individuals
Non-taxation of personal property of status Indians and Indian bands situated on reserve	No data is available on claimants or beneficiaries
Non-taxation of provincial assistance for venture investments in small businesses	No data is available on claimants or beneficiaries
Non-taxation of RCMP pensions and other compensation in respect of injury, disability or death	Available data do not permit breakdown of beneficiaries by gender
Non-taxation of registered charities	Main beneficiaries other than resident individuals
Non-taxation of strike pay	No data is available on claimants or beneficiaries
Non-taxation of up to $10,000 of death benefits	Available data do not permit breakdown of beneficiaries by gender
Tax-free amount for emergency services volunteers	Available data do not permit breakdown of beneficiaries by gender
Tax-Free Savings Account	Available data do not permit breakdown of beneficiaries by gender
Types 2 – Deductions	
Apprentice vehicle mechanics' tools deduction	Available data do not permit breakdown of beneficiaries by gender
Deductibility of certain costs incurred by musicians	Available data do not permit breakdown of beneficiaries by gender
Deductibility of expenses by employed artists	Available data do not permit breakdown of beneficiaries by gender
Deduction for self-employed artists	No data is available on claimants or beneficiaries
Deduction for tuition assistance for adult basic education	Available data do not permit breakdown of beneficiaries by gender
Flow-through share deductions	Available data do not permit breakdown of beneficiaries by gender
Partial deduction of and partial input tax credits for meals and entertainment	Available data do not permit breakdown of beneficiaries by gender

Tax expenditures by type	Main reason for exclusion
Patronage dividends paid as shares by agricultural cooperatives	Available data do not permit breakdown of beneficiaries by gender
Type 3 – Non-refundable credits	
Apprenticeship Job Creation Tax Credit	Available data do not permit breakdown of beneficiaries by gender
Atlantic Investment Tax Credit	Available data do not permit breakdown of beneficiaries by gender
Investment Tax Credit for Child Care Spaces	Available data do not permit breakdown of beneficiaries by gender
Logging Tax Credit	Available data do not permit breakdown of beneficiaries by gender
Mineral Exploration Tax Credit for flow-through share investors	Available data do not permit breakdown of beneficiaries by gender
Scientific Research and Experimental Development Investment Tax Credit	Available data do not permit breakdown of beneficiaries by gender
Other types	
Accelerated capital cost allowance for clean energy generation equipment	No data is available on claimants or beneficiaries
Accelerated capital cost allowance for computer equipment	No data is available on claimants or beneficiaries
Accelerated capital cost allowance for liquefied natural gas facilities	No data is available on claimants or beneficiaries
Accelerated capital cost allowance for manufacturing or processing machinery and equipment	No data is available on claimants or beneficiaries
Accelerated capital cost allowance for mining and oil sands assets	No data is available on claimants or beneficiaries
Accelerated capital cost allowance for vessels	No data is available on claimants or beneficiaries
Accelerated deductibility of Canadian Renewable and Conservation Expenses	No data is available on claimants or beneficiaries
Accelerated deductibility of some Canadian Exploration Expenses	No data is available on claimants or beneficiaries
Cash basis accounting	No data is available on claimants or beneficiaries
Deductibility of contributions to a qualifying environmental trust	No data is available on claimants or beneficiaries
Deductibility of costs of capital assets and eligibility for investment tax credits before asset is put in use	No data is available on claimants or beneficiaries
Deductibility of countervailing and anti-dumping duties when paid	No data is available on claimants or beneficiaries
Deferral for asset transfers to a corporation and corporate reorganizations	No data is available on claimants or beneficiaries
Deferral of capital gains through intergenerational rollovers of family farms or fishing businesses	No data is available on claimants or beneficiaries
Deferral of capital gains through transfers to a spouse, spousal trust or alter ego trust	No data is available on claimants or beneficiaries
Deferral of income from destruction of livestock	Available data do not permit breakdown of beneficiaries by gender
Deferral of income from grain sold through cash purchase tickets	Available data do not permit breakdown of beneficiaries by gender
Deferral of income from sale of livestock in a region of drought, flood or excessive moisture	No data is available on claimants or beneficiaries
Deferral through 10-year capital gain reserve	Available data do not permit breakdown of beneficiaries by gender
Deferral through five-year capital gain reserve	
Deferral through five-year capital gain reserve	Available data do not permit breakdown of beneficiaries by gender
Deferral through rollover of capital gains and capital cost allowance recapture in respect of dispositions of land and buildings	No data is available on claimants or beneficiaries
Deferral through rollover of capital gains and capital cost allowance recapture in respect of involuntary dispositions	No data is available on claimants or beneficiaries
Deferral through use of billed-basis accounting by professionals and professional corporations	No data is available on claimants or beneficiaries
Deferred Profit-Sharing Plans	No data is available on claimants or beneficiaries
Earned depletion	No data is available on claimants or beneficiaries
Employee benefit plans	No data is available on claimants or beneficiaries
Expensing of advertising costs	No data is available on claimants or beneficiaries

Tax expenditures by type	Main reason for exclusion
Expensing of current expenditures on scientific research and experimental development	No data is available on claimants or beneficiaries
Expensing of employee training costs	No data is available on claimants or beneficiaries
Expensing of purchases of capital equipment used for scientific research and experimental development	No data is available on claimants or beneficiaries
Holdback on progress payments to contractors	No data is available on claimants or beneficiaries
Non-deductibility of advertising expenses in foreign media	No data is available on claimants or beneficiaries
Pooled Registered Pension Plans	Registered plans
Quebec Abatement	Main beneficiaries other than resident individuals
Reclassification of expenses under flow-through shares	Available data do not permit breakdown of beneficiaries by gender
Registered Disability Savings Plans	Registered plans
Registered Education Savings Plans	Registered plans
Registered Pension Plans	Registered plans
Registered Retirement Savings Plans	Registered plans
Saskatchewan Pension Plan	Registered plan
Taxation of capital gains upon realization	No data is available on claimants or beneficiaries
Tax treatment of alimony and maintenance payments	Available data do not permit breakdown of beneficiaries by gender
Tax treatment of farm savings accounts (AgriInvest and Agri-Québec)	No data is available on claimants or beneficiaries
Tax treatment of investment income from life insurance policies	Available data do not permit breakdown of beneficiaries by gender
Transfer of income tax points to provinces	Main beneficiaries other than resident individuals

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List of Tax Expenditures