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REPORT ON FEDERAL TAX EXPENDITURES

Concepts, Estimates and Evaluations

2020

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Table of Contents

Preface

This document reports on the estimated fiscal cost of federal tax expenditures, sets out the approach used in developing these estimates and projections, and provides detailed information on each tax expenditure. The Department of Finance Canada first reported on federal tax expenditures in 1979, and has published estimates of tax expenditures for personal and corporate income taxes as well as for the Goods and Services Tax (GST) since 1994. Over the years, this report has become a key component of the Government's reporting on the federal tax system, and has contributed significantly to the public dialogue on federal tax policies—a role it continues to play today.

This report is intended to facilitate analysis of 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 2014 to 2021 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. The report will continue to be updated every year, providing a convenient, easily accessible point of reference for information on federal tax expenditures.

Evaluations and analytical papers addressing specific tax measures or aspects of the tax system are published every year as part of this report. This year's edition includes a profile of trusts as taxfilers and taxpayers, a profile of the beneficiaries of the Refundable Medical Expense Supplement, and a Gender-based Analysis Plus (GBA+) of tax expenditures with a family component.

Also, as part of the Government's efforts to enhance the reporting on federal tax expenditures, this edition identifies for the first time the income tax expenditures that are available to trusts and provides new estimates of the value of trust tax expenditures when the necessary data is available. Additional information on trust tax expenditures and their estimation can be found in Part 1 of the report.

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.

Introduction

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

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

This report adopts a broad definition of the concept of tax expenditures and provides information on a wide range of federal tax measures that are considered to depart from a “benchmark” tax structure that is characterized only by the most fundamental aspects of a tax system—for instance, the application of a general tax rate to a broadly defined tax base. This broad approach provides greater transparency by ensuring that information is being disclosed on a wide range of tax measures, including measures that may not be considered tax preferences. In addition to providing information on tax expenditures, this report provides information on a number of measures that may be considered part of the benchmark tax system and that are of particular interest from a tax policy perspective. Overall, this report provides information on some 209 different income tax and GST measures.

This report is divided into four parts:

- Part 1 introduces the concepts of “tax expenditure” and “benchmark tax system”, sets out the approach used in estimating and projecting the fiscal cost of federal tax expenditures, and discusses the interpretation of the estimates and projections.
- Part 2 presents the estimates of the fiscal cost of federal tax expenditures for the years 2014 to 2021 and describes changes that have been made to tax expenditures since the last edition.
- Part 3 provides detailed descriptions of the tax expenditures, including their objectives.
- Part 4 presents a profile of trusts as taxfilers and taxpayers, a profile of the beneficiaries of the Refundable Medical Expense Supplement, and a GBA+ of tax expenditures with a family component.

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

Part 1

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

Introduction

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

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

Tax Expenditures and the Benchmark Tax System

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

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

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

Benchmark Tax System for the Personal and Corporate Income Tax

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

Unit of Taxation

- The benchmark unit of taxation for the personal income tax is the individual or trust, while the benchmark unit of taxation for the corporate income tax is the single corporation as a separate legal entity.[2]
- The possibility for income earned by a trust to flow through to a beneficiary without attracting tax at the trust level is considered to be part of the benchmark income tax system.

[2] For income tax purposes, trusts are deemed to be individuals and are thus subject to tax as individuals. Unless otherwise specified, a reference to personal income taxation encompasses the taxation of trust income.

Taxation Period

- The benchmark taxation period is the calendar year for individuals and trusts and the fiscal period for corporations.[3] Income is taxed as earned, on an accrual basis.
- The possibility for certain trusts and estates to have non-calendar taxation years is considered to be part of the benchmark tax system.
- Under the benchmark, business and capital losses not deducted in the taxation period in which these losses arose can be carried over to prior or subsequent taxation periods in recognition of the cyclical nature of business activity and investment.

Tax Base

- The benchmark personal and corporate income tax base comprises income from most sources, including income from employment, pension income, profits from a business and from investment, capital gains, and government transfers.[4] However, the following are considered not to be income subject to tax under the benchmark tax system:
  - Non-market transfers of money and property between taxpayers, such as gifts, inheritances and spousal and child support payments, since such amounts are generally paid out of income previously subject to tax.
  - The benefits derived from non-market household services, such as those provided by homemakers.
  - Imputed rents on owner-occupied dwellings (i.e., the benefits derived by homeowners from occupying their homes).
- Taxpayers resident in Canada are subject to tax on their worldwide income, while non-residents are taxable in Canada on their income from Canadian sources only.
- Current expenses incurred to earn taxable business or property income are deductible in the year incurred. In contrast, expenses incurred to earn employment income are not deductible. Accounting or financial reserves claimed in respect of contingent liabilities are not deductible.
- The cost of a capital asset that contributes to earnings beyond the year in which the cost is incurred is deductible, once the asset is first used for the purpose of earning business income, at a rate that allocates the cost over the period during which the capital asset contributes to earnings—generally, the useful life of the asset. It is presumed that the capital cost allowance rates that are prescribed in the *Income Tax Regulations* permit the deductibility of the costs of depreciable capital assets over the useful lives of these assets, with the exception of the specific accelerated rates that are applicable to certain classes of assets.
- Losses can be deducted against income, but the excess of losses over income in a given taxation period is not refundable (as noted, unused losses can be carried over to prior or subsequent taxation periods). Losses can be deducted against income from any source, except for capital losses, which are only deductible against capital gains.

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[3] A corporation's fiscal period is any period of 53 weeks or less.

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

Tax Rates and Income Brackets

- The benchmark personal income tax rate and bracket structure is the rate and bracket structure as it exists at any given time. The credit for the Basic Personal Amount is viewed as being part of the existing rate structure, because this credit is universal in its application and effectively provides a zero rate of tax up to an initial level of income. The taxation of most trusts at the top personal income tax rate is intended to limit the use of trusts for tax planning, and is therefore considered to be part of the benchmark.
- The benchmark corporate income tax rate is the statutory general corporate income tax rate in effect at any given time.[5]

Treatment of Inflation

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

Avoidance of Double Taxation

- Measures that provide relief from double taxation are considered part of the benchmark income tax system. Examples of relief from double taxation include:
  - Individuals and corporations are taxed separately; however, recognition is given for taxes presumed to have been paid on a corporation's income when it is subsequently distributed and subject to tax at the individual level.
  - Double taxation is also avoided in situations where an amount on which a corporation has paid tax is transferred to another corporation, for instance when a taxable Canadian corporation pays a dividend to another Canadian corporation.
  - Relief from double taxation in the international context is provided in Canada in respect of income from foreign sources earned by Canadians and Canadian corporations.[6]

Taxation of Governments and Governmental Entities

- Constitutional immunity from taxation by virtue of section 125 of the *Constitution Act, 1867* is recognized as part of the benchmark income tax system. Accordingly, neither the federal nor the provincial governments (nor their Crown agents) are liable to taxation by the other.
- Federal Crown corporations and other federal government entities are not subject to federal income tax.
- Arrangements between the federal government and provincial and territorial governments to share tax bases among the two levels of government are reflected in the benchmark tax system.

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.

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[5] It represents the statutory rate after the federal abatement and general rate reduction. As such, the benchmark corporate income tax rate has been 15% since 2012.

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

- Non-resident withholding tax is imposed on payments to non-residents at the statutory rate of 25% or at the general rate provided for the particular type of payments under the applicable treaty.[7]
- Branch tax is imposed on the income derived by non-resident corporations from a business carried on in Canada and that is not reinvested in Canada, at the statutory rate of 25% or at the applicable treaty rate.

Benchmark Tax System for the Goods and Services Tax

The benchmark for the GST, as defined for the purpose of this report, has the following characteristics.[8]

Unit of Taxation

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

Taxation Period

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

Tax Base

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

Multi-Stage System

- The benchmark for the GST provides that the tax is imposed using a multi-stage system under which tax is applied to the sales of goods and services at all stages of the production and marketing chain. At each stage of production, businesses can claim tax credits to recover the GST paid on their business inputs, so that the GST effectively applies only to the value added at each stage. Since the only tax that is not refunded is the tax collected on sales to final consumers, the GST is effectively imposed on final consumption.
- The fact that certain 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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[7] Non-resident withholding tax is often considered to act as a proxy for the income tax that would be payable had the payments been made to Canadian residents; hence the inclusion of this tax in the scope of this report.

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

Taxation of Governments and Governmental Entities

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

Main Types of Tax Expenditures

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

Type of Tax Expenditures	Examples
The exemption from tax of certain taxpayers.	Registered charities and non-profit organizations are exempt from income tax. Transportation, communications and iron ore mining corporations are exempt from branch tax.
The exemption from income tax of certain items of income or gains.	Capital gains realized on certain donated assets are not subject to income tax.
The exemption from GST or zero-rating of certain supplies of goods or services.[9]	GST is not charged on basic groceries, health services and financial services.
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.

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

Calculation of the Tax Expenditure Estimates and Projections

The value of a tax expenditure is calculated by estimating the revenues that the federal government forgoes as a result of the measure. This involves comparing the amount of revenues actually collected with the amount of revenues that would be collected in the absence of the measure, accounting for any changes in income-tested entitlements and assuming all else is unchanged. The method used to derive cost projections, as well as the period over which these projections are to be derived, vary depending on how the cost estimates are obtained. The cost of federal tax expenditures is projected up to 2021; 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. This edition of the *Report on Federal Tax Expenditures* marks the first time that the newly enhanced T1 micro-simulation model (base year 2017) is used to complete the estimates of personal income tax expenditures. Among other improvements, the new T1 model references the entire population of taxfilers (about 28 million) provided by the Canada Revenue Agency rather than the stratified sample of approximately 700,000 individual tax returns that was used by the previous model. For this reason, there may be breaks in the series of estimates starting with the 2017 tax year. The micro data used in the T1 model is based on initial assessment data available roughly one year after the close of the respective tax year. Tax expenditure estimates based on the T1 model may be slightly underestimated relative to estimates based on a more mature database, with the degree of underestimation varying by measure.

Each tax expenditure accounts for changes in federal personal income tax as well as changes in income-tested entitlements delivered by the Canada Revenue Agency (e.g., child benefits and the GST/HST Credit). Tax expenditures whose costs cannot be estimated using the T1 model due to the complexity of these measures or the absence of individual tax return data are estimated using supplementary data obtained from the Canada Revenue Agency, Statistics Canada and a number of other sources (e.g., other government departments and industry associations).

There is a 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 2017. Projections of personal income tax expenditures for subsequent years are calculated using the T1 model, which projects population, income and tax parameters to future years. Population growth is assumed to follow Statistics Canada's medium-growth population forecast by age, gender and province. Income growth assumptions, which vary by main sources of income, are consistent with the underlying forecasts used in the Department of Finance Canada's 2019 *Economic and Fiscal Update*. 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 *Economic and Fiscal Update*. 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.

Personal income tax expenditures accruing to trusts are estimated using a micro-simulation for trust income taxation, and are projected on the same basis as personal income tax expenditures accruing to individuals or corporate income tax expenditures, depending on the measure. In general, forgone revenues are estimated under the assumption that there is no change in the amounts of trust income that are allocated to beneficiaries. Exceptions to this approach are noted in the methodological information provided in Part 3 of this report. Forgone revenues are also estimated under the assumption that there is no change in the level of unit redemptions by mutual fund trusts. Mutual fund trusts are eligible, upon the redemption of trust units, to a refund of the tax paid at the trust level on taxable capital gains (see the description of the measure "Refundable capital gains tax for investment corporations, mutual fund corporations and mutual fund trusts" in Part 3 of this report for more details). As such, the cost that may be associated with a particular tax expenditure that is of benefit to mutual fund trusts (such as the partial inclusion of capital gains) could ultimately be offset by lower capital gains refunds claimed by mutual fund trusts. This interaction is not accounted for in the estimation model (as each measure is estimated independently); therefore care should be taken in interpreting the estimates.

Corporate Income Tax Expenditures

Similar to personal income tax expenditures, forgone revenues for many corporate income tax expenditures are estimated using the Department of Finance Canada's corporate income tax micro-simulation model (the T2 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 2017. 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 2019 *Economic and Fiscal Update* 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 *Economic and Fiscal Update*) 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 2019 *Economic and Fiscal Update* or by third parties. As for GST expenditures estimated using the Goods and Services Tax Model, the values shown for 2014 and 2015 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 2016 and 2017 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 GBA+ of the personal income tax system, focusing on tax expenditures with family components and analyzing the distribution of these tax expenditures' claims and benefits within families.

Additional Resources

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

Department of Finance Canada website: **www.canada.ca/en/department-finance.html**
Taxes and Tariffs section: **www.canada.ca/en/department-finance/programs/tax-policy.html**
Budgets: **www.canada.ca/en/department-finance/services/publications/federal-budget.html**
Fiscal Reference Tables: **www.canada.ca/en/department-finance/services/publications/fiscal-reference-tables.html**

Canada Revenue Agency website: **www.canada.ca/en/revenue-agency.html**
Tax statistics: **www.canada.ca/en/revenue-agency/programs/about-canada-revenue-agency-cra/income-statistics-gst-hst-statistics.html**
Tax rates and parameters: **www.canada.ca/en/revenue-agency/services/tax/rates.html**

Statistics Canada website: **www.statcan.gc.ca**

Provincial tax expenditure reports:

Newfoundland and Labrador—Estimates 2019, Appendix I
www.gov.nl.ca/budget/2019/estimates

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* 2019
budget.ontario.ca/2019/fallstatement/transparency.html

Manitoba—*Budget 201*9, 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 2019—*2019-23 Fiscal Plan,* "Tax Plan"
http://www.alberta.ca/tax-plan.aspx

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.[10]

For tax purposes, firms calculate their deductions for depreciable capital assets under the rules set out in the *Income Tax Act* and *Income Tax Regulations*. The allowable deduction rates for depreciable capital assets are set out in the capital cost allowance (CCA) system. This system generally allows for a portion of the original capital cost of an asset or group of assets to be deducted each year. In most cases, each successive year, a fixed percentage is applied to the declining balance of undeducted costs remaining. A similar system applies to deductions for intangible expenses in the natural resource sectors that are capital in nature, such as the costs of exploration and development.

The rate at which certain capital costs can be deducted for tax purposes is, in some cases, more rapid than would be permitted under the useful life benchmark. Examples are the provision of accelerated CCA or immediate expensing for certain tangible capital assets (e.g., machinery and equipment used in manufacturing and processing, specified clean energy equipment, Canadian vessels) and of the immediate deduction of certain intangible expenses that are capital in nature in that they contribute to earnings over several years (e.g., advertising costs, expenditures on research and development).

These provisions result in tax deductions that are higher (as compared with the useful life benchmark) in the initial years of the life of an asset and lower in later years. While the total amount deducted over the life of the asset (equal to the original cost) is not affected, the acceleration in the deduction results in a deferral of tax. Given the time value of money, this can be an important financial benefit to firms. Changes in the timing of tax receipts can also have an important impact on the government's fiscal position in the short term.

[10] The determination of the useful life of an asset involves the assessment of a variety of factors, including statistical estimates of the rate of economic depreciation applying to the asset, industry data on the engineering life of the asset and the repairs needed to keep it operating, and the treatment accorded to the asset for financial accounting purposes.

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.

Historically, annual tax expenditure estimates were not usually provided for accelerated deductibility provisions because adequate data are not generally available to calculate them with a reasonable degree of accuracy, and because many simplifying assumptions would be required to model the pattern of deductions that would be claimed in the absence of these provisions. However, last year's report presented the combined incremental tax expenditure estimates of the three accelerated capital cost allowance measures announced in the 2018 *Fall Economic Statement* under "Accelerated Investment Incentive". Going forward, tax expenditure estimates will generally be provided for new accelerated deductibility provisions. These 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.

Flow-Through Share Deductions

An investor buying a flow-through share, in addition to receiving an equity interest in the issuing corporation, is also entitled to claim deductions on account of Canadian Exploration Expenses, Canadian Development Expenses and Canadian Renewable and Conservation Expenses transferred to the investor by the corporation.[11] On a cash-flow basis, the cost of this tax expenditure, for a given year, is equal to the amount of revenue forgone as a result of the transferred deductions claimed by investors in that year less the estimated incremental revenue gain associated with the zero cost base for flow-through shares sold by investors in that year. The transfer of unused deductions from the issuing corporations to the investors entails a cost to the government when the deductions are claimed by the investors earlier than they would have been claimed by the corporations or where the investors face higher tax rates than the issuing corporations. The fact that flow-through shares are deemed to have a zero cost base for tax purposes means that the gains realized by investors when the shares are sold will be larger than they would otherwise have been, resulting in more taxes being paid on the incremental capital gains.[12] On a present-value basis, the cost of this tax expenditure would be calculated by comparing the discounted present value of the deductions and capital gains, with and without the flow-through mechanism.

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

12 The incremental portion of the gain is the difference between the zero cost base and the price at which the company would have been able to issue regular common shares.

The estimates and projections of the cost of this tax expenditure presented in this report are on a cash-flow basis and represent an upper-bound of the cost, since it is effectively assumed that the issuing corporations would never have been able to deduct the transferred expenses.[13]

Deductibility of Contributions to a Qualifying Environmental Trust

A qualifying environmental trust is an arm's length trust to which companies operating certain sites like mines and waste disposal sites are required by law to make contributions in order to pre-fund site reclamation costs. Since general income tax rules do not permit a deduction for contingent expenses, a deduction for prepaying such costs would normally only be allowed when the reclamation costs are actually incurred. In the absence of relief, this could give rise to cash-flow issues since no tax recognition would be provided when the contributions are made. Further, since reclamation expenses are normally paid after the closure of a site when it is no longer producing revenues, the company (particularly if it is a single-site company) may not have any taxable income against which to claim the expenses.

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).

[13] Limited data is available to determine when, if ever, the expenses being flowed through would otherwise have been deducted by the issuing corporations. Available data indicates, for example, that 96% of corporations that flowed through expenses to investors for the 2013 taxation year were not taxable in that year and thus not in a position to immediately deduct the expenses themselves. Many junior exploration corporations in Canada, particularly in the mining sector, never become taxable entities. It is a common business model that once an exploitable resource is found, the resource will be sold to a larger corporation or group with more experience developing and operating extraction projects.

Part 2

Tax Expenditure Estimates and Projections

Introduction

Part 2 presents the estimates of the fiscal cost of federal tax expenditures for the years 2014 to 2021. 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. To increase transparency in government reporting on support to the fossil fuel sector, a table grouping tax expenditures that provide such support was added to this section of the report.

Finally, key changes that have been made to tax expenditures since the last edition are described.

Notes:

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

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

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

Symbols:

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

Table
Estimates and Projections
millions of dollars

		Estimates				Projections			
		2014	2015	2016	2017	2018	2019	2020	2021
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 (phased out)	PIT	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	1	-1	2	-2	n.a.	n.a.	n.a.
	CIT	S	1	S	3	S	n.a.	n.a.	n.a.
Deferral of income from sale of livestock in a region of drought, flood or excessive moisture	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Non-structural									
Deferral of capital gains through intergenerational rollovers of family farms or fishing businesses	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Deferral of income from grain sold through cash purchase tickets	PIT	-20	15	10	-5	-10	-20	n.a.	n.a.
	CIT	-25	20	10	-5	-15	-3	n.a.	n.a.
Exemption for insurers of farming and fishing property (repealed)	CIT	10	10	10	10	10	–	–	–
Patronage dividends paid as shares by agricultural cooperatives	PIT	1	S	2	2	2	1	1	1
	CIT	3	S	5	4	4	3	3	3
Tax treatment of farm savings accounts (AgriInvest and Agri-Québec)	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Zero-rating of agricultural and fish products and purchases	GST	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
BUSINESS - NATURAL RESOURCES									
Non-structural									
Accelerated capital cost allowance for liquefied natural gas facilities (sunset in 2025)	PIT	–	X	X	X	X	X	X	X
	CIT	–	X	X	X	X	X	X	X
Accelerated capital cost allowance for mining and oil sands assets (phasing out)	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Accelerated deductibility of some Canadian Exploration Expenses (phasing out)	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Corporate Mineral Exploration and Development Tax Credit (phased out)	CIT	30	15	5	70	60	60	60	60
Earned depletion (phased out)	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	1	S	S	S	S	S	S	S
Flow-through share deductions	PIT	100	55	85	115	105	115	105	120
	CIT	30	30	45	50	55	55	55	60
Mineral Exploration Tax Credit for flow-through share investors (sunset in 2024)	PIT	30	25	55	70	70	70	70	70
Reclassification of expenses under flow-through shares (phased out)	PIT	-5	-5	-4	-2	-1	-3	-2	-2
	CIT	-1	-1	S	S	S	S	S	S

Table
Estimates and Projections
millions of dollars

		Estimates				Projections			
		2014	2015	2016	2017	2018	2019	2020	2021
BUSINESS - RESEARCH AND DEVELOPMENT									
Non-structural									
Expensing of current expenditures on scientific research and experimental development	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Scientific Research and Experimental Development Investment Tax Credit (non-refundable portion for CIT)	PIT	1	1	S	1	1	1	1	1
	CIT	1,330	1,340	1,410	1,530	1,295	1,165	1,185	1,205
BUSINESS - SMALL BUSINESSES									
Structural									
Small suppliers' threshold	GST	220	225	225	230	250	255	265	275
Non-structural									
Deduction of allowable business investment losses	PIT	40	35	35	40	35	35	35	35
	TRU	S	S	1	1	1	1	1	1
	CIT	10	15	10	10	10	10	10	10
Non-taxation of provincial assistance for venture investments in small businesses	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Preferential tax rate for small businesses	CIT	3,115	3,235	3,640	3,875	4,305	4,840	5,325	5,630
Rollovers of investments in small businesses	PIT	5	X	25	10	15	15	15	15
BUSINESS - OTHER									
Structural									
Deductibility of costs of capital assets and eligibility for investment tax credits before asset is put in use	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Deductibility of earthquake reserves	CIT	S	S	S	S	S	1	1	1
Deferral through five-year capital gain reserve	PIT	10	10	15	20	15	15	15	15
	TRU	-5	S	-2	3	3	3	3	3
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Deferral through rollover of capital gains and capital cost allowance recapture in respect of involuntary dispositions	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Deferral through use of billed-basis accounting by professionals and professional corporations	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Exemption from branch tax for transportation, communications, and iron ore mining corporations	CIT	4	S	S	30	15	15	20	20
Exemption from GST for domestic financial services	GST	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Expensing of advertising costs	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Expensing of incorporation expenses	CIT	–	–	–	n.a.	n.a.	n.a.	n.a.	n.a.
Holdback on progress payments to contractors	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	80	50	10	25	50	50	55	55
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			
		2014	2015	2016	2017	2018	2019	2020	2021
BUSINESS – OTHER *(cont'd)*									
Non-structural									
Accelerated capital cost allowance for manufacturing or processing machinery and equipment (sunset in 2027)	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Accelerated capital cost allowance for vessels	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Accelerated Investment Incentive (sunset in 2028)	PIT CIT	–	–	–	–	370	3,710	3,280	2,315
Atlantic Investment Tax Credit (non-refundable portion for CIT)	PIT	10	10	10	10	10	10	10	10
	CIT	185	270	135	510	255	250	245	145
Deferral for asset transfers to a corporation and corporate reorganizations	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Deferral through 10-year capital gain reserve	PIT	35	30	30	35	35	35	40	40
Deferral through rollover of capital gains and capital cost allowance recapture in respect of dispositions of land and buildings	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Expensing of employee training costs	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Foreign Convention and Tour Incentive Program	GST	15	20	25	25	10	15	15	15
Lifetime Capital Gains Exemption	PIT	1,260	1,380	1,500	1,755	1,825	1,905	1,985	2,080
	TRU	1	1	–	–	–	–	–	–
Non-deductibility of advertising expenses in foreign media	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	S	S	S	S	S	S	S	S
Special tax rate for credit unions (phased out)	CIT	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	2,585	2,645	2,735	2,900	3,090	3,195	3,125	3,210
	TRU	10	15	15	30	30	30	30	35
Deductibility of charitable donations	CIT	500	455	450	645	680	655	685	725
Deduction for certain contributions by individuals who have taken vows of perpetual poverty	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Exemption from GST for certain supplies made by charities and non-profit organizations	GST	1,010	1,100	1,225	1,310	1,345	1,375	1,400	1,430
First-Time Donor's Super Credit (sunset in 2017)	PIT	4	4	4	4	–	–	–	–
Non-taxation of capital gains on donations of cultural property	PIT	10	10	10	5	4	5	5	5
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Non-taxation of capital gains on donations of ecologically sensitive land	PIT	2	1	3	2	3	2	2	2
	TRU	S	S	S	S	S	S	S	S
	CIT	5	S	S	2	1	1	1	1
Non-taxation of capital gains on donations of publicly listed securities	PIT	70	60	75	95	90	105	110	115
	TRU	1	S	1	1	1	1	1	2
	CIT	100	60	65	105	75	90	95	100
Non-taxation of non-profit organizations	PIT CIT	105	70	65	95	120	95	115	140

Table
Estimates and Projections
millions of dollars

		Estimates				Projections			
		2014	2015	2016	2017	2018	2019	2020	2021
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	70	75	70	70	70	75	75	80
Rebate for registered charities	GST	310	325	310	310	305	315	330	340
EDUCATION									
Structural									
Deduction for tuition assistance for adult basic education	PIT	2	1	2	2	2	2	2	2
Education Tax Credit (phasing out)	PIT	725	760	730	400	325	245	185	135
Textbook Tax Credit (phasing out)	PIT	115	120	115	65	55	40	30	20
Tuition Tax Credit	PIT	1,120	1,230	1,315	1,455	1,625	1,740	1,875	1,945
Non-structural									
Exemption from GST for tuition and educational services	GST	705	740	790	820	855	890	925	960
Exemption of scholarship, fellowship and bursary income	PIT	250	250	265	365	465	465	470	480
Rebate for book purchases made by certain organizations	GST	15	15	15	15	15	15	15	15
Rebate for schools, colleges and universities	GST	710	725	745	830	885	915	940	960
Registered Education Savings Plans	PIT	155	145	135	110	105	100	115	150
Student Loan Interest Credit	PIT	40	40	40	45	50	50	50	50
EMPLOYMENT									
Structural									
Apprentice vehicle mechanics' tools deduction	PIT	3	3	3	3	3	3	3	3
Canada Employment Credit	PIT	2,185	2,270	2,295	2,385	2,465	2,540	2,580	2,635
Child care expense deduction	PIT	1,080	1,345	1,295	1,320	1,365	1,415	1,455	1,500
Deductibility of certain costs incurred by musicians	PIT	2	1	1	S	S	S	S	S
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	920	930	915	920	935	970	1,010	1,040
Deduction of union and professional dues	PIT	915	970	955	975	1,020	1,070	1,115	1,155
Moving expense deduction	PIT	100	100	100	110	115	120	125	130
Non-taxation of allowances for diplomats and other government employees posted abroad	PIT	25	25	30	30	35	35	n.a.	n.a.
Non-taxation of allowances for members of legislative assemblies and certain municipal officers (repealed)	PIT	20	20	20	20	20	–	–	–
Non-taxation of benefits in respect of home relocation loans (repealed)	PIT	S	S	S	S	–	–	–	–

Table
Estimates and Projections
millions of dollars

		Estimates				Projections			
		2014	2015	2016	2017	2018	2019	2020	2021
EMPLOYMENT *(cont'd)*									
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	60	55	50	50	50	50	55	55
Non-structural									
Apprenticeship Job Creation Tax Credit	PIT	2	2	2	2	2	1	1	1
	CIT	95	90	85	90	85	80	80	80
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	745	685	550	655	755	780	810	840
Non-taxation of income earned by military and police deployed to international operational missions	PIT	5	10	15	40	40	50	n.a.	n.a.
Northern Residents Deductions	PIT	180	180	220	225	235	235	240	240
Overseas Employment Tax Credit (phased out)	PIT	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	-1	55	60	60	60	60	60	60
Non-structural									
Accelerated capital cost allowance for clean energy generation equipment (sunset in 2025)	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Accelerated capital cost allowance for zero-emission vehicles (sunset in 2027)	PIT CIT	–	–	–	–	–	15	30	35
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 (repealed)	PIT	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	–	–	–	190	200	210	215	220
Caregiver Credit (replaced)	PIT	140	145	145	–	–	–	–	–
Child Tax Credit (repealed)	PIT	1,645	–	–	–	–	–	–	–
Eligible Dependant Credit	PIT	795	870	905	940	965	995	1,075	1,125
Family Caregiver Tax Credit (repealed)	PIT	70	75	75	–	–	–	–	–
Goods and Services Tax/Harmonized Sales Tax Credit	GST	4,175	4,315	4,440	4,550	4,650	4,765	4,905	5,050
Infirm Dependant Credit (replaced)	PIT	5	5	5	–	–	–	–	–
Spouse or Common-Law Partner Credit	PIT	1,505	1,440	1,575	1,715	1,770	1,830	1,930	2,000
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	150	160	170	180	185	195	200	210
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 (repealed)	PIT	1,650	1,625	–	–	–	–	–	–

Table
Estimates and Projections
millions of dollars

		Estimates				Projections			
		2014	2015	2016	2017	2018	2019	2020	2021
FAMILIES AND HOUSEHOLDS *(cont'd)*									
Inclusion of the Universal Child Care Benefit in the income of an eligible dependant (replaced)	PIT	2	10	5	–	–	–	–	–
Investment Tax Credit for Child Care Spaces (phased out)	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	10	10
Tax treatment of alimony and maintenance payments	PIT	65	65	95	95	105	105	110	110
Zero-rating of feminine hygiene products	GST	–	15	35	40	40	40	40	45
HEALTH									
Structural									
Disability supports deduction	PIT	3	3	3	3	3	3	3	3
Disability Tax Credit	PIT	885	990	1,030	1,090	1,150	1,220	1,290	1,365
Medical Expense Tax Credit	PIT	1,300	1,370	1,435	1,550	1,670	1,790	1,900	2,000
Non-structural									
Children's Fitness Tax Credit (replaced)	PIT	180	–	–	–	–	–	–	–
Exemption from GST for health care services	GST	735	775	820	845	880	920	960	990
Exemption from GST for hospital parking	GST	10	15	15	15	15	15	15	20
Home Accessibility Tax Credit	PIT	–	–	15	15	15	20	20	20
Non-taxation of benefits from private health and dental plans	PIT	2,585	2,580	2,480	2,840	3,050	3,240	3,425	3,605
Rebate for hospitals, facility operators and external suppliers	GST	650	695	630	665	695	720	740	755
Rebate for specially equipped motor vehicles	GST	S	S	S	S	S	S	S	S
Registered Disability Savings Plans	PIT	35	40	50	60	65	85	95	110
Surtax on the profits of tobacco manufacturers (phased out)	CIT	X	X	X	X	–	–	–	–
Zero-rating of medical and assistive devices	GST	360	400	420	440	455	465	480	495
Zero-rating of prescription drugs	GST	785	810	855	895	930	955	985	1,010
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	1,800	1,800	1,895	1,970	2,070	2,200	2,310	2,420
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	115	115	115	110	105	105	105	110
Non-taxation of capital gains on principal residences	PIT	5,045	6,135	7,960	7,520	5,315	4,895	5,870	7,070
Rebate for new housing	GST	570	570	520	510	490	480	510	495
Rebate for new residential rental property	GST	125	140	170	150	140	145	155	150

Table
Estimates and Projections
millions of dollars

		Estimates				Projections			
		2014	2015	2016	2017	2018	2019	2020	2021
INCOME SUPPORT									
Non-structural									
Non-taxation of certain veterans' benefits	PIT	240	230	220	205	200	190	180	175
Non-taxation of Guaranteed Income Supplement and Allowance benefits	PIT	145	155	175	225	240	255	215	215
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	25	25	30	35	40	45	45	50
Non-taxation of social assistance benefits	PIT	205	230	240	265	295	310	290	280
Non-taxation of workers' compensation benefits	PIT	645	630	640	675	720	725	720	720
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	2,165	2,245	2,280	2,515	2,650	2,715	2,785	2,860
Refunds for Indigenous self-governments	GST	5	10	5	5	10	10	10	10
Non-structural									
Logging Tax Credit	PIT	1	1	1	1	2	2	2	2
	TRU	S	X	X	X	X	X	X	X
	CIT	20	20	25	60	90	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	265	300	300	310	325	340	350	365
Non-structural									
Exemptions from non-resident withholding tax	PIT CIT	5,145	5,645	6,140	6,780	6,695	6,900	7,165	7,440
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	1,135	1,170	1,190	1,195	1,230	1,280	1,285	1,315
Pension income splitting	PIT	1,145	1,165	1,135	1,290	1,355	1,455	1,580	1,700
Pooled Registered Pension Plans	PIT	–	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Registered Pension Plans	PIT	24,170	23,850	25,600	28,035	24,715	29,855	29,060	30,380
Registered Retirement Savings Plans	PIT	15,580	15,060	15,925	17,265	14,620	17,185	17,205	17,220
Saskatchewan Pension Plan	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Table
Estimates and Projections
millions of dollars

		Estimates				Projections			
		2014	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**
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	255	220	205	225	215	220	215	230
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	125	90	145	150	155	160	165	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	5,580	5,730	6,250	9,485	9,755	10,205	10,690	11,255
	TRU	865	710	565	770	795	825	865	910
	CIT	5,410	6,100	6,560	9,660	11,095	9,625	10,090	10,670
Tax-Free Savings Account	PIT	565	635	810	1,075	885	1,340	1,595	1,790
SOCIAL									
Non-structural									
Age Credit	PIT	3,025	3,170	3,335	3,450	3,635	3,840	3,870	4,020
Credit for subscriptions to Canadian digital news media	PIT	–	–	–	–	–	–	25	30
Deduction for clergy residence	PIT	90	90	95	95	95	100	105	105
Exemption from GST and rebate for legal aid services	GST	35	35	35	35	40	40	40	45
Exemption from GST for ferry, road and bridge tolls	GST	10	10	10	10	15	15	15	15
Exemption from GST for municipal transit	GST	190	195	200	210	220	225	235	245
Exemption from GST for water, sewage and basic garbage collection services	GST	245	265	280	300	310	325	335	345
Political Contribution Tax Credit	PIT	30	55	25	25	30	45	30	30
Search and Rescue Volunteers Tax Credit	PIT	2	2	2	2	2	2	2	2
Tax-free amount for emergency services volunteers	PIT	3	3	3	3	3	3	3	3
Volunteer Firefighters Tax Credit	PIT	20	20	20	20	20	20	20	20
Zero-rating of basic groceries	GST	4,080	4,260	4,405	4,560	4,750	4,880	5,020	5,170
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.

Table
Estimates and Projections
millions of dollars

		Estimates				Projections			
		2014	2015	2016	2017	2018	2019	2020	2021
TAX MEASURES OTHER THAN TAX EXPENDITURES									
BUSINESS - OTHER									
Structural									
Non-capital loss carry-overs	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	TRU	205	125	200	350	240	220	235	255
	CIT	7,050	6,550	7,230	7,515	7,660	7,330	7,510	7,835
Partial deduction of and partial input tax credits for meals and entertainment	PIT	200	210	215	210	215	220	220	225
	CIT	300	295	310	325	335	300	305	325
	GST	165	170	175	180	185	185	195	200
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	9,270	9,810	9,610	10,070	10,530	11,400	12,220	13,240
Tax treatment of Employment Insurance and Quebec Parental Insurance Plan premiums and benefits	PIT	3,970	4,220	4,215	3,965	4,210	4,275	4,275	4,410
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	4,205	4,380	4,420	4,745	5,135	5,335	5,435	5,605
	TRU	65	60	60	95	70	85	85	90
Transfer of income tax points to provinces	PIT	20,615	22,060	21,265	22,895	24,445	25,450	26,190	26,925
	TRU	505	540	615	830	550	740	775	805
	CIT	2,855	2,850	3,000	3,320	3,525	3,335	3,440	3,770
INTERNATIONAL									
Structural									
Foreign tax credit for individuals	PIT	1,205	1,445	1,590	1,650	1,670	1,695	1,715	1,735
	TRU	45	50	50	35	35	35	35	35
SAVINGS AND INVESTMENT									
Structural									
Capital loss carry-overs	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	TRU	1,985	1,135	935	1,225	1,030	1,075	1,155	1,245
	CIT	820	815	600	570	800	680	700	725
Deduction of interest and carrying charges incurred to earn investment income	PIT	1,295	1,385	1,455	1,630	1,845	1,925	1,990	2,050
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Dividend gross-up and tax credit	PIT	4,655	5,780	4,475	5,395	5,030	4,895	5,010	5,190
	TRU	355	450	225	235	220	215	220	225
Investment corporation deduction	CIT	S	S	S	S	S	S	S	S
Refundable capital gains tax for investment corporations, mutual fund corporations and mutual fund trusts	TRU	2,550	2,400	3,355	4,540	4,020	4,185	4,265	4,465
	CIT	535	960	855	1,315	1,000	980	1,030	1,090

Table
Estimates and Projections
millions of dollars

		Estimates				Projections			
		2014	2015	2016	2017	2018	2019	2020	2021
OTHER									
Structural									
Credit for the Basic Personal Amount	PIT	32,010	33,345	33,910	35,050	36,200	37,410	41,395	43,640
Non-taxation of payments to Canadian Armed Forces members and veterans in respect of pain and suffering	PIT	115	155	170	345	345	235	170	180
Refundable taxes on investment income of private corporations	CIT	-765	-345	-1,255	-1,885	-2,330	-2,335	-2,465	-2,620
Special tax computation for certain retroactive lump-sum payments	PIT	1	1	1	1	1	1	1	1
REFUNDABLE TAX CREDITS CLASSIFIED AS TRANSFER PAYMENTS									
Atlantic Investment Tax Credit (refundable portion)	CIT	15	20	20	20	20	20	25	25
Canada Child Tax Benefit (replaced)	PIT	10,370	10,510	3,240	–	–	–	–	–
Canada Child Benefit	PIT	–	–	16,860	23,420	23,900	24,100	24,700	25,300
Canada Training Credit	CIT	–	–	–	–	–	–	145	180
Canadian Film or Video Production Tax Credit	CIT	250	255	270	295	265	275	285	295
Canadian Journalism Labour Tax Credit	PIT	–	–	–	–	–	n.a.	n.a.	n.a.
	CIT	–	–	–	–	–	90	90	90
Children's Fitness Tax Credit (phased out)	PIT	–	210	145	–	–	–	–	–
Film or Video Production Services Tax Credit	CIT	135	150	215	260	305	315	325	335
Refundable Medical Expense Supplement	PIT	145	150	155	165	170	180	190	200
Scientific Research and Experimental Development Investment Tax Credit (refundable portion)	CIT	1,275	1,255	1,275	1,290	1,295	1,475	1,660	1,850
Teacher and Early Childhood Educator School Supply Tax Credit	PIT	–	–	3	4	5	5	5	5
Working Income Tax Benefit (replaced)	PIT	1,165	1,160	1,185	1,160	1,105	–	–	–
Canada Workers Benefit	PIT	–	–	–	–	–	2,045	2,045	2,045

Tax Expenditures Supporting the Fossil Fuel Sector

Canada has routinely published estimates of its tax expenditures for over two decades, including those that favour the fossil fuel sector. In certain cases, a measure may be available to both fossil fuel producers and non-fossil fuel producers (for example, a measure benefitting the mining sector could benefit coal production, in addition to all other types of minerals and metals). In order to increase transparency, this year's report presents a separate table focused on tax expenditures that support the fossil fuel sector.

The data in the following table presents information about the revenue forgone for fossil fuel production or exploration, for each tax expenditure that provides support specifically to that sector. For example, "Flow-through share deductions" are an authorized tax shelter arrangement that can be used by corporations in the mining, oil and gas or renewable energy sectors. The revenue forgone presented in the table below for "Flow-through share deductions for oil and gas and coal mining" represents a subset of the amounts listed in the main table, and represents only the portion that can be attributed to fossil fuel exploration and development. In contrast, "Reclassification of expenses under flow-through shares", which is a measure that has been phased out, was only available to corporations in the oil and gas sector. The amounts presented below in this case are the same as those presented in the main table. By construction, it would therefore not be accurate to sum the amounts presented below with those presented in the main table, as these are duplicative.

Table
Estimates and Projections
millions of dollars

		Estimates				Projections			
		2014	2015	2016	2017	2018	2019	2020	2021
TAX EXPENDITURES									
FOSSIL FUEL SECTOR									
Non-structural									
Accelerated capital cost allowance for liquefied natural gas facilities (sunset in 2025)[1]	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 coal mining and oil sands assets (phase-out for oil sands announced in Budget 2007 and phase-out for mining announced in Budget 2013)[1]	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Accelerated deductibility of some pre-production development expenses of oil sands mines (phase-out announced in Budget 2011), pre-production development expenses of coal mines (phase-out announced in Budget 2013), and for oil and gas discovery wells (phase-out announced in Budget 2017)[1]	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Earned depletion for oil and gas and coal mining (phase-out announced in 1987)[2]	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 for oil and gas and coal mining	PIT	40	20	15	15	15	10	10	10
	CIT	15	15	20	15	15	10	10	10
Reclassification of expenses under flow-through shares (phase-out announced in Budget 2017)[3]	PIT	-5	-5	-4	-2	-1	-3	-2	-2
	CIT	-1	-1	S	S	S	S	S	S
Atlantic Investment Tax Credit for oil and gas and coal mining (non-refundable portion for CIT, phase-out of fossil fuel portion announced in Budget 2012)[4]	PIT	0	0	0	0	0	0	0	0
	CIT	X	X	X	X	X	X	X	X

[1] For more information on the costing of accelerated deductions and the difficulties in providing accurate estimates, please see the annex to Part 1.
[2] While corporations have not been able to add expenditures to the earned depletion base since 1989, expenses incurred prior to that year could be pooled and carried forward indefinitely, as is generally the case for depreciable capital expenses.
[3] A negative number represents an increase in revenue. While this measure currently results in an increase in government revenues, it has previously resulted in a cost to government, consistent with the intent of the measure to provide a preference to the oil and gas sector. For more information on the costing of accelerated deductions, please see the annex to Part 1.
[4] Unused credits accumulated prior to the complete phase-out of the measure (2014) can be carried forward indefinitely.

Background Statistics

Federal Revenues, Fiscal Year 2018–19

	Revenues (billions of dollars)	Share of total revenues (%)	Share of gross domestic product (%)
Personal income taxes	163.9	49.3	7.4
Corporate income taxes	50.4	15.2	2.3
Non-resident withholding taxes	9.4	2.8	0.4
Goods and Services Tax	38.2	11.5	1.7
Other excise duties and taxes	19.0	5.7	0.9
Total tax revenues	280.8	84.5	12.6
Non-tax revenues	51.4	15.5	2.3
Total revenues	332.2	100.0	14.9

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, 2019 *Economic and Fiscal Update*.

Federal Personal Income Tax Brackets and Rates, Taxfilers and Taxes Paid, 2017

	Tax Brackets		Taxfilers		Taxes Paid	
	Income range	Rate	Number (millions)	Share (%)	Amount (billions of dollars)	Share (%)
First bracket	Under $45,916	15%	8.5	31	16.2	11
Second bracket	$45,916 - $91,831	20.5%	6.9	25	49.5	35
Third bracket	$91,831 - $142,353	26%	1.6	6	26.2	19
Fourth bracket	$142,353 - $202,800	29%	0.4	2	13.1	9
Fifth bracket	Over $202,800	33%	0.4	1	36.3	26
Taxable filers			17.9	64	141.2	100
Non-taxable filers			10.0	36		
All taxfilers			27.8	100		

Note: These statistics are presented on a public accounts basis and calculated using the T1 microdata from individual tax returns for the 2017 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 less Quebec Abatement. Totals may not add due to rounding. Source: T1 Income Tax and Benefit Return micro data.

Federal Corporate Taxable Income, Number of Corporations and Taxes Paid (Corporations With Positive Taxable Income), 2017

	Taxable Income		Corporations Reporting Income		Taxes Paid	
	Amount (billions of dollars)	Share (%)	Number (thousands)	Share (%)	Amount (billions of dollars)	Share (%)
Canadian-controlled private corporations	**185.7**	**54**	**960.9**	**98**	**24.6**	**54**
Business income taxed at the preferential tax rate for small businesses	83.4	24	780.4	80		
Other business income taxed at the general rate	75.8	22	116.4	12		
Other income	26.5	8	322.4	33		
Other corporations	**157.2**	**46**	**20.1**	**2**	**21.2**	**46**
Business income taxed at the general rate	152.5	44	19.9	2		
Other income	4.6	1	9.8	1		
Total	**342.8**	**100**	**980.9**	**100**	**45.8**	**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 2019 Edition

New tax measures were introduced and others modified since the last edition of this report. Changes affecting tax expenditures in this report are described below. As this report considers tax expenditures as of December 31, 2019, changes announced in Budget 2020 are not listed below or taken into account in the estimates and projections.

Personal Income Tax

Basic Personal Amount Increase

On December 9, 2019, the Government of Canada announced its intention to increase the Basic Personal Amount (BPA) to $15,000 by 2023. This increase will be gradually implemented over the 2020 to 2023 period through annual increases in excess of inflation.

The new, increased portion of the BPA will be subject to an income test beginning at a level of individual net income equivalent to the fourth federal tax bracket threshold ($150,473 in 2020), and be fully phased out by the fifth federal bracket threshold ($214,368 in 2020). Individuals with net income at or exceeding the fifth bracket threshold will continue to receive the BPA, but will not benefit from the supplemental increase.

The Spouse or Common-Law Partner Credit and Eligible Dependant Credit, which are currently set equal to the BPA, will be increased in tandem. The increased portion of these credits will be subject to the same income-test as the BPA, and will continue to be reduced dollar-for-dollar by the net income of the spouse or eligible dependant.

The increase to the BPA and related credits has an impact on the projected cost of many tax expenditures in the personal income tax system through an interaction effect. By increasing the level of income at which an individual becomes taxable, it affects the cost of other tax expenditures.

Tax Measures for Kinship Care Providers

A number of provinces and territories offer kinship and close-relationship care programs (referred to as kinship care programs) as alternatives to foster care (or other formal care by the state) for children in need of protection who require out-of-home care on a temporary basis. As part of their kinship care programs, some of these jurisdictions provide financial assistance to care providers to help defray the costs of caring for the child.

Canada Child Benefit

Budget Implementation Act, 2018, No. 2 clarified that an individual caring for a child under a kinship care program is eligible for the Canada Child Benefit in respect of that child, regardless of whether they receive financial assistance from a government under such a program (provided all other eligibility requirements are met).

This measure applies for the 2008 and subsequent taxation years.

Canada Workers Benefit

The Canada Workers Benefit is a refundable tax credit that supplements the earnings of low-income workers and improves work incentives for low-income Canadians. A higher benefit amount is provided to eligible families (couples and single parents) than to single individuals without dependants.

Budget 2019 clarified that an individual may be considered to be the parent of a child in their care for the purpose of the Canada Workers Benefit, regardless of whether they receive financial assistance from a government under a kinship care program. Kinship care providers are now eligible for the Canada Workers Benefit amount available for families, provided all other eligibility requirements are met.

This measure applies for the 2009 and subsequent taxation years.

Tax Treatment of Financial Assistance Payments

Social assistance payments made on the basis of a means, needs or income test are not taxable but must be included in income for the purposes of determining entitlement to income-tested benefits and credits.

Budget 2019 clarified that financial assistance payments received by care providers under a kinship care program are neither taxable, nor included in income for the purposes of determining entitlement to income-tested benefits and credits.

This measure applies for the 2009 and subsequent taxation years.

Registered Disability Savings Plan

The Registered Disability Savings Plan (RDSP) is a tax-assisted savings vehicle intended to help an individual with a disability—and the individual's family—save for the individual's long-term financial security. An RDSP may be established only for a beneficiary who is eligible for the Disability Tax Credit. Budget 2019 proposed to eliminate the requirement to close an RDSP when a beneficiary no longer qualifies for the Disability Tax Credit in order to allow grants and bonds otherwise required to be repaid to the Government to remain in the RDSP.

These rules are proposed to apply after 2020. However, Budget 2019 indicated that an RDSP issuer would not be required to close an RDSP on or after Budget Day and before 2021 solely because the RDSP beneficiary is no longer eligible for the Disability Tax Credit.

Canada Training Credit

As part of the Canada Training Benefit, the refundable Canada Training Credit was announced in Budget 2019 to help workers pay for the cost of training. Qualifying workers between the ages of 25 and 64 will accumulate a credit balance of $250 per year, up to a lifetime limit of $5,000. The credit balance can then be used to refund up to half the costs of taking a qualifying course or training program. In order to accumulate additional Canada Training Credit balance in 2019, a worker must have earnings of $10,000 or more (including maternity or parental leave benefits) and must have net income below the upper limit of the third federal tax bracket ($147,667 in 2019). The annual accumulation will start based on eligibility in respect of the 2019 taxation year, and the credit will be available to be claimed for expenses in respect of the 2020 and subsequent taxation years.

Tax Credit for Digital Subscriptions

As part of the support for Canadian journalism, Budget 2019 announced a temporary, non-refundable 15% tax credit on amounts paid by individuals for eligible digital news subscriptions. This allows individuals to claim up to $500 in costs paid towards eligible digital subscriptions in a taxation year, for a maximum credit of $75 annually. Individuals are limited to claiming the cost of eligible digital new subscriptions or in cases of combined digital and newsprint subscriptions, the cost of a stand-alone digital subscription. The credit is available in respect of eligible amounts paid after 2019 and before 2025.

Registered Journalism Organizations

As part of the support for Canadian journalism, Budget 2019 announced the addition of registered journalism organizations as a new category of tax-exempt "qualified donees". Qualified donees are able to issue official donation receipts for any gifts that they receive which, in turn, can be used by donors to claim the Charitable Donation Tax Credit (for individuals) or Deduction (for businesses). To be a registered journalism organization, an organization must apply to the Canada Revenue Agency and meet certain criteria, including being a Qualified Canadian Journalism Organization having purposes exclusively related to journalism. Information relating to donations to registered journalism organizations is included in the estimates with respect to charitable donations from individuals and businesses. This measure applies as of January 1, 2020.

Income Tax Expenditures Available to Trusts

As part of the Government's efforts to enhance the reporting on federal tax expenditures, this edition presents for the first time information on personal income tax expenditures that are available to trusts. Trusts are deemed to be individuals for income tax purposes; as such, absent a specific disposition to the contrary, trusts can benefit from the personal income tax expenditures that are available to natural persons. Descriptions of tax expenditures in Part 3 of this report have been modified to identify the tax expenditures that are available to trusts and to describe, where relevant, the rules that are of specific application to trusts. New estimates of the value of trust tax expenditures are also presented in Part 2 and Part 3 of the report, when the necessary data is available to support such an estimation. With a few exceptions, these new estimates represent amounts that were not included in the estimates published in prior editions. Details on the methodologies used to derive these new estimates can be found in Part 1 of the report, as well as in the relevant descriptions in Part 3.

Corporate Income Tax

Canadian-Belgian Co-productions—Canadian Film or Video Production Tax Credit

Budget 2019 announced the addition of the *Memorandum of Understanding between the Government of Canada and the Respective Governments of the Flemish, French and German-speaking Communities of the Kingdom of Belgium concerning Audiovisual Coproduction* to the list of instruments under which a film or video production may be produced in order to qualify as a treaty co-production. This measure allows joint projects of producers from Canada and Belgium to qualify for the Canadian Film or Video Production Tax Credit. This measure applies as of March 12, 2018.

Business Investment in Zero-Emission Vehicles

Budget 2019 introduced a 100% tax write-off for zero-emission vehicles to support businesses' adoption of these vehicles. Eligible zero-emission vehicles include electric battery, plug-in hybrid (with a battery capacity of at least 7 kWh) or hydrogen fuel cell vehicles, including light-, medium- and heavy-duty vehicles acquired on or after March 19, 2019 and that become available for use before 2028, subject to a phase-out for vehicles that become available for use after 2023. Capital costs for eligible zero-emission passenger vehicles are deductible up to a limit of $55,000 plus sales tax.

Canadian Journalism Labour Tax Credit

As part of the support for Canadian journalism, Budget 2019 introduced a 25% refundable tax credit on salary or wages paid to eligible newsroom employees of qualifying Canadian journalism organizations. This credit allows qualifying organizations to claim up to $55,000 in labour costs per eligible newsroom employee per year, for a maximum credit of $13,750 per employee. The credit applies to salary or wages earned in respect of a period on or after January 1, 2019.

Scientific Research and Experimental Development Investment Tax Credit

Budget 2019 announced the repeal of the use of taxable income as a factor in determining a Canadian-controlled private corporation's (CCPC's) annual expenditure limit for the purpose of the enhanced Scientific Research and Experimental Development (SR&ED) investment tax credit. As a result, small CCPCs with taxable capital of up to $10 million will benefit from unreduced access to the enhanced refundable SR&ED investment tax credit regardless of their taxable income. The expenditure limit will continue to be gradually reduced for CCPCs with taxable capital between $10 million and $50 million. The measure applies to taxation years that end on or after March 19, 2019.

Small Business Deduction—Farming and Fishing

Budget 2019 introduced a change to allow the income from sales of farming or fishing products by a CCPC to arm's length corporations to count for the small business deduction. This follows a change in Budget 2016, which prevented the small business deduction from applying to income earned from sales to another corporation, or related persons, that have a direct or indirect interest in the selling corporation, and subsequent relief in respect of income of a CCPC's farming or fishing business that arises from sales to a farming or fishing cooperative corporation.

To provide greater flexibility to farming and fishing businesses, Budget 2019 eliminated the requirement that sales be to a farming or fishing cooperative corporation in order to be excluded from Budget 2016 restrictions. As such, the exclusion now applies to the income of a CCPC from sales of the farming products or fishing catches of its farming or fishing business to any arm's length purchaser corporation. However, consistent with the existing rules, amounts allocated to a CCPC as patronage payments from a purchaser corporation do not qualify for the exclusion.

The purpose of the change in Budget 2016 was to eliminate the ability to artificially multiply the small business deduction.

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, 2019 (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.[14]

Source of data

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

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

Estimation method

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

Projection method

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

Number of beneficiaries

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

Cost information

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

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

Totals may not add due to rounding.

Notes:

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

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

$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 2025, such equipment can be depreciated on a declining-balance basis at an accelerated CCA rate of 50% (Class 43.2). The eligibility criteria for these two classes are generally the same, except that cogeneration systems that use fossil fuels must meet a higher efficiency standard 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 (including trusts) and corporate income tax
Beneficiaries	Businesses using clean or efficient energy generation equipment
Type of measure	Timing preference
Legal reference	*Income Tax Regulations*, subsections 1100(2) and 1104(4), Classes 43.1 and 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 Impact Assessment Agency of Canada, Parks Canada and Natural Resources Canada also support environment-related objectives. Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.

Source of data	Personal income tax: Data on acquisitions by unincorporated businesses of specified clean energy generation equipment is not available. Corporate income tax: T2 Corporation Income Tax Return
Estimation method	No estimate is available – see the Annex to Part 1 for an explanation as to why estimates are not available for this measure. For the estimation method for the incremental cost of the changes announced in the 2018 *Fall Economic Statement*, see the Accelerated Investment Incentive.
Projection method	No projection is available.
Number of beneficiaries	About 900 businesses made additions to Classes 43.1 and 43.2 in 2017. No data is available for unincorporated businesses.

Accelerated capital cost allowance for liquefied natural gas facilities

Description	An accelerated capital cost allowance (CCA) is available for certain property acquired for use in facilities in Canada that liquefy natural gas. The accelerated CCA takes the form of an additional 22% allowance that, combined with the regular CCA rate of 8%, brings the CCA rate up to 30% for liquefaction equipment used in Canada in connection with natural gas liquefaction. A second additional allowance equivalent to 4% brings the CCA rate up to 10% from 6% for non-residential buildings that are part of facilities that are used to liquefy natural gas. These additional allowances may only be claimed against income of the taxpayer that is attributable to the liquefaction of natural gas at the facility.
Tax	Personal (including trusts) and corporate income tax
Beneficiaries	Businesses in the natural gas liquefaction industry
Type of measure	Timing preference
Legal reference	*Income Tax Regulations*, paragraphs 1100(1)(a.3) and (yb), subsection 1101(4i) and paragraph (b) of Class 47 of Schedule II
Implementation and recent history	• Introduced in 2015 (Prime Minister of Canada news release, February 19, 2015). Effective for capital assets acquired after February 19, 2015 and before 2025.
Objective – category	To encourage or attract investment
Objective	This measure is intended to encourage investment in facilities that liquefy natural gas to supply emerging international and domestic markets (Prime Minister of Canada news release, February 19, 2015).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure may permit the depreciation of a capital asset faster than its useful life.
Subject	Business - natural resources
CCOFOG 2014 code	70455 - Economic affairs - Transport - Pipeline and other transport
Other relevant government programs	Programs within the mandate of Natural Resources Canada also support the natural resource sector. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Personal income tax: Data on investment in liquefied natural gas facilities by unincorporated businesses is not available. Corporate income tax: T2 Corporation Income Tax Return
Estimation method	Estimates are not presented due to confidentiality restrictions.
Projection method	Projections are not presented due to confidentiality restrictions.
Number of beneficiaries	The number of corporations affected by this measure is not published in order to preserve taxpayer confidentiality. No data is available for unincorporated businesses.

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Personal income tax	–	X	X	X	X	X	X	X
Corporate income tax	–	X	X	X	X	X	X	X

Accelerated capital cost allowance for manufacturing or processing machinery and equipment

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

Number of beneficiaries	About 14,700 corporations made additions to the relevant CCA class in 2017. 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 (including trusts) and corporate income tax
Beneficiaries	Businesses in the mining and oil and gas industry
Type of measure	Timing preference
Legal reference	*Income Tax Regulations*, subsection 1100(1) and Classes 41, 41.1 and 41.2 of Schedule II
Implementation and recent history	• Introduced in Budget 1971, effective 1972. • Extended in Budget 1996 to in-situ oil sands projects (that is, projects that use oil wells rather than open-pit mining techniques to extract bitumen). This change ensured that both types of oil sands projects are accorded the same CCA treatment. Budget 1996 also extended the accelerated CCA to expenditures on eligible assets acquired in a taxation year for use in a mine or oil sands project, to the extent that the cost of those assets exceeds 5% of the gross revenue for the year from the mine or project. • Budget 2007 announced the 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 (including trusts) and corporate income tax
Beneficiaries	Businesses
Type of measure	Timing preference
Legal reference	*Income Tax Regulations*, paragraph 1100(1)(v)
Implementation and recent history	• Introduced in 1967 (Order in Council P.C. 1967-1668). Effective for assets acquired on or after March 23, 1967.
Objective – category	To encourage or attract investment
Objective	This measure encourages investment in new vessels built and registered in Canada.
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure may permit the depreciation of a capital asset faster than its useful life.
Subject	Business - other
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Personal income tax: Data on acquisitions of vessels by unincorporated businesses is not available. Corporate income tax: T2 Corporation Income Tax Return
Estimation method	No estimate is available – see the Annex to Part 1 for an explanation as to why estimates are not available for this measure.
Projection method	No projection is available.
Number of beneficiaries	About 35 corporations made additions to the relevant CCA class in 2017. No data is available for unincorporated businesses.

Accelerated capital cost allowance for zero-emission vehicles

Description	Zero-emission vehicles purchased by businesses are deductible at a rate of 100% in the year they are put in use. Zero-emission vehicles include electric battery, plug-in hybrid (with a battery capacity of at least 7 kWh) or hydrogen fuel cell vehicles, including light-, medium- and heavy-duty vehicles acquired on or after March 19, 2019 and that become available for use before 2028, subject to a phase-out for vehicles that become available for use after 2023 (75% deduction in 2024 and 2025, and 55% deduction in 2026 and 2027).
Tax	Personal (including trusts) and corporate income tax
Beneficiaries	Businesses
Type of measure	Timing preference
Legal reference	*Income Tax Regulations*, subsection 1100(2) and Classes 54 and 55 of Schedule II
Implementation and recent history	• Introduced in Budget 2019, applicable to eligible zero-emission vehicles acquired on or after March 19, 2019 and that become available for use before 2028.
Objective – category	To achieve a social objective To encourage or attract investment
Objective	This temporary measure was introduced to encourage businesses to convert to zero-emission fleets (Budget 2019).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure may permit the depreciation of a capital asset faster than its useful life.
Subject	Environment Business - other
CCOFOG 2014 code	70539 - Environmental protection - Pollution abatement 70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandates of Environment and Climate Change Canada, the Impact Assessment Agency of Canada, Parks Canada, Transport Canada and Natural Resources Canada also support environment-related objectives. Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	External data
Estimation method	Micro-simulation model
Projection method	Forecasted sales of zero-emission vehicles.
Number of beneficiaries	No data is available.

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Total – personal and corporate income tax	–	–	–	–	–	15	30	35

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 (including trusts) and corporate income tax
Beneficiaries	Businesses using clean or efficient energy generation equipment
Type of measure	Timing preference
Legal reference	*Income Tax Act*, subsection 66.1(6) *Income Tax Regulations*, section 1219
Implementation and recent history	• Introduced in Budget 1996. Effective for expenditures incurred after December 5, 1996. • CRCE treatment has been expanded several times as a result of the broadening of the range of assets covered by CCA classes 43.1 and 43.2. 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 Impact Assessment Agency of Canada, Parks Canada and Natural Resources Canada also support environment-related objectives. Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Personal income tax: Data on CRCE incurred by unincorporated businesses is not available. Corporate income tax: T2 Corporation Income Tax Return
Estimation method	No estimate is available – see the Annex to Part 1 for an explanation as to why estimates are not available for this measure.
Projection method	No projection is available.
Number of beneficiaries	About 110 corporations incurred Canadian Renewable and Conservation Expenses in 2017. 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 (including trusts) and corporate income tax
Beneficiaries	Businesses in the mining and oil and gas industry
Type of measure	Timing preference
Legal reference	*Income Tax Act*, section 66.1
Implementation and recent history	• Budget 1974 introduced CEE as a category distinct from Canadian Development Expenses (CDE). • Budget 1978 expanded coverage to include certain expenditures relating to the development of a new mine. • Budget 2011 announced the phasing out by 2016 of the eligibility for CEE of pre-production development expenses for oil sands mines. • Budget 2013 announced the phasing out by 2018 of the eligibility for CEE of pre-production development expenses for all other mines. • Budget 2017 announced 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 1,900 corporations incurred Canadian Exploration Expenses in 2017. No data is available for unincorporated businesses.

Accelerated Investment Incentive

Description	The Accelerated Investment Incentive provides an enhanced first-year allowance for capital property that is subject to the capital cost allowance (CCA) rules, as well as Canadian oil and gas property and Canadian development expenses, with limited restrictions. The Accelerated Investment Incentive does not apply to property in Classes 53 (manufacturing and processing machinery and equipment), 43.1 and 43.2 (clean energy equipment), which are eligible for full expensing. Eligible property generally subject to the half-year rule qualifies for an enhanced CCA equal to three times the normal first-year allowance, and property not generally subject to the half-year rule qualifies for an enhanced CCA equal to one-and-a-half times the normal first-year allowance. The Accelerated Investment Incentive is available for property acquired after November 20, 2018 and that becomes available for use before 2028, subject to a phase-out for property that becomes available for use after 2023. For eligible property that would normally be subject to the half-year rule (or an equivalent rule) and that becomes available for use during the 2024-2027 phase-out period, the Accelerated Investment Incentive effectively suspends the half-year rule (and equivalent rules), providing such property with an enhanced allowance equal to two times the normal first-year allowance. For eligible property that would not normally be subject to the half-year rule (or an equivalent rule) and that becomes available for use during the 2024-2027 phase-out period, the enhanced allowance is equal to one-and-a-quarter times the normal first-year allowance.
Tax	Personal (including trusts) and corporate income tax
Beneficiaries	Businesses
Type of measure	Timing preference
Legal reference	*Income Tax Act*, paragraph 66.2(2)(d), definition of accelerated Canadian development expense in subsection 66.2(5), paragraph 66.4(2)(c), definition of accelerated Canadian oil and gas property expense in subsection 66.4(5) *Income Tax Regulations*, subparagraphs 1100(1)(b)(i) and (c)(i), subparagraph 1100(1)(v)(iv), subsections 1100(2), subsection 1104(4), paragraphs 1(a) and 2(a) of Schedule IV, section 2 and paragraph 3(a) of Schedules V and VI
Implementation and recent history	• Introduced in the 2018 *Fall Economic Statement*.
Objective – category	To encourage or attract investment
Objective	This temporary measure provides an incentive for businesses to accelerate or increase capital investment.
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure may permit the depreciation of a capital asset faster than its useful life.
Subject	Business - other
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada, Innovation, Science and Economic Development Canada, Business Development Bank of Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return T2 Corporation Income Tax Return T5013 Statement of Partnership Income
Estimation method	T2 micro-simulation model T5013 micro-simulation model Aggregate investment data from T1 Income Tax and Benefit Return The incremental cost of the changes announced in the 2018 *Fall Economic Statement* to the Accelerated capital cost allowance for manufacturing or processing machinery and equipment and to the Accelerated capital cost allowance for clean energy generation equipment is included in the cost of the Accelerated Investment Incentive.
Projection method	The cost of this measure is projected to decline over time considering that additional allowances claimed in early years will be offset by lower allowances in future years. This effect is partly offset by the projected growth in business investment.
Number of beneficiaries	It is estimated that more than 650,000 corporations will make additions in 2019. No data is available for unincorporated businesses. The number of corporations benefitting from the Accelerated Investment Incentive also includes corporations that will benefit from the changes announced in the 2018 *Fall Economic Statement* to the Accelerated capital cost allowance for manufactuirng and processing machinery and equipment and to the Accelerated capital cost allowance for clean energy generation equipment.

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Total – personal and corporate income tax	–	–	–	–	370	3,710	3,280	2,315

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	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (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 $16,255 per child (2019, 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 1,700 individuals claimed this credit in 2017.

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (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 ($7,494 for 2019). The credit is income-tested—the credit amount is reduced by 15% of net income in excess of an annually indexed threshold amount ($37,790 for 2019). The credit is completely phased out at an income level of $87,750 in 2019. 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 5.9 million individuals claimed this credit in 2017.

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Personal income tax	3,025	3,170	3,335	3,450	3,635	3,840	3,870	4,020

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 ($1,222 in 2019) or 5% of the taxpayer's income, whichever is greater.
Tax	Personal income tax
Beneficiaries	Apprentice vehicle mechanics
Type of measure	Deduction
Legal reference	*Income Tax Act*, paragraph 8(1)(r) and subsection 8(6)
Implementation and recent history	• Introduced in Budget 2001. Effective for tools acquired after 2001. • In Budget 2007, the threshold for recognition of tool costs was integrated with the new deduction for tradespeople's tool expenses and Canada Employment Credit.
Objective – category	To recognize expenses incurred to earn employment income
Objective	This measure recognizes that apprentice vehicle mechanics have reduced ability to pay tax relative to other taxpayers with the same income due to the extraordinary portion of the cost of new tools they have to provide as a condition of their employment (Budget 2001; Budget 2007).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure provides tax recognition for an expense that is incurred to earn employment income.
Subject	Employment Education
CCOFOG 2014 code	70412 - Economic affairs - General economic, commercial, and labor affairs - General labor affairs 70959 - Education - Education not definable by level
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support employment. Programs within the mandates of Employment and Social Development Canada, the Social Sciences and Humanities Research Council, the Natural Sciences and Engineering Research Council, the Canadian Institutes of Health Research and Indigenous Services Canada also support objectives related to education and training. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T777 Statement of Employment Expenses
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 5,700 individuals claimed this deduction in 2017.

Cost Information:

Millions of dollars	2014	2015	2016	2017	2018 (P)	2019 (P)	2020 (P)	2021 (P)
Personal income tax	3	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 (including trusts) and corporate income tax
Beneficiaries	Businesses
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, section 127
Implementation and recent history	• Introduced in Budget 2006. Effective in respect of salaries and wages paid to qualifying apprentices on or after May 2, 2006.
Objective – category	To encourage employment
Objective	This measure encourages employers to hire new apprentices and to support apprentices in their training (Budget 2006).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system. The tax benefit from this measure can be obtained in a taxation year other than the year during which it accrues.
Subject	Employment
CCOFOG 2014 code	70412 - Economic affairs - General economic, commercial, and labor affairs - General labor affairs
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support employment. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Personal income tax: T1 Income Tax and Benefit Return Corporate income tax: T2 Corporation Income Tax Return
Estimation method	The estimates are based on actual amounts earned and claimed by employers. The estimates do not cover investment tax credits claimed by trusts.
Projection method	Personal income tax: The tax expenditure is projected based on historical growth. Corporate income tax: The tax expenditure is projected to grow in line with total employment.
Number of beneficiaries	About 1,000 individuals and 12,800 corporations claimed this credit in 2017. The number of trusts having claimed this credit in 2017 is not disclosed due to confidentiality restrictions.

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Personal income tax	2	2	2	2	2	1	1	1
Corporate income tax								
Earned and claimed in current year	65	65	60	60	60	55	55	55
Claimed in current year but earned in prior years	20	20	20	25	20	20	20	20
Earned in current year but carried back to prior years	5	5	5	5	4	3	3	3
Total – corporate income tax	95	90	85	90	85	80	80	80
Total	95	95	85	95	85	80	80	80

Atlantic Investment Tax Credit

Description	A 10% credit is available for qualifying acquisitions of new buildings, machinery and equipment and prescribed energy and conservation property used primarily in qualified activities in the Atlantic provinces, the Gaspé Peninsula and their associated offshore regions. Qualified activities include farming, fishing, logging, manufacturing and processing, the storing of grain, the harvesting of peat, and the production or processing of electrical energy or steam. Unused credits can be carried back 3 years or forward 20 years to reduce taxes payable in those years. Where the credit exceeds the amount of tax payable in a year, 40% of the credit is refundable for small Canadian-controlled private corporations and individuals.
Tax	Personal (including trusts) and corporate income tax
Beneficiaries	Businesses in the Atlantic provinces and the Gaspé region
Type of measure	Credit, refundable and non-refundable
Legal reference	*Income Tax Act*, section 127
Implementation and recent history	• Introduced in Budget 1977. • Budget 2012 announced the reduction of the credit rate from 10% to 5% for assets for use in oil and gas and mining activities acquired in 2014 and 2015. The tax credit 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. The estimates do not cover investment tax credits claimed by trusts.
Projection method	Personal income tax: The cost of this measure is projected based on historical growth. Corporate income tax: The cost of this measure is projected to grow in line with nominal gross domestic product. 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 6,150 corporations claimed this credit in 2017. The number of trusts having claimed this credit in 2017 is not disclosed due to confidentiality restrictions.

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Personal income tax	10	10	10	10	10	10	10	10
Corporate income tax								
Non-refundable portion								
Earned and claimed in current year	115	60	45	55	50	35	35	35
Claimed in current year but earned in prior years	65	125	85	445	200	215	205	105
Earned in current year but carried back to prior years	10	80	10	10	5	5	5	5
Total – non-refundable portion	185	270	135	510	255	250	245	145
Refundable portion	15	20	20	20	20	20	25	25
Total – corporate income tax	205	285	155	535	275	275	265	170
Total	210	295	165	545	285	285	280	180

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 2019, the amount of the credit is: • \$7,140 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; • \$2,230 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 (\$2,230). 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 \$16,766 (in 2019) and is fully phased out when the dependant's income reaches \$23,906 (in 2019). Both the credit amount and the income threshold at which the credit starts to be reduced are indexed to inflation. The dependant is not required to live with the caregiver in order for the caregiver to claim the new credit and no credit is available in respect of non-infirm seniors who reside with their adult children.
Tax	Personal income tax
Beneficiaries	Caregivers
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, paragraph 118(1)(d)
Implementation and recent history	• Introduced in 2017, effective for the 2017 and subsequent taxation years.
Objective – category	To recognize non-discretionary expenses (ability to pay)
Objective	This measure recognizes that individuals providing care for infirm family members have reduced ability to pay tax compared to other taxpayers with similar income (Budget 2017).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system.
Subject	Families and households Health
CCOFOG 2014 code	71049 - Social protection - Family and children 71011 - Social protection - Sickness and disability - Sickness 71012 - Social protection - Sickness and disability - Disability
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada and Indigenous Services Canada also support Canadian families and households. Programs within the mandates of Health Canada, the Canadian Food Inspection Agency, the Canadian Institutes of Health Research, the Public Health Agency of Canada and Veterans Affairs Canada also support health-related objectives. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return 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	In total, about 490,000 individuals were entitled to an amount for the Canada Caregiver Credit for 2017. This includes about 183,000 who were caring for an infirm spouse or common-law partner, 39,000 who were caring for an eligible dependant, 145,000 who claimed the credit in respect of an infirm dependant age 18 or older, and 123,000 who claimed the credit in respect of an infirm child under 18 years of age. The total number of individuals entitled to an amount for the Canada Caregiver Credit exceeds the total number of individuals claiming an amount because some individuals may not be able to claim an amount in respect of an infirm spouse or common-law partner or eligible dependant after an income test on the dependant's net income is applied.

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Personal income tax	–	–	–	190	200	210	215	220

Canada Child Benefit

Description	For the 2019-20 benefit year, the Canada Child Benefit provides a maximum benefit of $6,639 per child under the age of 6 and $5,602 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 $31,120 and $67,426, 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 $67,426, 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 $67,426. 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 2019-20 benefit year, the Child Disability Benefit provides up to $2,832 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 $67,426. 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. • *Budget Implementation Act, 2018, No. 2* clarified that an individual caring for a child under a kinship care program is eligible for the Canada Child Benefit in respect of that child, regardless of whether they receive financial assistance from a government under such a program (provided all other eligibility requirements are met).
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 2019.

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Canada Child Tax Benefit - personal income tax	10,370	10,510	3,240	–	–	–	–	–
Canada Child Benefit - personal income tax	–	–	16,860	23,420	23,900	24,100	24,700	25,300

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 $1,222 (in 2019) and the individual's employment income for the year. The maximum amount is indexed to inflation.
Tax	Personal income tax
Beneficiaries	Employees
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, subsection 118(10)
Implementation and recent history	• Introduced in Budget 2006. Effective July 1, 2006. The maximum amount in 2006 was $500, doubling to $1,000 on January 1, 2007.
Objective – category	To recognize expenses incurred to earn employment income
Objective	This measure provides general tax recognition of work-related expenses (Budget 2006).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system.
Subject	Employment
CCOFOG 2014 code	70412 - Economic affairs - General economic, commercial, and labor affairs - General labor affairs
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support employment. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 18.1 million individuals claimed this credit in 2017.

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Personal income tax	2,185	2,270	2,295	2,385	2,465	2,540	2,580	2,635

Canada Training Credit

Description	Qualifying workers between the ages of 25 and 64 will accumulate a credit balance of $250 per year, up to a lifetime limit of $5,000. The credit balance can then be used to refund up to half the costs of taking a qualifying course or training program. In order to accumulate additional Canada Training Credit balance in 2019, a worker must have earnings of $10,000 or more (including maternity or parental leave benefits) and must have net income below the upper limit of the third federal tax bracket ($147,667 in 2019).
Tax	Personal income tax
Beneficiaries	IIndividuals between the ages of 26 and 65
Type of measure	Credit, refundable
Legal reference	*Income Tax Act*, section 122.91
Implementation and recent history	• Introduced in Budget 2019. The annual accumulation to the notional account became effective in respect of the 2019 taxation year, and the credit will be available to be claimed for expenses in respect of the 2020 taxation year.
Objective – category	To encourage investment in education
Objective	This measure was introduced to address barriers to professional development for working Canadians (Budget 2019).
Category	Refundable tax credit
Reason why this measure is not part of benchmark tax system	This measure is classified as a transfer payment for government accounting purposes, and therefore is not considered to be a tax expenditure.
Subject	Employment Education
CCOFOG 2014 code	70959 - Education - Education not definable by level 70412 – Economic affairs – General economic, commercial, and labour affairs – General labour affairs
Other relevant government programs	The Canada Training Credit was introduced alongside a new Employment Insurance Training Support Benefit, intended to help workers replace any income forgone during training periods. Programs within the mandate of Employment and Social Development Canada also support employment. Programs within the mandates of Employment and Social Development Canada, the Social Sciences and Humanities Research Council, the Natural Sciences and Engineering Research Council, the Canadian Institutes of Health Research and Indigenous Services Canada also support objectives related to education and training. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	n/a
Projection method	Eligibility to accumulate a Canada Training Credit balance was simulated based on taxfiler data linked across years. Claim amounts were simulated based on Tuition Tax Credit claims, subject to this accumulated balance, with credit balances adjusted accordingly.
Number of beneficiaries	It is estimated that approximately 600,000 individuals will claim this credit each year beginning in 2020.

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Personal income tax	–	–	–	–	–	–	145	180

Canada Workers Benefit / Working Income Tax Benefit

Description	The Canada Workers Benefit (CWB) is a refundable tax credit that supplements the earnings of low-income workers. It is generally available to individuals 19 years of age and older not attending school full-time. The refundable credit is equal to 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 is 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. An additional CWB supplement of up to $700 in 2019 is provided to persons eligible for both the CWB and the Disability Tax Credit. The CWB supplement is phased out at a rate of 12% of each dollar of adjusted net income above a threshold of $24,111 for single individuals without dependants and $36,483 for families in 2019. Maximum benefit amounts and phase-out thresholds are indexed annually for inflation. Advance payment of up to 50% of the estimated CWB and CWB supplement may be available to eligible individuals upon application. Provincial and territorial governments can propose specific changes to the design of the CWB, subject to certain conditions, including cost neutrality. Quebec, Alberta and Nunavut have jurisdiction-specific CWB designs in 2019.
Tax	Personal income tax
Beneficiaries	Low-income employees and self-employed individuals
Type of measure	Credit, refundable
Legal reference	*Income Tax Act*, section 122.7
Implementation and recent history	• Introduced in Budget 2007. Effective for the 2007 and subsequent taxation years (2008 and subsequent taxation years in respect of advance payments). • Enhanced in Budget 2009 for the 2009 and subsequent taxation years. • Budget 2018 introduced the new Canada Workers Benefit, which replaced the WITB in 2019.
Objective – category	To encourage employment To provide income support or tax relief
Objective	This measure, like the WITB before it, makes work more rewarding and attractive for low income-earning Canadians already in the workforce, and encourages other Canadians to enter the workforce. The CWB also provides important income support to low-income working Canadians. (Budget 2007; Budget 2009; Budget 2018)
Category	Refundable tax credit
Reason why this measure is not part of benchmark tax system	This measure is classified as a transfer payment for government accounting purposes, and therefore is not considered to be a tax expenditure.
Subject	Employment Income support
CCOFOG 2014 code	70412 - Economic affairs - General economic, commercial, and labor affairs - General labor affairs 71099 - Social protection - Social protection not elsewhere classified
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support employment. Programs within the mandates of Employment and Social Development Canada and Veterans Affairs Canada also support income security. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	The value of this measure corresponds to the amounts claimed as credits, as reported in administrative data.
Projection method	T1 micro-simulation model
Number of beneficiaries	About 1.4 million individuals received this benefit in 2017.

Cost Information:

Millions of dollars	2014	2015	2016	2017	2018 (P)	2019 (P)	2020 (P)	2021 (P)
Working Income Tax Benefit – personal income tax	1,165	1,160	1,185	1,160	1,105	–	–	–
Canada Workers Benefit – personal income tax	–	–	–	–	–	2,045	2,045	2,045

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 1,500 corporations received this benefit in 2017.

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Corporate income tax	250	255	270	295	265	275	285	295

Canadian Journalism Labour Tax Credit

Description	A 25% refundable tax credit is provided on salary or wages paid to eligible newsroom employees of qualifying Canadian journalism organizations. This credit allows qualifying organizations to claim up to $55,000 in labour costs per eligible newsroom employee per year, for a maximum credit of $13,750 per employee. The credit applies to salary or wages earned in respect of a period on or after January 1, 2019.
Tax	Personal (trusts only) and corporate income tax
Beneficiaries	Qualified Canadian journalism orgranizations
Type of measure	Credit, refundable
Legal reference	*Income Tax Act*, section 125.6
Implementation and recent history	• Introduced in Budget 2019, applicable to salary or wages earned in respect of a period on or after January 1, 2019.
Objective – category	To achieve a social objective To support business activity
Objective	This measure supports Canadian journalism, recognizing that a strong and independent news media is crucial to a well-functioning democracy (Budget 2019).
Category	Refundable tax credit
Reason why this measure is not part of benchmark tax system	This measure is classified as a transfer payment for government accounting purposes, and therefore is not considered to be a tax expenditure.
Subject	Social Business - other
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandate of Canadian Heritage also support the journalism industry. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Tax data do not currently exist. Estimates are based on Statistics Canada labour statistics by industry and occupation.
Estimation method	Estimates are based on potential salaries and wages eligible for the credit multiplied by the credit rate.
Projection method	Same as estimation method. Growth in eligible salaries and wages is not expected to change significantly in the short term.
Number of beneficiaries	No data is available.

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Personal income tax	–	–	–	–	–	n.a.	n.a.	n.a.
Corporate income tax	–	–	–	–	–	90	90	90

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 (including trusts) and corporate income tax
Beneficiaries	Individuals and corporations
Type of measure	Exemption
Legal reference	*Income Tax Act*, section 46
Implementation and recent history	• Introduced in Budget 1971. Effective for the 1972 and subsequent taxation years. • Budget 2000 introduced rules that prevent the $1,000 deemed adjusted cost base and deemed proceeds of disposition for personal-use property from applying if the property is acquired after February 27, 2000 as part of an arrangement or scheme in which the property is donated as a charitable gift.
Objective – category	To reduce administration or compliance costs
Objective	This measure was introduced to minimize record keeping and simplify administration with respect to the purchase and disposal of personal-use items (*Summary of 1971 Tax Reform Legislation*, 1971).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base.
Subject	Savings and investment
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	n/a
Source of data	No data is available.
Estimation method	No estimate is available.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

Capital loss carry-overs

Description	Net capital losses may be carried back three years and forward indefinitely to offset capital gains of other years. Notwithstanding these rules, net capital losses realized in the year in which a taxpayer dies may be deductible against all forms of income for that taxation year and the immediately preceding year. Unused net capital losses from prior years carried forward to the year of death may also be deductible against all forms of income for that taxation year and the immediately preceding year.
Tax	Personal (including trusts) and corporate income tax
Beneficiaries	Individual and corporate investors
Type of measure	Timing preference
Legal reference	*Income Tax Act*, subsections 111(1) and 111(2)
Implementation and recent history	• Introduced in Budget 1971. Effective for the 1972 and subsequent taxation years. • Budget 1983 extended the carry-back for capital losses from one year to three years.
Objective – category	To assess tax liability over a multi-year period
Objective	This measure supports investors by reducing the risk associated with investment (Budget 1983).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure is considered part of the benchmark tax system, and therefore is not a tax expenditure.
Subject	Savings and investment
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	n/a
Source of data	Personal income tax: T1 Income Tax and Benefit Return and T3 Trust Income Tax and Information Return Corporate income tax: T2 Corporation Income Tax Return
Estimation method	Personal income tax: T1 and T3 micro-simulation models. For individuals, the estimate for a given year represents the tax relief associated with the carry-forward to that year of losses incurred in prior years and the deductibility of losses in the year of death of a taxpayer. Data on losses carried back to a previous year is not available. For trusts, the estimate for a given year represents the tax relief associated with the carry-forward to that year of losses incurred in prior years, as well as the carry-back to that year of losses incurred in subsequent years. Data on amounts carried back to years 2015 to 2017 are preliminary. Corporate income tax: The estimate for a given year represents the tax relief associated with both the carry-forward to that year of losses incurred in prior years and the carry-back to previous years of losses incurred in that year. The estimate is equal to the amount of losses carried over multiplied by the tax rate applicable in the year in which the losses are applied.
Projection method	Personal income tax: T1 micro-simulation model in the case of individuals. Projections for trusts are based on projected growth for individuals. Corporate income tax: The value of this measure is projected to grow in line with corporate taxable income.
Number of beneficiaries	About 588,000 individuals, 6,000 trusts and 58,000 corporations made use of this measure in 2017 (not counting individuals that carried back losses only).

Cost Information:

Millions of dollars	2014	2015	2016	2017	2018 (P)	2019 (P)	2020 (P)	2021 (P)
Personal income tax								
Individuals – carried back	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Individuals – applied to current year	530	425	435	550	465	490	525	565
Trusts	1,985	1,135	935	1,225	1,030	1,075	1,155	1,245
Total – personal income tax	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Corporate income tax								
Carried back	130	340	230	145	335	260	260	260
Applied to current year	690	475	370	425	465	420	435	460
Total – corporate income tax	820	815	600	570	800	680	700	725
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	n/a
Number of beneficiaries	About 257,000 individuals claimed this credit in 2016.

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Personal income tax	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 (including trusts) and corporate income tax
Beneficiaries	Farming and fishing businesses
Type of measure	Timing preference
Legal reference	*Income Tax Act*, section 28
Implementation and recent history	• Prior to 1948, cash basis accounting was an acceptable method for determining business income for tax purposes. Amendments to the *Income Tax Act* in 1948 introduced the concept of profit and the use of accrual accounting, but at the same time preserved the ability of taxpayers who had been using cash basis accounting to continue to use that method. • In 1955, a provision specifically allowing farmers to use cash basis accounting was introduced. • In 1958, the provision preserving the ability for other taxpayers to continue to use cash basis accounting was repealed. • The optional inventory adjustment was implemented in Budget 1973, effective for the 1972 and subsequent taxation years. • In 1980, cash basis accounting was confirmed for fishers on a retroactive basis to 1972. • The mandatory inventory adjustment was introduced following the 1987 Tax Reform (Department of Finance Canada news release 88-89, June 30, 1988), effective for fiscal years commencing after 1988. • In 1996, a provision was introduced to prevent prepaid expenses (other than for inventory) relating to a taxation year at least two years after the year of payment from reducing cash basis income in the year of payment. This provision was effective for amounts paid after April 26, 1995.
Objective – category	To provide relief for special circumstances To reduce administration or compliance costs
Objective	This measure recognizes that requiring all farmers and fishers to adopt the accrual method of income reporting could result in accounting and liquidity problems (*Report of the Royal Commission on Taxation*, vol. 4, 1966; *Proposals for Tax Reform*, 1969).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure is a departure from the accrual basis of taxation.
Subject	Business - farming and fishing
CCOFOG 2014 code	70421 - Economic affairs - Agriculture, forestry, fishing, and hunting - Agriculture 70423 - Economic affairs - Agriculture, forestry, fishing, and hunting - Fishing and hunting
Other relevant government programs	Programs within the mandates of Agriculture and Agri-Food Canada and Fisheries and Oceans Canada also support the farming and fishing sectors. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	No data is available.
Estimation method	No estimate is available.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

Charitable Donation Tax Credit

Description	The Charitable Donation Tax Credit is a non-refundable tax credit on donations to registered charities, registered Canadian amateur athletic associations and other qualified donees. In 2019, 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 $210,371 who may claim a 33% tax credit on the portion of total annual donations over $200 made from taxable income greater than $210,371. In general, the credit may be claimed on donations totalling up to 75% of an individual's net income (up to 100% of net income for donations of ecologically sensitive land and cultural property or in certain other circumstances) and may be carried forward for up to 5 years (up to 10 years for donations of ecologically sensitive land).
Tax	Personal income tax (including trusts)
Beneficiaries	Individual donors
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, section 118.1 and subsections 248(30) to (41)
Implementation and recent history	• Introduced in 1917 as a deduction "for amounts paid during the year to the Patriotic and Red Cross Funds, and other patriotic and war funds approved by the Minister." • The general income limit on donations was increased in several stages from 10% in 1970 to 75% in 1997. • In 1988, the deduction for donations made by individuals was converted to a two-tier tax credit as part of the 1987 Tax Reform. • Budget 1994 reduced the threshold to which the higher rate applies from $250 to $200. • Budget 1995 eliminated the net income limit for donations of ecologically sensitive land eligible for the tax credit. • In Budget 2014, the carry-forward period for donations of ecologically sensitive land was extended from 5 to 10 years. • In 2016, the Government amended the Charitable Donation Tax Credit to allow donors with taxable income that is subject to the 33% marginal tax rate to also claim a 33% tax credit on the portion of donations (greater than $200) made from that income. Any donations that exceed the amount of a donor's taxable income that is subject to the 33% marginal tax rate will be subject to the 29% credit rate. This change is effective for the 2016 and subsequent taxation years. • Budget 2019 added registered journalism organizations as a new category of tax-exempt "qualified donees" as referred to in the *Income Tax Act*. To be a registered journalism organization, an organization must apply to the Canada Revenue Agency and meet certain criteria, including being a Qualified Canadian Journalism Organization having purposes exclusively related to journalism. These organizations are not permitted to distribute their profits, if any, or allow their income to be available for the personal benefit of certain individuals connected with the organization.
Objective – category	To achieve a social objective
Objective	This measure is designed to support the important work of the charitable sector in meeting the needs of Canadians (*Report of the Royal Commission on Taxation*, vol. 3, 1966; 1987 Tax Reform).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system. The tax benefit from this measure can be obtained in a taxation year other than the year during which it accrues. The tax benefit from this measure is transferable between spouses or common-law partners.
Subject	Donations, gifts, charities and non-profit organizations
CCOFOG 2014 code	705 - Environmental protection; 706 - Housing and community amenities; 707 - Health; 708 - Recreation, culture, and religion; 709 - Education; 710 - Social protection; Other various codes
Other relevant government programs	Many federal government entities provide direct funding to registered charities, non-profit organizations and international development associations through various programs.

Source of data	T1 Income Tax and Benefit Return T3 Trust Income Tax and Information Return Canadian Cultural Property Export Review Board Environment and Climate Change Canada
Estimation method	The value of this measure in respect of donations other than cultural property and ecologically sensitive land by individuals is estimated using the T1 micro-simulation model. The value of this measure in respect of donations of cultural property is calculated by multiplying an estimate of donations made in the year by the 29% credit rate. The value of this measure in respect of donations of ecologically sensitive land is estimated by multiplying total donations by the 29% credit rate. The value of this measure in respect of donations by trusts is estimated using the T3 micro-simulation model. No breakdown is available of the tax expenditure accruing to trusts by type of donations.
Projection method	Projections for individuals are obtained using the T1 micro-simulation model in the case of donations other than cultural property and ecologically sensitive land. Projections in respect of donations of cultural property and ecologically sensitive land are made based on the historical trend in the number and value of donations; in particular, projections in respect of cultural property are made based on an average of past donations. Projections for trusts are based on projected growth for individuals.
Number of beneficiaries	About 5.4 million individuals and 2,700 trusts claimed this credit in 2017.

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Donations by individuals by type of donations								
Publicly listed securities	240	190	240	315	330	350	370	385
Ecologically sensitive land	5	5	10	5	10	10	10	10
Cultural property	25	25	25	20	15	20	20	20
Other	2,310	2,425	2,455	2,560	2,735	2,815	2,730	2,795
Subtotal – donations by individuals	2,585	2,645	2,735	2,900	3,090	3,195	3,125	3,210
Donations by trusts	10	15	15	30	30	30	30	35
Total – personal income tax	2,595	2,660	2,745	2,930	3,120	3,225	3,155	3,245

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 2017.

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Personal income tax	1,080	1,345	1,295	1,320	1,365	1,415	1,455	1,500

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	n/a
Number of beneficiaries	About 3.8 million individuals claimed this credit in 2014.

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Personal income tax	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	n/a
Number of beneficiaries	About 631,000 individuals claimed this credit in 2016.

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Personal income tax	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	n/a
Number of beneficiaries	About 1.7 million individuals claimed this credit in 2016.

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Non-refundable	180	–	–	–	–	–	–	–
Refundable	–	210	145	–	–	–	–	–
Total – personal income tax	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 15 corporations claimed this credit in 2017.

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Corporate income tax	30	15	5	70	60	60	60	60

Credit for subscriptions to Canadian digital news media

Description	A temporary, non-refundable 15% tax credit on amounts paid by individuals for eligible digital news subscriptions. The credit allows individuals to claim up to $500 in costs paid towards eligible digital subscriptions (or the stand-alone cost of the digital subscription in cases of combined digital and newsprint subscriptions) in a taxation year, for a maximum of $75 annually. Eligible subscriptions are those that entitle a taxpayer to access content provided in a digital form by a Qualified Canadian Journalism Organiation (QCJO) that is primariliy engaged in the production of written content. A subscription with a QCJO carrying on a broadcasting undertaking (as defined in the *Broadcasting Act*) will not qualify for this credit.
Tax	Personal income tax
Beneficiaries	Individuals
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, section 118.02
Implementation and recent history	• Introduced in Budget 2019, effective in respect of eligible amounts paid after 2019 and before 2025.
Objective – category	To achieve a social objective To support business activity
Objective	Recognizing that a strong and independent news media is crucial to a well-functioning democracy, this measure supports Canadian digital news media organizations in achieving a more financially sustainable business model (2018 *Fall Economic Statement*).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system.
Subject	Social Business - other
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandates of Canadian Heritage, Immigration, Refugees and Citizenship Canada, Transport Canada and Public Safety Canada (among other departments) also support various other social objectives. Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	No data is available.
Estimation method	No estimate is available.
Projection method	Based on internal projections of growth in this sector.
Number of beneficiaries	No data is available.

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Personal income tax	–	–	–	–	–	–	25	30

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 2019) to the Basic Personal Amount ($12,069 in 2019). The credit amount is indexed to inflation. The Government has tabled a Notice of Ways and Means Motion to introduce an income-tested supplement to the Basic Personal Amount as of 2020, which will be gradually increased in steps exceeding inflation each year until 2023, at which time the maximum credit amount will be $15,000.
Tax	Personal income tax
Beneficiaries	Individuals
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, paragraph 118(1)(c)
Implementation and recent history	• Introduced as part of the 1987 Tax Reform, effective for the 1988 and subsequent taxation years, to replace the previous basic personal exemption. • Between 1998 and 2009, the Basic Personal Amount was periodically increased. • In December 2019, the Government announced its intention to increase the Basic Personal Amount to $15,000 by 2023. The increase will be gradually implemented from 2020 to 2023 through annual increases in excess of inflation. The new, increased portion of the credit will be subject to an income test beginning at a level of individual net income equal to the fourth federal tax bracket threshold ($150,473 in 2020), and be fully phased out by the fifth federal bracket threshold ($214,368 in 2020).
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 27.8 million individuals claimed this credit in 2017.

Cost Information:

Millions of dollars	2014	2015	2016	2017	2018 (P)	2019 (P)	2020 (P)	2021 (P)
Personal income tax	32,010	33,345	33,910	35,050	36,200	37,410	41,395	43,640

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 3,100 individuals claimed this deduction in 2017.

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Personal income tax	2	1	1	S	S	S	S	S

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 97,200 corporations in 2017.

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
By type of donations								
Ecologically sensitive land	3	1	1	1	10	4	4	4
Cultural property	10	20	3	5	3	4	5	5
Gifts to the Crown	S	S	S	S	S	S	S	S
Other	490	435	445	635	665	650	680	715
Total – corporate income tax	500	455	450	645	680	655	685	725

Deductibility of contributions to a qualifying environmental trust

Description	Contributions to a qualifying environmental trust are deductible in computing the contributor's income in the years the contributions are made, provided that the contributor is a beneficiary under the trust. Amounts withdrawn from the trust to fund reclamation costs are included in the recipient's income when withdrawn; however, there is typically no net tax cost at the time of withdrawal since the recipient will be able to deduct the reclamation costs incurred against the above income inclusion. This measure is intended to improve the cash flow of taxpayers at the time the contributions to a qualifying environmental trust are made. It also ensures that companies, such as single-mine companies, which might not have had sufficient taxable income against which to deduct actual reclamation expenses when these expenses were incurred (for the most part at the end of the life of a mine or after its closure), obtain some tax relief for these expenses. Additional details on this measure can be found in the Annex to Part 1 of this report.
Tax	Personal (including trusts) and corporate income tax
Beneficiaries	Businesses contributing to a qualifying environmental trust
Type of measure	Timing preference
Legal reference	*Income Tax Act*, paragraph 20(1)(ss)
Implementation and recent history	• Introduced in Budget 1994. Effective for contributions to eligible mine reclamation trusts for taxation years ending after of February 22, 1994. • Budget 1997 extended this measure to similar trusts established for waste disposal sites and quarries for the extraction of aggregate and similar substances, effective for taxation years ending after February 18, 1997. • Budget 2011 further extended this measure to include trusts established for pipeline reclamation, effective for taxation years ending after 2012.
Objective – category	To provide relief for special circumstances
Objective	This measure assists firms that are required to make contributions to a qualifying environmental trust set up for the purpose of funding reclamation costs (Budget 1997).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure provides tax recognition in respect of a contingent expense, resulting in a deferral of tax.
Subject	Environment
CCOFOG 2014 code	70549 - Environmental protection - Protection of biodiversity and landscape
Other relevant government programs	Programs within the mandates of Environment and Climate Change Canada, the Impact Assessment Agency of Canada, Parks Canada and Natural Resources Canada also support environment-related objectives. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Personal income tax: Data on contributions to qualifying environmental trusts by unincorporated businesses is not available. Corporate income tax: T2 Corporation Income Tax Return
Estimation method	Personal income tax: No estimate is available. Corporate income tax: The cost of this measure is based on net contributions (total contributions minus funds withdrawn) to qualifying environmental trusts.
Projection method	Personal income tax: No projection is available. Corporate income tax: Projections are based on current market conditions and the anticipated impact that National Energy Board pipeline regulations will have on the use of qualifying environmental trusts.
Number of beneficiaries	A small number of corporations/partnerships (fewer than 60) claimed this deduction in 2017. No data is available for unincorporated businesses.

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Personal income tax	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Corporate income tax	-1	55	60	60	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 (including trusts) and corporate income tax
Beneficiaries	Businesses
Type of measure	Timing preference
Legal reference	*Income Tax Act*, subsections 13(27) and 127(11.2)
Implementation and recent history	• Introduced in 1990, applicable to property acquired after 1989.
Objective – category	To reduce administration or compliance costs
Objective	This measure facilitates the application and administration of the capital cost allowances regime and investment tax credits by limiting the period between the acquisition of a capital asset and the time the cost of the asset is recognized for tax purposes.
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure may permit the depreciation of a capital asset faster than its useful life.
Subject	Business – other
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	No data is available.
Estimation method	No estimate is available – see the Annex to Part 1 for an explanation as to why estimates are not available for this measure.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

Deductibility of countervailing and anti-dumping duties when paid

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

Deductibility of earthquake reserves

Description	Federally regulated property and casualty insurance companies can deduct, for income tax purposes, earthquake premium reserves which are set aside pursuant to guidelines established by the Office of the Superintendent of Financial Institutions. These reserves represent a surplus appropriation, and would not otherwise be deductible under the benchmark system.
Tax	Corporate income tax
Beneficiaries	Property and casualty insurers
Type of measure	Timing preference
Legal reference	*Income Tax Act*, paragraph 20(7)(c) *Income Tax Regulations*, the description of L in subsection 1400(3)
Implementation and recent history	• Introduced in Budget 1998. Effective for the 1998 and subsequent taxation years.
Objective – category	To provide relief for special circumstances
Objective	This measure helps ensure that federally regulated property and casualty insurance companies have sufficient financial capacity to pay insured earthquake losses when they occur (Budget 1998).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure provides tax recognition in respect of a contingent expense, resulting in a deferral of tax.
Subject	Business – other
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Data on earthquake premium reserves is provided by the Office of the Superintendent of Financial Institutions.
Estimation method	This tax expenditure is estimated by taking the annual net change in total earthquake premium reserves and multiplying that change by the statutory corporate income tax rate for the year. The net change, and not the amount of the reserve, is of importance because the deduction is effectively applied on a net basis (the taxpayer includes in income the reserve from the previous year, and deducts from income the reserve for the current year).
Projection method	Earthquake premium reserves are projected to grow at the compound annual growth rate observed over the last eight years.
Number of beneficiaries	About 20 corporations claimed this deduction in 2017.

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (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 2017.

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (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 2017.

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Personal income tax	90	90	95	95	95	100	105	105

Deduction for self-employed artists

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

Deduction for tradespeople's tool expenses

Description	A tradesperson can claim a deduction of up to $500 of the total cost of eligible new tools acquired in a taxation year as a condition of employment that exceeds the amount of the Canada Employment Credit ($1,222 in 2019). The total cost of eligible new tools cannot exceed the total of the employment income earned as a tradesperson and apprenticeship grants received to acquire the tools, which are required to be included in income.
Tax	Personal income tax
Beneficiaries	Tradespeople
Type of measure	Deduction
Legal reference	*Income Tax Act*, paragraph 8(1)(s)
Implementation and recent history	• Introduced in Budget 2006. Effective in respect of eligible new tools acquired on or after May 2, 2006.
Objective – category	To recognize expenses incurred to earn employment income
Objective	This measure provides tax recognition for the extraordinary cost of tools that tradespeople must provide as a condition of employment (Budget 2006).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure provides tax recognition for an expense that is incurred to earn employment income.
Subject	Employment
CCOFOG 2014 code	70412 - Economic affairs - General economic, commercial, and labor affairs - General labor affairs
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support employment. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T777 Statement of Employment Expenses
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 21,000 individuals claimed this deduction in 2017.

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (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 4,000 individuals claimed this deduction in 2017.

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Personal income tax	2	1	2	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 (including trusts) and corporate income tax
Beneficiaries	Individual and corporate investors
Type of measure	Deduction
Legal reference	*Income Tax Act*, paragraph 38(c) and paragraph 39(1)(c)
Implementation and recent history	• Introduced in Budget 1978 (November 16, 1978). Effective for the 1978 and subsequent taxation years.
Objective – category	To encourage or attract investment
Objective	This measure recognizes that small businesses often have difficulty obtaining adequate financing, and provides special assistance for risky investments in such businesses (Budget 1985; Budget 2004).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure permits the deduction of capital losses otherwise than against capital gains.
Subject	Business - small businesses Savings and investment
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandate of Innovation, Science and Economic Development Canada also support small businesses. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Personal income tax: T1 Income Tax and Benefit Return and T3 Trust Income Tax and Information Return Corporate income tax: T2 Corporation Income Tax Return
Estimation method	The value of this tax expenditure corresponds to the tax relief provided by permitting allowable business investment losses to be deducted from other income in the year they arise. The tax expenditure is overstated since it is assumed that the losses would not have been otherwise deducted against capital gains. Personal income tax: T1and T3 micro-simulation models Corporate income tax: T2 micro-simulation model
Projection method	Personal income tax: T1 micro-simulation model in the case of individuals. Projections for trusts are based on projected growth for individuals. Corporate income tax: Projections are based on the average cost of the previous three years, projected to grow in line with nominal gross domestic product.
Number of beneficiaries	About 7,800 individuals, fewer than 100 trusts and 1,790 corporations claimed this deduction in 2017.

Cost Information:

Millions of dollars	2014	2015	2016	2017	2018 (P)	2019 (P)	2020 (P)	2021 (P)
Personal income tax								
Individuals	40	35	35	40	35	35	35	35
Trusts	S	S	1	1	1	1	1	1
Total – personal income tax	40	35	35	40	35	35	35	35
Corporate income tax	10	15	10	10	10	10	10	10
Total	50	50	45	50	40	45	45	50

Deduction of interest and carrying charges incurred to earn investment income

Description	Interest and other carrying charges incurred to earn investment income are deductible under certain conditions. Carrying charges generally include fees, other than commissions, paid for advice sought by a taxpayer on buying or selling specific securities, or for the administration or the management of securities of the taxpayer. The management of securities includes the custody of securities, the maintenance of accounting records, and the collection and remittance of income. Carrying charges also include certain legal fees incurred in relation to the establishment or collection of support payments from a current or former spouse or common-law partner, or from the natural parent of the taxpayer's child.
Tax	Personal (including trusts) and corporate income tax
Beneficiaries	Individuals and corporations
Type of measure	Deduction
Legal reference	*Income Tax Act*, paragraphs 20(1)(c) and (bb)
Implementation and recent history	• Interest on borrowed funds used to earn income was made deductible in 1923, and investment counselling fees in 1951. Interest incurred by corporations to buy shares of other corporations was made deductible in 1972. • Budget 1996 introduced amendments to ensure that fees to establish child support amounts remained deductible. • Budget 2013 removed the deduction in respect of safety deposit box charges for taxation years that began on or after March 21, 2013.
Objective – category	To recognize expenses incurred to earn business or property income
Objective	This measure recognizes that carrying charges are incurred for the purpose of earning income.
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure is considered part of the benchmark tax system, and therefore is not a tax expenditure.
Subject	Savings and investment
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	n/a
Source of data	Personal income tax: T1 Income Tax and Benefit Return Corporate income tax: No data is available.
Estimation method	Personal income tax: T1 micro-simulation model Corporate income tax: No estimate is available.
Projection method	Personal income tax: T1 micro-simulation model Corporate income tax: No projection is available.
Number of beneficiaries	About 2 million individuals claimed this deduction in 2017. No data is available for corporations.

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Personal income tax (excluding trusts)	1,295	1,385	1,455	1,630	1,845	1,925	1,990	2,050
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 763,000 individuals claimed this deduction in 2017.

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Personal income tax	920	930	915	920	935	970	1,010	1,040

Deduction of union and professional dues

Description	A deduction is available in respect of annual union, professional or like dues paid in the year by an employee (or paid by the employer and included in the employee's income) in the course of employment. The deduction does not apply to the extent the employee is, or is entitled to be, reimbursed by the employer.
Tax	Personal income tax
Beneficiaries	Employees
Type of measure	Deduction
Legal reference	*Income Tax Act*, subparagraphs 8(1)(i)(i) and (iv)-(vii)
Implementation and recent history	• Introduced in Budget 1951. Effective for the 1951 and subsequent taxation years.
Objective – category	To recognize expenses incurred to earn employment income
Objective	This measure provides tax recognition for mandatory employment-related expenses.
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure provides tax recognition for an expense that is incurred to earn employment income.
Subject	Employment
CCOFOG 2014 code	70412 - Economic affairs - General economic, commercial, and labor affairs - General labor affairs
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support employment. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 5.8 million individuals claimed this deduction in 2017.

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Personal income tax	915	970	955	975	1,020	1,070	1,115	1,155

Deferral for asset transfers to a corporation and corporate reorganizations

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

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

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

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

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

Deferral of income from destruction of livestock

Description	A taxpayer may defer to the following taxation year, in part or in full, the income received in compensation for the forced destruction of livestock under statutory authority.
Tax	Personal (including trusts) and corporate income tax
Beneficiaries	Farming businesses
Type of measure	Timing preference
Legal reference	*Income Tax Act*, section 80.3
Implementation and recent history	• Introduced in Budget 1976. Effective for the 1976 and subsequent taxation years.
Objective – category	To provide relief for special circumstances
Objective	This measure was introduced to allow farmers adequate time to replace their herds, destroyed under statutory authority, without imposing a tax burden in the year of livestock destruction (Budget 1976).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure permits the deferral of the recognition of income or gains for income tax purposes.
Subject	Business - farming and fishing
CCOFOG 2014 code	70421 - Economic affairs - Agriculture, forestry, fishing, and hunting - Agriculture
Other relevant government programs	Programs within the mandates of Agriculture and Agri-Food Canada and Fisheries and Oceans Canada also support the farming and fishing sectors. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Statistics Canada, Table 32-10-0106-01
Estimation method	Personal income tax (unincorporated farms): The value of this measure is calculated as the total deferred income in a given year minus the total amount deferred from the year before, multiplied by the share of farm income accruing to unincorporated farms and the average marginal tax rate applicable to farm income. The breakdown of the estimates between individuals and trusts is not available. Corporate income tax (incorporated farms): A similar methodology is used except that the average tax rate used is the estimated average tax rate applicable to meals and entertainment expenses.
Projection method	Projections for 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	**2014**	**2015**	**2016**	**2017**	**2018**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Personal income tax	S	1	-1	2	-2	n.a.	n.a.	n.a.
Corporate income tax	S	1	S	3	S	n.a.	n.a.	n.a.
Total	S	2	S	5	-2	n.a.	n.a.	n.a.

Deferral of income from grain sold through cash purchase tickets

Description	Farmers may make deliveries of grain to a grain elevator and receive payment in the form of a cash purchase ticket. If a cash purchase ticket is issued upon the delivery to an elevator of certain listed grains and the holder of the cash purchase ticket is entitled to payment after the end of the taxation year in which the grain is delivered, then the taxpayer may exclude the amount stated on the cash purchase ticket from income for the taxation year in which the grain was delivered, and instead include it in income for the immediately following taxation year.
Tax	Personal (including trusts) and corporate income tax
Beneficiaries	Farming businesses
Type of measure	Timing preference
Legal reference	*Income Tax Act*, subsections 76(4) and (5)
Implementation and recent history	• Introduced in Budget 1974. Effective for the 1973 and subsequent taxation years. • Consequential amendments to this measure due to the elimination of the Canadian Wheat Board were made in 2012 (first Budget 2012 implementation bill). These amendments removed the previous geographical restriction for the measure and extended it to farmers of the listed grains anywhere in Canada. • Budget 2017 launched a consultation on the ongoing utility of this measure. On November 6, 2017, the Government announced that the income deferral provided under this measure would be maintained.
Objective – category	To achieve an economic objective - other
Objective	By permitting the deferred reporting of income on grain sales, this measure facilitates the orderly delivery of grain to elevators, which helps meet Canada's grain export commitments (Budget May 1974).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure permits the deferral of the recognition of income or gains for income tax purposes.
Subject	Business - farming and fishing
CCOFOG 2014 code	70421 - Economic affairs - Agriculture, forestry, fishing, and hunting - Agriculture
Other relevant government programs	Programs within the mandates of Agriculture and Agri-Food Canada and Fisheries and Oceans Canada also support the farming and fishing sectors. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Statistics Canada, Table 32-10-0046-01
Estimation method	Personal income tax (unincorporated farms): The value of this measure is calculated as the total deferred income from cash purchase tickets in a given year minus the total income from exchanging cash purchase tickets for their cash value, multiplied by the share of farm income accruing to unincorporated farms and the average marginal tax rate applicable to farm income. The breakdown of the estimates between individuals and trusts is not available. Corporate income tax (incorporated farms): A similar methodology is used except that the average tax rate used is the estimated average tax rate applicable to meals and entertainment expenses.
Projection method	The projection for 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	**2014**	**2015**	**2016**	**2017**	**2018**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Personal income tax	-20	15	10	-5	-10	-20	n.a.	n.a.
Corporate income tax	-25	20	10	-5	-15	-3	n.a.	n.a.
Total	-50	35	20	-10	-25	-25	n.a.	n.a.

Deferral of income from sale of livestock in a region of drought, flood or excessive moisture

Description	Farmers may defer recognition of a portion of the income received on the sale of breeding livestock (breeding animals and breeding bees) in prescribed regions affected by drought, flood or excessive moisture. Such deferred income must be recognized in the first taxation year beginning after the region ceases to be a prescribed region.
Tax	Personal (including trusts) and corporate income tax
Beneficiaries	Farming businesses
Type of measure	Timing preference
Legal reference	*Income Tax Act*, section 80.3 *Income Tax Regulations*, sections 7305 and 7305.02
Implementation and recent history	• Introduced in 1988 in respect of farmers forced to sell breeding livestock due to drought conditions (Department of Finance Canada news release 88-155, December 12, 1988). Effective for the 1988 and subsequent taxation years. • Expanded in March 2009 to apply to farmers carrying on business in a region of flood or excessive moisture (Department of Finance Canada news release 2009-024, March 5, 2009). Effective for the 2008 and subsequent taxation years. • Budget 2014 extended the measure to bees, and to all types of horses that are over 12 months of age, that are kept for breeding. Effective for the 2014 and subsequent taxation years.
Objective – category	To provide relief for special circumstances
Objective	This measure allows farmers to use the proceeds from the forced sale of livestock due to drought, flood or excessive moisture conditions to fund the acquisition of replacement livestock (Department of Finance Canada news release 88-155, December 12, 1988; Department of Finance Canada news release 2009-024, March 5, 2009; Budget 2014).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure permits the deferral of the recognition of income or gains for income tax purposes.
Subject	Business - farming and fishing
CCOFOG 2014 code	70421 - Economic affairs - Agriculture, forestry, fishing, and hunting - Agriculture
Other relevant government programs	Programs within the mandates of Agriculture and Agri-Food Canada and Fisheries and Oceans Canada also support the farming and fishing sectors. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	No data is available.
Estimation method	No estimate is available.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

Deferral through 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 8,600 individuals claimed a 10-year capital gain reserve in 2017.

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (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	35	30	30	35	35	35	40	40

Deferral through five-year capital gain reserve

Description	In some cases, a taxpayer may receive portions of the payment from the sale of a capital property over a number of years. Under those circumstances, realization of a portion of the capital gain may be deferred until the year in which the proceeds are received. A minimum of 20% of the gain must be brought into income per year, creating a maximum five-year deferral period.
Tax	Personal (including trusts) and corporate income tax
Beneficiaries	Individuals and corporations
Type of measure	Timing preference
Legal reference	*Income Tax Act*, subsection 40(1)
Implementation and recent history	• Budget 1981 proposed the elimination of capital gain reserves; however, this original proposal was later modified with the introduction of the five-year capital gain reserve (Department of Finance Canada news release 81-126). Effective for dispositions of property occurring after November 12, 1981.
Objective – category	To assess tax liability over a multi-year period
Objective	This measure, while limiting tax deferral opportunities, recognizes that where capital gain proceeds are receivable over time, fully taxing gains in the year of sale could result in significant liquidity problems for taxpayers (Explanatory Notes for *Act to Amend the Income Tax Act*, December 1982).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure permits the deferral of the recognition of income or gains for income tax purposes.
Subject	Business - other Savings and investment
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Personal income tax: T1 Income Tax and Benefit Return and T3 Trust Income Tax and Information Return Corporate income tax: No data is available.
Estimation method	The value of this tax expenditure corresponds to the difference between the amount of tax that would have been payable if capital gain reserves were fully included in income in the year of disposition of the asset and the amount of tax that is payable as reserve amounts are included in income over time. Personal income tax: T1 and T3 micro-simulation models Corporate income tax: No estimate is available.
Projection method	Personal income tax: T1 micro-simulation model in the case of individuals. Projections for trusts are based on projected growth for individuals. Corporate income tax: No projection is available.
Number of beneficiaries	About 8,300 individuals and 1,000 trusts claimed a five-year capital gain reserve in 2017. No data is available for corporations.

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Personal income tax								
Individuals	10	10	15	20	15	15	15	15
Trusts	-5	S	-2	3	3	3	3	3
Total – personal income tax	3	10	10	25	15	15	20	20
Corporate income tax	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

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

Description	Capital gains and capital cost allowance recapture resulting from the voluntary disposition of land and buildings by businesses may be deferred if replacement properties are purchased within a specified time period (e.g., a business changing location). The rollover is generally not available for properties used to generate rental income.
Tax	Personal (including trusts) and corporate income tax
Beneficiaries	Businesses
Type of measure	Timing preference
Legal reference	*Income Tax Act*, subsections 13(4) and 44(1)
Implementation and recent history	• The deferral of capital cost allowance recapture was introduced in 1955. Effective for the 1954 and subsequent taxation years. • The capital gains deferral was introduced in Budget 1971. Effective for the 1972 and subsequent taxation years.
Objective – category	To support business activity
Objective	This measure supports businesses by permitting the deferral of capital gains and capital cost allowance recapture that are incidental to an active business.
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure permits the deferral of the recognition of income or gains for income tax purposes.
Subject	Business - other
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	No data is available.
Estimation method	No estimate is available.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

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

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

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

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

Deferred Profit-Sharing Plans

Description	A Deferred Profit-Sharing Plan (DPSP) is an arrangement under which an employer contributes profits from their business to a trust for the benefit of a designated group of employees. Employers may make tax-deductible contributions to a DPSP on behalf of their employees. The contributions are not immediately taxed in the hands of the employee, and the investment income is not taxed as it is earned. Withdrawals are included in the income of the employee for tax purposes. Employer contributions are limited to 18% of an employee's earnings up to one-half of the defined contribution Registered Pension Plan (RPP) dollar limit for the year ($13,615 for 2019). 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 ($27,230 for 2019).
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 2,700 individuals claimed this deduction in 2017.

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Personal income tax	3	3	3	3	3	3	3	3

Disability Tax Credit

Description	The Disability Tax Credit provides tax relief for non-itemizable disability-related costs in respect of an eligible individual that has been certified by a qualified medical practitioner as having a severe and prolonged disability. The value of the non-refundable credit is calculated by applying the lowest personal income tax rate to the disability credit amount ($8,416 in 2019). 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 ($4,909 in 2019) and is reduced dollar-for-dollar by the amount of child care or attendant care expenses in excess of $2,875 (for 2019) that is claimed under the child care expense deduction, the disability supports deduction, or the Medical Expense Tax Credit. Both the expense threshold and the supplement amount are indexed to inflation.
Tax	Personal income tax
Beneficiaries	Individuals with disabilities, caregivers
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, subsection 118.3(1)
Implementation and recent history	• Introduced in 1944 as a $480 deduction for blind persons. • Expanded in 1985 to individuals with severe disabilities. • Replaced by a non-refundable tax credit as part of the 1987 Tax Reform. • Introduction in 2000 of the supplement for children. • Budget 2005 extended eligibility to individuals who face multiple restrictions that together have a substantial impact on their everyday lives and to more individuals requiring extensive life-sustaining therapy on an ongoing basis. • Budget 2017 expanded the list of medical practitioners that can certify eligibility for the Disability Tax Credit to include nurse practitioners, effective for certifications made on or after March 22, 2017.
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 2017. This includes about 770,000 eligible persons who claimed all or some portion of the credit for themselves, 170,000 individuals who claimed all or some portion of the credit on behalf of an eligible spouse or common-law partner, 260,000 individuals who claimed all or some portion of the credit transferred from an eligible person (such as a parent for a minor child), and 30,000 individuals who claimed all or some portion of the credit for themselves and on behalf of another eligible person. This data reflects revisions to the model used to estimate tax expenditures.

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Personal income tax	885	990	1,030	1,090	1,150	1,220	1,290	1,365

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 2019) and gross-up (38% in 2019) are applied to dividends distributed to an individual from corporate income taxed at the general corporate tax rate (eligible dividends). The ordinary DTC (9.0301% in 2019) and gross-up (15% in 2019) are applied to dividends distributed to an individual from corporate income not taxed at the general corporate tax rate (ineligible dividends). The same gross-up and tax credit mechanism applies to trusts in respect of the taxable dividends retained and taxed within the trusts.
Tax	Personal income tax (including trusts)
Beneficiaries	Individual investors
Type of measure	Other; credit, non-refundable
Legal reference	*Income Tax Act*, sections 82 and 121
Implementation and recent history	• Introduction of a DTC in 1949, followed by an increase of the tax credit in 1953. • The 1971 Tax Reform introduced the gross-up factor and adjustments to the DTC effective for the 1972 and subsequent taxation years. • Budgets 1977 and 1986 as well as the 1987 Tax Reform announced changes to the gross-up and DTC. • Budget 2006 established, for dividends paid after 2005, a new gross-up factor and an enhanced DTC rate for eligible dividends. • Budget 2008 adjusted the enhanced DTC and gross-up factor to reflect the scheduled federal general corporate income tax rate reductions that were announced in the 2007 Economic Statement. • Budget 2013 adjusted the gross-up factor and DTC rate applicable to non-eligible dividends to ensure the appropriate tax treatment of such dividends. • Budget 2015 adjusted the gross-up factor and DTC rate applicable to non-eligible dividends in conjunction with reductions in the preferential income tax rate for small businesses. • Budget 2016 announced that the gross-up factor and DTC rate applicable to non-eligible dividends would remain at 17% and 10.5% respectively after 2016. • The 2017 *Fall Economic Statement* adjusted the gross-up factor and DTC rate applicable to non-eligible dividends in conjunction with reductions in the preferential income tax rate for small businesses.
Objective – category	To prevent double taxation
Objective	These measures contribute to the integration of the corporate and personal income tax systems.
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure is considered part of the benchmark tax system, and therefore is not a tax expenditure.
Subject	Savings and investment
CCOFOG 2014 code	n/a

Other relevant government programs	n/a
Source of data	T1 Income Tax and Benefit Return T3 Trust Income Tax and Information Return
Estimation method	T1 micro-simulation model T3 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 3.9 million individuals claimed this credit in 2017, while about 29,500 trusts benefited from it.

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Personal income tax								
Individuals	4,655	5,780	4,475	5,395	5,030	4,895	5,010	5,190
Trusts	355	450	225	235	220	215	220	225
Total – personal income tax	5,010	6,225	4,700	5,630	5,245	5,110	5,230	5,415

Earned depletion

Description	The earned depletion deduction supplemented the deduction for actual costs incurred with an extra deduction of up to $33^{1}/_{3}$% of certain exploration and development expenses. This measure was phased out as part of the 1987 Tax Reform and, accordingly, new expenditures cannot be added to the earned depletion base after 1989. As in the case of Canadian Exploration Expenses and Canadian Development Expenses, earned depletion could be pooled and any remaining balance could be carried forward indefinitely for use in later years. As a result, deductions can still be made on the basis of existing unused depletion pools. The deduction for earned depletion is generally limited to 25% of the corporation's annual resource profits, although mining exploration depletion can be deducted against non-resource income.
Tax	Personal (including trusts) and corporate income tax
Beneficiaries	Businesses in the mining and oil and gas industry
Type of measure	Other
Legal reference	*Income Tax Regulations*, section 1201
Implementation and recent history	• Introduced in Budget 1971. • Phased out 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 2017. No data is available for unincorporated businesses.

Cost Information:

Millions of dollars	2014	2015	2016	2017	2018 (P)	2019 (P)	2020 (P)	2021 (P)
Personal income tax	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Corporate income tax	1	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	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Personal income tax	725	760	730	400	325	245	185	135

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 ($12,069 for 2019, 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 by the same household, and only one individual may claim the credit in respect of the same dependant in a given year. The Government has tabled a Notice of Ways and Means Motion to introduce an income-tested supplement to the Eligible Dependant Credit as of 2020, which will be gradually increased in steps exceeding inflation each year until 2023, at which time the maximum credit amount will be $15,000.
Tax	Personal income tax
Beneficiaries	Individuals with eligible dependants
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, paragraph 118(1)(b)
Implementation and recent history	• Introduced as part of the 1987 Tax Reform, to replace the previous exemption. Effective for the 1988 and subsequent taxation years. • Until 2007, the Eligible Dependant Credit amount was less than the Basic Personal Amount, and was reduced dollar-for-dollar by the net income of the dependant in excess of the income threshold applicable for the taxation year. • Budget 2007 introduced two changes to this credit: (i) the credit amount was set equal to the Basic Personal Amount; and (ii) the income threshold was eliminated, resulting in the credit amount being reduced dollar-for-dollar by the net income of the dependant. These changes became effective in 2007. • In December, 2019, the Government announced its intention to increase the Eligible Dependant Credit to $15,000 by 2023. The increase will be gradually implemented from 2020 to 2023 through annual increases in excess of inflation. The new, increased portion of the credit will be subject to an income test beginning at a level of individual net income equal to the fourth federal tax bracket threshold ($150,473 in 2020), and be fully phased out by the fifth federal bracket threshold ($214,368 in 2020).
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 975,000 individuals claimed this credit in 2017.

Cost Information:

Millions of dollars	2014	2015	2016	2017	2018 (P)	2019 (P)	2020 (P)	2021 (P)
Personal income tax	795	870	905	940	965	995	1,075	1,125

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 37,000 individuals claimed this deduction in 2017.

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Personal income tax	745	685	550	655	755	780	810	840

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 30 corporations in 2017.

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Corporate income tax	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 (including trusts) and corporate income tax
Beneficiaries	Non-resident businesses
Type of measure	Exemption
Legal reference	*Income Tax Act*, paragraph 81(1)(c)
Implementation and recent history	• Introduced in 1926 for income of a non-resident person from the operation of a ship in international traffic. • Extended in 1945 to income of a non-resident person from the operation of an aircraft in international traffic.
Objective – category	To prevent double taxation
Objective	This measure is provided to prevent international double taxation.
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base.
Subject	International
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	n/a
Source of data	No data is available.
Estimation method	No estimate is available.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

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

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

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Corporate income tax	4	S	S	30	15	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	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Goods and Services Tax	35	35	35	35	40	40	40	45

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	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Goods and Services Tax	1,800	1,800	1,895	1,970	2,070	2,200	2,310	2,420

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	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Goods and Services Tax	1,010	1,100	1,225	1,310	1,345	1,375	1,400	1,430

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	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Goods and Services Tax	150	160	170	180	185	195	200	210

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	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Goods and Services Tax	10	10	10	10	15	15	15	15

Exemption from GST for health care services

Description	Basic health care services are exempt under the GST, including: • services provided by physicians, dentists and certain other health care practitioners whose profession is regulated by the governments of at least five provinces; • services covered by a provincial health insurance plan; and • institutional health care services provided in a health care facility, including accommodation, meals provided with accommodation, rentals of medical equipment to patients or residents of the facility, and a number of other supplies.
Tax	Goods and Services Tax
Beneficiaries	Individuals with medical conditions
Type of measure	Exemption
Legal reference	Part II of Schedule V to the *Excise Tax Act*
Implementation and recent history	• This measure has been in effect since the inception of the GST in 1991. • The list of exempt services is periodically amended. Most recently, Budget 2014 announced the addition of acupuncturists and naturopathic doctors to the list of health care practitioners whose professional services are exempt from the GST. • Budget 2013 clarified that the GST applies to reports, examinations and other services that are not performed for the purpose of the protection, maintenance or restoration of the health of a person or for palliative care.
Objective – category	To achieve a social objective
Objective	This measure recognizes that most health services are provided by the public sector in a non-commercial context.
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	GST exemptions are deviations from a broadly defined value-added tax base.
Subject	Health
CCOFOG 2014 code	7072 - Health - Outpatient services 7073 - Health - Hospital services
Other relevant government programs	Programs within the mandates of Health Canada, the Canadian Food Inspection Agency, the Canadian Institutes of Health Research, the Public Health Agency of Canada and Veterans Affairs Canada also support health-related objectives. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Statistics Canada, Supply and Use Tables and National Income and Expenditure Accounts
Estimation method	Goods and Services Tax model. The value of this tax expenditure corresponds to the forgone GST on 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	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Goods and Services Tax	735	775	820	845	880	920	960	990

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

Exemption from GST for hospital parking

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

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Goods and Services Tax	10	15	15	15	15	15	15	20

Exemption from GST for municipal transit

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

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Goods and Services Tax	190	195	200	210	220	225	235	245

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	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (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	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (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	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Goods and Services Tax	705	740	790	820	855	890	925	960

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	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Goods and Services Tax	245	265	280	300	310	325	335	345

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 1,200,000 individuals received a non-taxable scholarship amount in 2017.

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Personal income tax	250	250	265	365	465	465	470	480

Exemptions from non-resident withholding tax

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

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
By type of payments								
Dividends	2,765	3,455	3,540	4,210	4,015	4,140	4,300	4,460
Interest	1,620	1,120	1,390	1,275	1,380	1,425	1,480	1,535
Rents and royalties	420	645	695	655	700	720	750	780
Management fees	345	430	520	635	600	615	640	665
Total – personal and corporate income tax	5,145	5,645	6,140	6,780	6,695	6,900	7,165	7,440

Expensing of advertising costs

Description	Advertising expenses are deductible in computing business income in the year they are incurred, even though some of these expenses provide a benefit in the future. Under the benchmark tax system, the expenses would be amortized over the benefit period. Certain restrictions regarding advertising expenses in foreign media apply (see the measure "Non-deductibility of advertising expenses in foreign media").
Tax	Personal (including trusts) and corporate income tax
Beneficiaries	Businesses
Type of measure	Timing preference
Legal reference	*Income Tax Act*, paragraph 18(1)(a)
Implementation and recent history	• This measure has been in effect since 1917.
Objective – category	To reduce administration or compliance costs
Objective	This measure reduces administration costs for the Canada Revenue Agency and compliance costs for taxpayers.
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure may permit the depreciation of a capital asset faster than its useful life.
Subject	Business - other
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	No data is available.
Estimation method	No estimate is available – see the Annex to Part 1 for an explanation as to why estimates are not available for this measure.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

Expensing of current expenditures on scientific research and experimental development

Description	Eligible current expenditures on scientific research and experimental development (SR&ED) performed in Canada may be fully deducted in the year they are incurred. These expenditures give rise to new knowledge, technology and other intangible assets that are expected to generate benefits over multiple years. Under the benchmark tax system, such expenditures would be capitalized and depreciated over the time period the assets created are expected to generate revenues. A 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 (including trusts) and corporate income tax
Beneficiaries	Businesses conducting eligible scientific research and experimental development
Type of measure	Timing preference
Legal reference	*Income Tax Act*, section 37
Implementation and recent history	• Introduced in 1944.
Objective – category	To encourage or attract investment
Objective	This measure is intended to encourage the performance of scientific research and experimental development in Canada by the private sector and to assist small businesses to perform scientific research and experimental development (Budget 1996).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure may permit the depreciation of a capital asset faster than its useful life.
Subject	Business - research and development
CCOFOG 2014 code	7048 - Economic affairs - R&D Economic affairs
Other relevant government programs	Programs within the mandates of Innovation, Science and Economic Development Canada, the National Research Council Canada and the federal granting councils also support research and development. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	The calculation of the cost of this tax expenditure would require information on the intangible assets created through expenditures on SR&ED. Such information is not available. Information on current SR&ED expenditures by unincorporated businesses is also not available.
Estimation method	No estimate is available – see the Annex to Part 1 for an explanation as to why estimates are not available for this measure.
Projection method	No projection is available.
Number of beneficiaries	About 16,500 corporations incurred eligible expenditures in 2017. No data is available for unincorporated businesses.

Expensing of employee training costs

Description	Expenditures that are incurred for employee training for the benefit of the employer are fully deductible by businesses. Expenditures on training improve the quality of human capital and provide benefits to the business in both the current year and future years similar to an acquisition of physical capital. Under the benchmark tax system, a portion of these costs would be capitalized and depreciated over the period of time over which they are expected to generate revenues for the business.
Tax	Personal (including trusts) and corporate income tax
Beneficiaries	Businesses
Type of measure	Timing preference
Legal reference	*Income Tax Act*, paragraph 18(1)(a)
Implementation and recent history	• This measure has been in effect since 1917.
Objective – category	To encourage employment
Objective	This measure encourages employers to invest in employee training by increasing the after-tax returns on such investment.
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure may permit the depreciation of a capital asset faster than its useful life.
Subject	Business - other
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	No data is available.
Estimation method	No estimate is available – see the Annex to Part 1 for an explanation as to why estimates are not available for this measure.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

Expensing of incorporation expenses

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

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	n/a
Number of beneficiaries	About 394,000 individuals claimed this credit in 2016.

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Personal income tax	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	n/a
Number of beneficiaries	About 1.7 million couples claimed this credit in 2015.

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (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 500 corporations received this benefit in 2017.

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Corporate income tax	135	150	215	260	305	315	325	335

First-Time Donor's Super Credit

Description	The First-Time Donor's Super Credit provided a temporary, non-refundable tax credit of 25% in addition to the Charitable Donation Tax Credit. The First-Time Donor's Super Credit applied on up to $1,000 in cash donations, provided that neither the taxpayer nor their spouse had claimed the Charitable Donation Tax Credit after 2007. Contributions eligible for the credit must have been made in respect of any one taxation year from 2013 to 2017.
Tax	Personal income tax
Beneficiaries	Individual first-time donors
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, subsections 118.1(3.1) and (3.2)
Implementation and recent history	• Introduced in Budget 2013. Effective for gifts made on or after March 21, 2013, that are claimed in any one taxation year from 2013 to 2017. • As announced in Budget 2017, the credit expired in 2017 as planned.
Objective – category	To achieve a social objective
Objective	This measure encourages charitable giving by new donors (Budget 2013).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system. The tax benefit from this measure can be obtained in a taxation year other than the year during which it accrues. The tax benefit from this measure is transferable between spouses or common-law partners.
Subject	Donations, gifts, charities and non-profit organizations
CCOFOG 2014 code	705 - Environmental protection; 706 - Housing and community amenities; 707 - Health; 708 - Recreation, culture, and religion; 709 - Education; 710 - Social protection; Other various codes
Other relevant government programs	Many federal government entities provide direct funding to registered charities, non-profit organizations and international development associations through various programs.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	n/a
Number of beneficiaries	About 19,000 individuals claimed this credit in 2017.

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Personal income tax	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 2019). 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 189,000 individuals claimed this credit in 2017.

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Personal income tax	115	115	115	110	105	105	105	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 (including trusts) and corporate income tax
Beneficiaries	Investors in flow-through shares and businesses in the oil and gas, mining and renewable energy sectors
Type of measure	Other
Legal reference	*Income Tax Act*, subsections 66(12.6) and 66(12.62)
Implementation and recent history	• Flow-through share deductions have existed in various forms since the 1950s. • The current flow-through share regime was introduced in Budget 1986 and implemented on March 1, 1986.
Objective – category	To encourage or attract investment
Objective	This measure assists corporations in the oil and gas, mining and renewable energy sectors to raise capital for eligible exploration, development and project start-up expenses by issuing their shares (*Improving the Income Taxation of the Resource Sector in Canada*, 2003).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure extends the unit of taxation.
Subject	Business - natural resources
CCOFOG 2014 code	70432 - Economic affairs - Fuel and energy - Petroleum and natural gas 70441 - Economic affairs - Mining, manufacturing, and construction - Mining of mineral resources other than mineral fuels 70435 - Economic affairs - Fuel and energy - Electricity 70439 - Economic affairs - Fuel and energy - Fuel and energy not elsewhere classified
Other relevant government programs	Programs within the mandate of Natural Resources Canada also support the natural resource sector. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return T2 Corporation Income Tax Return
Estimation method	See the Annex to Part 1 of this report for an explanation of the method used to estimate the value of this measure. The breakdown of the estimates between individuals and trusts is not available.
Projection method	Projections are based on current market conditions.
Number of beneficiaries	This measure provided tax relief to about 50,500 individuals and 400 corporations in 2017.

Cost Information:

Millions of dollars	2014	2015	2016	2017	2018 (P)	2019 (P)	2020 (P)	2021 (P)
Personal income tax	100	55	85	115	105	115	105	120
Corporate income tax	30	30	45	50	55	55	55	60
Total	135	85	130	170	160	165	165	180

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	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Goods and Services Tax	15	20	25	25	10	15	15	15

Foreign tax credit for individuals

Description	Individuals who are residents of Canada and who paid income tax to a foreign government may be eligible to claim a foreign tax credit, which provides a tax credit against Canadian income tax payable for income taxes paid to a foreign government up to a limit of the Canadian tax on that income. In addition, the foreign tax credit claimed in respect of tax paid on income from a foreign property cannot exceed 15% of the net income from that property. This credit is also available to trusts in respect of the foreign income of a trust that is retained and taxed within the trust.
Tax	Personal income tax (including trusts)
Beneficiaries	Individuals and trusts with foreign income
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, section 126
Implementation and recent history	• This measure has been in place since 1927.
Objective – category	To prevent double taxation
Objective	This measure ensures that foreign income is not subject to double taxation (June 1987 Tax Reform White Paper).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure is considered part of the benchmark tax system, and therefore is not a tax expenditure.
Subject	International
CCOFOG 2014 code	n/a
Other relevant government programs	n/a
Source of data	T1 Income Tax and Benefit Return T3 Trust Income Tax and Information Return
Estimation method	T1 and T3 micro-simulation models
Projection method	T1 micro-simulation model in the case of individuals. Projections for trusts are based on projected growth for individuals.
Number of beneficiaries	About 1.6 million individuals and 11,000 trusts claimed this credit in 2017.

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Personal income tax								
Individuals	1,205	1,445	1,590	1,650	1,670	1,695	1,715	1,735
Trusts	45	50	50	35	35	35	35	35
Total – personal income tax	1,255	1,495	1,645	1,685	1,705	1,725	1,745	1,770

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 2019 to June 2020, based on net family income reported for the 2017 taxation year: • an adult receives a basic adult credit of $290 per year; • families with children aged 18 and under receive a basic child credit of $153 per year for each child; • single parents can claim, in lieu of the basic child credit, the full basic adult credit of $290 per year for one dependent child; • single parents are eligible for an additional credit of $153 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 $153 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 $37,789. 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	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Goods and Services Tax	4,175	4,315	4,440	4,550	4,650	4,765	4,905	5,050

Holdback on progress payments to contractors

Description	Contractors in the construction industry are typically given progress payments as construction proceeds. However, a portion of these progress payments can be held back by the client until the entire project is completed. Under this measure, amounts held back are considered not to be receivable when earned (as would be the case under the benchmark tax structure), but only when the project to which they apply is certified as complete, and these amounts are not deductible by the client and not brought into the income of the contractor until that time. In contrast, progress payments not held back are deductible by the client as incurred, and brought into the income of the contractor as earned.
Tax	Personal (including trusts) and corporate income tax
Beneficiaries	Construction contractors
Type of measure	Other
Legal reference	*Income Tax Act*, paragraph 12(1)(b)
Implementation and recent history	• This tax expenditure is the result of an interpretation of the *Income Tax Act* that has been effective since the early 1970s.
Objective – category	To provide relief for special circumstances
Objective	This measure is intended to alleviate potential cash-flow difficulties for construction contractors.
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure permits the deferral of the recognition of income or gains for income tax purposes.
Subject	Business – other
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Personal income tax: Data on holdbacks payable and receivable by unincorporated businesses is not available. Corporate income tax: T2 Corporation Income Tax Return
Estimation method	Personal income tax: No estimate is available. Corporate income tax: T2 micro-simulation model This tax expenditure may be positive or negative, depending on the tax rates applicable to contractors and clients and on whether holdbacks receivable exceed or are smaller than holdbacks payable. Total holdbacks receivable may not equal total holdbacks payable when related amounts receivable and payable are not assigned to the same calendar year (because the taxation years of contractors and clients end in different calendar years) or because no data is available in respect of amounts receivable and payable by unincorporated businesses.
Projection method	Personal income tax: No projection is available. Corporate income tax: The cost of this measure is projected to grow in line with nominal gross domestic product.
Number of beneficiaries	About 6,450 corporations claimed this deduction in 2017. No data is available for unincorporated businesses.

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Personal income tax	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Corporate income tax	80	50	10	25	50	50	55	55
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 2017.

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Personal income tax	–	–	15	15	15	20	20	20

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	n/a
Number of beneficiaries	About 302,000 individuals designated this amount to a dependant in 2016.

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Personal income tax	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	n/a
Number of beneficiaries	About 21,000 individuals claimed this credit in 2016.

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Personal income tax	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 2017.

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Corporate income tax	S	S	S	S	S	S	S	S

Investment Tax Credit for Child Care Spaces

Description	Certain expenditures incurred by eligible businesses in order to create new child care spaces in a new or existing licensed child care facility were eligible for a non-refundable investment tax credit of 25%, to a maximum credit of $10,000 per child care space created. Eligible expenditures included the cost or incremental cost of the building in which the child care facility is located, as well as the cost of furniture, appliances, computer equipment, audio-visual equipment, playground structures and playground equipment. Initial start-up costs such as landscaping costs for the children's playground, architect's fees, building permit costs and costs to acquire children's educational materials were also eligible. Unused credits could be carried back 3 years or forward 20 years to reduce taxes payable in those years. Budget 2017 announced the phase-out of this measure. Unused deductions may continue to be carried forward for up to 20 years.
Tax	Personal (including trusts) and corporate income tax
Beneficiaries	Businesses that create child care spaces
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, section 127
Implementation and recent history	• Introduced in Budget 2007, effective for eligible expenditures incurred on or after March 19, 2007. • Budget 2017 announced the elimination of the measure for eligible expenditures made on or after March 22, 2017. The credit remains available in respect of eligible expenditures incurred before 2020 pursuant to a written agreement entered into before March 22, 2017.
Objective – category	To achieve a social objective
Objective	This measure encourages businesses to create licensed child care spaces for the children of their employees and, potentially, for children in the surrounding community (Budget 2007).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system. The tax benefit from this measure could be obtained in a taxation year other than the year during which it accrued.
Subject	Families and households Business – other
CCOFOG 2014 code	71049 - Social protection - Family and children
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada and Indigenous Services Canada also support Canadian families and households. Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Personal income tax: T1 Income Tax and Benefit Return Corporate income tax: T2 Corporation Income Tax Return
Estimation method	The estimates are based on actual amounts earned and claimed by businesses. The estimates do not cover investment tax credits claimed by trusts.
Projection method	Personal income tax: The cost of this measure is projected based on historical growth. Corporate income tax: The cost of this measure is projected to grow in line with nominal gross domestic product.
Number of beneficiaries	A small number of individuals (fewer than 100) and corporations (fewer than 20) claim this credit each year. The number of trusts having claimed this credit in 2017 is not disclosed due to confidentiality restrictions.

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (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 332,000 individuals claimed this credit in 2017.

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Personal income tax	125	90	145	150	155	160	165	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 $866,912 in 2019, which is indexed to inflation. In the case of capital gains realized on the disposition of qualified farm or fishing property made after April 20, 2015, the lifetime capital gains limit is the greater of $1 million and the indexed lifetime limit for qualified small business shares. Before 2016, a spousal or common-law partner trust could claim the LCGE in the year the spouse or common-law partner beneficiary died, to the extent of the remaining exemption of the deceased beneficiary. For deaths occurring after 2015, capital gains realized by a spousal or joint spousal trust are deemed to have been made payable to the beneficiary.
Tax	Personal income tax
Beneficiaries	Individual owners of incorporated small businesses or incorporated or unincorporated farming and fishing businesses
Type of measure	Exemption
Legal reference	*Income Tax Act,* section 110.6
Implementation and recent history	• Introduced in Budget 1985. The $500,000 LCGE on qualified farm property was effective starting in 1985. The $500,000 LCGE on other capital gains, including small business corporation shares, was phased in between 1985 and 1990. • The 1987 Tax Reform capped the LCGE for capital gains other than gains on qualified farm property and small business corporation shares at $100,000 in 1988. • Budget 1992 excluded real property (except real property used in an active business) from the $100,000 LCGE on other capital gains. • Budget 1994 eliminated the $100,000 LCGE on other capital gains. • Budget 2006 extended the $500,000 LCGE to include qualified fishing property, effective May 2, 2006. • Budget 2007 increased the LCGE limit to $750,000, effective March 19, 2007. • Budget 2013 increased the LCGE limit to $800,000 for 2014, and indexed the LCGE limit to inflation effective for 2015 and subsequent years. • Budget 2014 eliminated the LCGE for spousal and common-law partner trusts, effective for the 2016 taxation year. • Budget 2015 increased the LCGE limit for qualified farm or fishing property to $1 million, effective April 21, 2015. For taxation years after 2015, the LCGE for qualified farm or fishing property will be maintained at $1 million until the indexed LCGE applicable to capital gains realized on the disposition of qualified small business shares exceeds $1 million. At that time, the same LCGE limit, indexed to inflation, will apply to the three types of property.
Objective – category	To encourage or attract investment To encourage savings To achieve an economic objective - other
Objective	This measure was introduced to bolster risk taking and investment in small businesses, to provide an incentive to invest in the development of productive farm and fishing businesses, and to help small business owners and farm and fishing business owners better ensure their financial security for retirement (Budget 1985; The Lifetime Capital Gains Exemption: An Evaluation, Department of Finance Canada, 1995; Budget 2006; Budget 2007).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base.

Subject	Business - farming and fishing Business - small businesses
CCOFOG 2014 code	70421 - Economic affairs - Agriculture, forestry, fishing, and hunting - Agriculture 70423 - Economic affairs - Agriculture, forestry, fishing, and hunting - Fishing and hunting 70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandates of Agriculture and Agri-Food Canada and Fisheries and Oceans Canada also support the farming and fishing sectors. Programs within the mandate of Innovation, Science and Economic Development Canada also support small businesses. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return T3 Trust Income Tax and Information Return
Estimation method	T1 and T3 micro-simulation models
Projection method	T1 micro-simulation model
Number of beneficiaries	About 66,500 individuals claimed this deduction in 2017.

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Individuals, by type of property								
Small business shares	700	760	805	990	1,070	1,110	1,155	1,195
Farm and fishing property	565	615	695	765	755	795	835	885
Trusts	1	1	–	–	–	–	–	–
Total – personal income tax	1,260	1,380	1,500	1,755	1,825	1,905	1,985	2,080

Logging Tax Credit

Description	The Logging Tax Credit reduces federal income taxes payable by businesses by the lesser of two-thirds of any tax on income from logging operations paid to a province and 6⅔% of net income from logging operations in that province. Two provinces currently impose logging taxes that are prescribed by regulation for the purpose of this credit—British Columbia and Quebec.
Tax	Personal (including trusts) and corporate income tax
Beneficiaries	Businesses in the forest industry
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, section 127
Implementation and recent history	• Introduced in Budget 1962. Effective for taxation years commencing after 1961. • The Budget 1962 announcement followed discussions with provinces concerning the impact of provincial logging taxes on forest sector businesses. Budget 1962 expressed the hope that provinces imposing a logging tax would provide a provincial income tax credit equal to one-third of the logging tax. Both British Columbia and Quebec currently provide a partial credit against provincial income tax in respect of their logging tax.
Objective – category	To implement intergovernmental tax arrangements
Objective	This measure, along with parallel credits provided by provinces that impose logging taxes, is intended to provide relief to the forest industry for provincial logging taxes (Budget 1962).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system.
Subject	Intergovernmental tax arrangements
CCOFOG 2014 code	70422 - Economic affairs - Agriculture, forestry, fishing, and hunting - Forestry
Other relevant government programs	n/a
Source of data	Personal income tax: T1 Income Tax and Benefit Return and T3 Trust Income Tax and Information Return Corporate income tax: T2 Corporation Income Tax Return
Estimation method	Personal income tax: T1 and T3 micro-simulation models Corporate income tax: T2 data on actual credits used in a year
Projection method	Personal income tax: T1 micro-simulation model in the case of individuals. Projections for trusts are based on projected growth for individuals. Corporate income tax: The cost of this measure is projected to grow in line with nominal gross domestic product.
Number of beneficiaries	About 400 individuals and 700 corporations claimed this credit in 2017. The number of trusts having claimed this credit in 2017 is not disclosed due to confidentiality restrictions.

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Personal income tax								
Individuals	1	1	1	1	2	2	2	2
Trusts	S	X	X	X	X	X	X	X
Total – personal income tax	1	1	1	1	2	2	2	2
Corporate income tax	20	20	25	60	90	60	60	60
Total	20	20	25	60	95	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 $2,352 (in 2019, 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 $2,352 (in 2019, indexed to inflation). For purposes of the credit, a dependant is defined as a child, grandchild, parent, grandparent, brother, sister, uncle, aunt, niece or nephew who is dependent on the taxpayer for support.
Tax	Personal income tax
Beneficiaries	Individuals, caregivers
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, section 118.2 *Income Tax Regulations*, section 5700
Implementation and recent history	• Introduced as the Medical Expense Deduction in Budget 1942, and replaced by a non-refundable credit as part of the 1987 Tax Reform, applicable to the 1988 and subsequent taxation years. • The maximum eligible amount that can be claimed on behalf of dependent relatives other than minor children was eliminated in Budget 2011 for the 2011 and subsequent taxation years in order to allow caregivers to receive full tax recognition for eligible medical expenses. • Budget 2017 clarified the application of the Medical Expense Tax Credit so that individuals who require medical intervention in order to conceive a child are eligible to claim the same expenses that would generally be eligible for individuals on account of medical infertility, effective for the 2017 and subsequent taxation years. • The list of expenses eligible for this credit is regularly reviewed and expanded in light of new technologies and other disability-specific or medically-related developments.
Objective – category	To recognize non-discretionary expenses (ability to pay)
Objective	This measure recognizes the effect of above-average medical and disability-related expenses on the ability of an individual to pay income tax (Budget 1942; Budget 1997; Budget 2005).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system. The tax benefit from this measure is transferable between spouses or common-law partners.
Subject	Health
CCOFOG 2014 code	7071 - Health - Medical products, appliances, and equipment 7072 - Health - Outpatient services 7073 - Health - Hospital services
Other relevant government programs	Programs within the mandates of Health Canada, the Canadian Food Inspection Agency, the Canadian Institutes of Health Research, the Public Health Agency of Canada and Veterans Affairs Canada also support health-related objectives. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 5.1 million individuals claimed this credit in 2017.

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Personal income tax	1,300	1,370	1,435	1,550	1,670	1,790	1,900	2,000

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 300 companies issued flow-through shares and more than 11,500 individuals claimed the credit in 2017.

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Personal income tax	30	25	55	70	70	70	70	70

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 97,000 individuals claimed this deduction in 2017.

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Personal income tax	100	100	100	110	115	120	125	130

Non-capital loss carry-overs

Description	Non-capital losses, including farm and fishing non-capital losses, may be carried back or forward and deducted against all sources of income. For losses incurred in or after 2006, the carry-back period is three years and the carry-forward period 20 years.
Tax	Personal (including trusts) and corporate income tax
Beneficiaries	Businesses
Type of measure	Timing preference
Legal reference	*Income Tax Act*, subsection 111(1)
Implementation and recent history	• The ability to carry forward non-capital losses was introduced in 1942 and the ability to carry back non-capital losses was introduced in 1944. • Budget 2006 extended the carry-forward period to 20 years from 10 years for non-capital losses arising in and after 2006.
Objective – category	To assess tax liability over a multi-year period
Objective	This measure supports businesses and investors by reducing the risk associated with investment, and provides tax relief for cyclical businesses (Budget 1983; Budget 2004; Budget 2006).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure is considered part of the benchmark tax system, and therefore is not a tax expenditure.
Subject	Business - other
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Personal income tax: T1 Income Tax and Benefit Return and T3 Trust Income Tax and Information Return Corporate income tax: T2 Corporation Income Tax Return
Estimation method	Personal income tax: T1 and T3 micro-simulation models. For individuals, the estimate for a given year represents the tax relief associated with the carry-forward to that year of losses incurred in prior years. Data on losses carried back to a previous year is not available. The estimates also do not include losses carried over by part-time farmers. For trusts, the estimate for a given year represents the tax relief associated with the carry-forward to that year of losses incurred in prior years, as well as the carry-back to that year of losses incurred in subsequent years. Data on amounts carried back to years 2015 to 2017 are preliminary. Corporate income tax: The estimate for a given year represents the tax relief associated with both the carry-forward to that year of losses incurred in prior years and the carry-back to prior years of losses incurred in that year. The estimate is equal to the amount of losses carried over multiplied by the tax rate applicable in the year in which the losses are applied.
Projection method	Personal income tax: T1 micro-simulation model in the case of individuals. Projections for trusts are based on projected growth for corporations. Corporate income tax: The cost of this measure is projected to grow in line with corporate taxable income.
Number of beneficiaries	About 40,000 individuals, 3,700 trusts and 434,700 corporations made use of this measure in 2017 (not counting individuals that carried back losses only).

Cost Information:

Millions of dollars	2014	2015	2016	2017	2018 (P)	2019 (P)	2020 (P)	2021 (P)
Farm and fishing non-capital losses								
Personal income tax								
Individuals – carried back	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Individuals – applied to current year	15	20	15	15	15	15	15	15
Trusts	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total – personal income tax	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Corporate income tax								
Carried back	20	15	15	20	25	20	20	20
Applied to current year	50	45	40	50	40	35	35	40
Total – corporate income tax	65	60	55	70	65	60	60	60
Total – farm and fishing non-capital losses	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other non-capital losses								
Personal income tax								
Individuals – carried back	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Individuals – applied to current year	70	75	65	80	70	75	80	85
Trusts	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total – personal income tax	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Corporate income tax								
Carried back	2,020	2,220	2,415	1,935	2,025	2,035	2,010	2,030
Applied to current year	4,965	4,270	4,760	5,510	5,570	5,235	5,440	5,745
Total – corporate income tax	6,985	6,490	7,175	7,445	7,595	7,270	7,450	7,775
Total – other non-capital losses	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total – non-capital losses								
Personal income tax								
Individuals – carried back	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Individuals – applied to current year	85	95	80	95	85	90	95	100
Trusts	205	125	200	350	240	220	235	255
Total – personal income tax	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Corporate income tax								
Carried back	2,040	2,235	2,435	1,955	2,055	2,060	2,035	2,050
Applied to current year	5,010	4,315	4,800	5,560	5,610	5,270	5,475	5,785
Total – corporate income tax	7,050	6,550	7,230	7,515	7,660	7,330	7,510	7,835
Total – non-capital losses	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Non-deductibility of advertising expenses in foreign media

Description	Expenses for advertising in non-Canadian newspapers and periodicals or on non-Canadian broadcast media cannot generally be deducted for income tax purposes if the advertising is directed primarily to a market in Canada. This treatment results in a negative tax expenditure, since the deductibility of expenses incurred to earn business income is considered to be part of the benchmark tax system.
Tax	Personal (including trusts) and corporate income tax
Beneficiaries	Businesses that advertise in foreign media
Type of measure	Other
Legal reference	*Income Tax Act*, sections 19 to 19.1
Implementation and recent history	• Introduced in Budget 1965. Effective for expenses in respect of advertising in non-Canadian newspapers and periodicals made after December 31, 1965. • This measure was broadened to cover advertising on non-Canadian broadcast media, effective after September 21, 1976. • Following the 1999 Canada-U.S. Agreement on Magazines, expenses incurred to advertise in periodicals published after May 2000 are fully deductible if the periodicals contain at least 80% original editorial content. If the periodicals contain less than 80% original editorial content, then 50% of advertising expenses are deductible.
Objective – category	To achieve an economic objective - other
Objective	This measure is intended to ensure that control of periodicals and newspapers remains in the hands of Canadians and supports the continued existence of a viable and original Canadian magazine industry (*House of Commons Debates*, vol. 3, 1965; Department of Finance Canada news release, June 19, 1995).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure disallows the deduction of an expense that is incurred to earn business income.
Subject	Business - other
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Personal income tax: No data is available on expenses incurred by unincorporated businesses to advertise in non-Canadian media. Corporate income tax: T2 Corporation Income Tax Return
Estimation method	Personal income tax: No estimate is available. Corporate income tax: T2 micro-simulation model
Projection method	Personal income tax: No projection is available. Corporate income tax: The cost of this measure is projected to grow in line with nominal gross domestic product.
Number of beneficiaries	About 350 corporations reported non-deductible advertising expenses in 2017. No data is available for unincorporated businesses.

Cost Information:

Millions of dollars	2014	2015	2016	2017	2018 (P)	2019 (P)	2020 (P)	2021 (P)
Personal income tax	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Corporate income tax	S	S	S	S	S	S	S	S
Total	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

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

Description	Diplomats and other government employees posted abroad can claim an exemption for the allowances received to cover the additional costs associated with living outside Canada.
Tax	Personal income tax
Beneficiaries	Diplomats and other government employees posted abroad
Type of measure	Exemption
Legal reference	*Income Tax Act*, subparagraph 6(1)(b)(iii)
Implementation and recent history	• Introduced in 1943.
Objective – category	To recognize expenses incurred to earn employment income
Objective	This measure recognizes the additional costs incurred by diplomats and other government personnel employed outside Canada.
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base.
Subject	Employment
CCOFOG 2014 code	70412 - Economic affairs - General economic, commercial, and labor affairs - General labor affairs
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support employment. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Global Affairs Canada and National Defence data
Estimation method	The value of this tax expenditure is estimated by multiplying total exempt allowances by the estimated marginal tax rates of recipients.
Projection method	The projection for 2019 is based on partial year data and historical growth. Projections for 2020 and 2021 are not provided as the value of this measure cannot be reliably forecast for these years.
Number of beneficiaries	More than 8,400 individuals received non-taxable allowances in 2017.

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Personal income tax	25	25	30	30	35	35	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 28,000 individuals received non-taxable allowances in 2017.

Cost Information:

Millions of dollars	2014	2015	2016	2017	2018 (P)	2019 (P)	2020 (P)	2021 (P)
Personal income tax	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 2017.

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Personal income tax	2,585	2,580	2,480	2,840	3,050	3,240	3,425	3,605

Non-taxation of benefits in respect of home relocation loans

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

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Personal income tax	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 (including trusts) and corporate income tax
Beneficiaries	Individual and corporate investors
Type of measure	Exemption
Legal reference	*Income Tax Act*, subsections 83(2) and 89(1)
Implementation and recent history	• Introduced in Budget 1971. Effective for the 1972 and subsequent taxation years.
Objective – category	To 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 (including trusts) and corporate income tax
Beneficiaries	Individual and corporate donors
Type of measure	Exemption
Legal reference	*Income Tax Act*, subsections 118.1(1) and 110.1(1) and paragraph 39(1)(a)(i.1)
Implementation and recent history	• Introduced in 1977. • Budget 1998 extended the holding period for certified cultural property from 5 to 10 years, effective February 23, 1998. • Budget 2019 amended the *Income Tax Act* and *the Cultural Property Export and Import Act*, removing the requirement that property be of "national importance" in order to qualify for the ehanced tax incentives for donations of cultural property. The change applies to donations made on or after March 19, 2019.
Objective – category	To achieve a social objective
Objective	This measure preserves Canada's artistic, historic and scientific heritage by encouraging the donation of cultural property determined to be of outstanding significance to Canada's national heritage to designated Canadian institutions, such as museums and art galleries (Budget 1998).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base.
Subject	Donations, gifts, charities and non-profit organizations Arts and culture
CCOFOG 2014 code	70829 - Recreation, culture, and religion - Cultural services
Other relevant government programs	Many federal government entities provide direct funding to registered charities, non-profit organizations and international development associations through various programs. Programs within the mandate of Canadian Heritage also support arts and culture. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Personal income tax: Data from the Canadian Cultural Property Export Review Board and T1 Income Tax and Benefit Return. Corporate income tax: No data is available.
Estimation method	Personal income tax: The value of this measure is estimated by multiplying the exempt capital gains by the capital gains inclusion rate and an assumed marginal tax rate. Corporate income tax: No estimate is available.
Projection method	Personal income tax: Future donations of Canadian cultural property are projected based on a historical average. Corporate income tax: No projection is available.
Number of beneficiaries	The Canadian Cultural Property Export Review Board issued approximately 425 certificates to individuals and 30 corporations in 2017-18.

Cost Information:

Millions of dollars	2014	2015	2016	2017	2018 (P)	2019 (P)	2020 (P)	2021 (P)
Personal income tax								
Individuals	10	10	10	5	4	5	5	5
Trusts	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total – personal income tax	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Corporate income tax	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

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

Millions of dollars	2014	2015	2016	2017	2018 (P)	2019 (P)	2020 (P)	2021 (P)
Charitable Donation Tax Credit	25	25	25	20	15	20	20	20
Deductibility of charitable donations	10	20	3	5	3	4	5	5
Non-taxation of capital gains – personal income tax	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Non-taxation of capital gains – corporate income tax	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

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

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

Cost Information:

Millions of dollars	2014	2015	2016	2017	2018 (P)	2019 (P)	2020 (P)	2021 (P)
Personal income tax								
Individuals	2	1	3	2	3	2	2	2
Trusts	S	S	S	S	S	S	S	S
Total – personal income tax	2	2	4	2	4	3	3	3
Corporate income tax	5	S	S	2	1	1	1	1
Total	5	2	4	4	4	4	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	2014	2015	2016	2017	2018 (P)	2019 (P)	2020 (P)	2021 (P)
Charitable Donation Tax Credit	5	5	10	5	10	10	10	10
Deductibility of charitable donations	3	1	1	1	10	4	4	4
Non-taxation of capital gains – personal income tax	2	2	4	2	4	3	3	3
Non-taxation of capital gains – corporate income tax	5	S	S	2	1	1	1	1
Total	15	5	15	10	25	15	15	15

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

Description	A zero inclusion rate applies to capital gains arising from a donation of publicly listed securities made to a qualified donee, which effectively exempts such gains from income tax. Donations of publicly listed securities are also eligible for the Charitable Donation Tax Credit (for individuals) or deduction (for corporations).
Tax	Personal (including trusts) and corporate income tax
Beneficiaries	Individual and corporate donors
Type of measure	Exemption
Legal reference	*Income Tax Act*, paragraphs 38(a.1) and (a.4), sections 38.3 and 38.4
Implementation and recent history	• Budget 1997 introduced a temporary reduction of half the normal inclusion rate applicable to capital gains arising from a donation of publicly listed securities to a registered charity that is not a private foundation. This measure was made permanent in Budget 2001. • Budget 2006 reduced the inclusion rate to 0%. • Budget 2007 extended the zero inclusion rate to capital gains arising on donations of publicly listed securities to private foundations. • Budget 2008 extended the zero inclusion rate to donations of unlisted exchangeable securities if exchanged for publicly listed securities and donated within 30 days of the exchange.
Objective – category	To achieve a social objective
Objective	This measure was introduced to facilitate the transfer of certain publicly listed securities to charities to help them respond to the needs of Canadians (Budget 1997).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base.
Subject	Donations, gifts, charities and non-profit organizations
CCOFOG 2014 code	705 - Environmental protection; 706 - Housing and community amenities; 707 - Health; 708 - Recreation, culture, and religion; 709 - Education; 710 - Social protection; Other various codes
Other relevant government programs	Many federal government entities provide direct funding to registered charities, non-profit organizations and international development associations through various programs.
Source of data	Personal income tax: T1 Income Tax and Benefit Return Corporate income tax: T2 Corporation Income Tax Return
Estimation method	Personal income tax: The value of this measure is estimated by multiplying the exempt capital gains on publicly listed shares by the capital gains inclusion rate and the top marginal tax rate. Corporate income tax: T2 micro-simulation model
Projection method	Personal income tax: Projections for publicly listed securities are made based on historical donation levels and projected growth in capital gains. Corporate income tax: Projections are based on the average of the last three historical years. The tax expenditure is projected to grow in line with nominal gross domestic product.
Number of beneficiaries	This measure provided tax relief to about 1,150 corporations in 2017. The number of individuals and trusts 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	2014	2015	2016	2017	2018 (P)	2019 (P)	2020 (P)	2021 (P)
Personal income tax								
Individuals	70	60	75	95	90	105	110	115
Trusts	1	S	1	1	1	1	1	2
Total – personal income tax	70	60	75	95	90	105	110	120
Corporate income tax	100	60	65	105	75	90	95	100
Total	175	120	135	200	165	195	205	215

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	2014	2015	2016	2017	2018 (P)	2019 (P)	2020 (P)	2021 (P)
Charitable Donation Tax Credit	240	190	240	315	330	350	370	385
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	70	60	75	95	90	105	110	120
Non-taxation of capital gains – corporate income tax	100	60	65	105	75	90	95	100
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 (including trusts)
Beneficiaries	Individual homeowners
Type of measure	Exemption
Legal reference	*Income Tax Act*, paragraph 40(2)(b), definition of “principal residence” in section 54, and *Income Tax Regulations* sections 2300 and 2301
Implementation and recent history	• Introduced as part of the 1972 Tax Reform. • Amended in Budget 1981 so that, for years after 1981, a family may only treat one property as its principal residence for a taxation year. • Amended on October 3, 2016 to require the reporting of dispositions (and introduce an indefinite reassessment period for unreported dispositions) and to limit the types of trusts that are eligible to designate a property as a principal residence for a taxation year beginning after 2016.
Objective – category	To achieve a social objective To achieve an economic objective - other
Objective	This measure recognizes that principal homes are generally purchased to provide basic shelter and not as an investment, and increases flexibility in the housing market by facilitating the movement of families from one principal residence to another in response to their changing circumstances (*Summary of 1971 Tax Reform Legislation*, 1971; Budget 1981).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base.
Subject	Housing
CCOFOG 2014 code	70619 - Housing and community amenities - Housing development
Other relevant government programs	Programs within the mandate of the Canada Mortgage and Housing Corporation, Indigenous Services Canada and Crown-Indigenous Relations and Northern Affairs Canada are intended to promote the construction, repair and renewal of affordable and safe housing. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	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). The breakdown of the estimates between individuals and trusts is not available.
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	About 470,000 individuals claimed this exemption in 2017.

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Personal income tax	5,045	6,135	7,960	7,520	5,315	4,895	5,870	7,070

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 100,000 individuals did not include these amounts in income in 2018-19.

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Personal income tax	240	230	220	205	200	190	180	175

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 2.2 million beneficiaries of the Guaranteed Income Supplement and Allowance benefits in 2017, it is estimated that about 520,000 additional individuals would have had an increase in net tax owing in the absence of this measure.

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Personal income tax	145	155	175	225	240	255	215	215

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

Description	Income earned by members of the Canadian Armed Forces and police officers deployed on international operational missions must be included in income for tax purposes, but an offsetting deduction from net income is provided. This approach effectively exempts such income from taxation, while ensuring that it is taken into account in determining income-tested credits and benefits.
Tax	Personal income tax
Beneficiaries	Members of the Canadian Armed Forces and police officers deployed on international operational missions
Type of measure	Exemption
Legal reference	*Income Tax Act*, subparagraph 110(1)(f)(v)
Implementation and recent history	• The deduction was introduced in Budget 2004 for high-risk operational missions. Effective for the 2004 and subsequent taxation years. • On April 14, 2004, the Government announced that the deduction would be extended to moderate-risk missions (National Defence news release NR-04.028, April 14, 2004). • On May 18, 2017, the Government announced that the deduction would be extended to all international operational missions, effective for the 2017 and subsequent taxation years (National Defence news release, May 18, 2017). The maximum deduction was increased to the pay level of a Lieutenant-Colonel (General Services Officer).
Objective – category	To achieve a social objective
Objective	This measure is intended to provide special recognition for Canadian Armed Forces personnel and police serving their country on international operational missions (Budget 2004; National Defence news release NR-04.028, April 14, 2004; National Defence news release, May 18, 2017).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base.
Subject	Employment
CCOFOG 2014 code	70219 - Defense - Military defense 70319 - Public order and safety - Police services
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support employment. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Data from National Defence, the Royal Canadian Mounted Police, and the Canada Revenue Agency.
Estimation method	The value of this measure is estimated by multiplying total exempt earnings by an estimate of the marginal tax rate of the individuals that benefit from this measure. The estimates and projection are calculated based on administrative data from the Canada Revenue Agency and National Defence.
Projection method	Outer-year projections are not provided as the value of this measure cannot be reliably forecast for these years.
Number of beneficiaries	About 8,800 individuals received tax-deductible income in respect of international operational missions in 2017.

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Personal income tax	5	10	15	40	40	50	n.a.	n.a.

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

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

Non-taxation of life insurance companies' foreign income

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

Non-taxation of lottery and gambling winnings

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

Non-taxation of non-profit organizations

Description	A non-profit organization that is a club, society or association that is not a charity and that is organized and operated exclusively for social welfare, civic improvement, pleasure or for any other purpose except profit, qualifies for an exemption from income tax if it meets certain conditions. To be eligible, it is generally required that no part of the income of the organization be payable to, or otherwise available for the personal benefit of, any proprietor, member or shareholder of the organization. The exemption applies to both incorporated and unincorporated organizations. A tax expenditure results to the extent that the organization has income that would otherwise be taxable, such as investment income or profits from commercial activities.
Tax	Personal (including trusts) and corporate income tax
Beneficiaries	Non-profit organizations
Type of measure	Exemption
Legal reference	*Income Tax Act*, paragraph 149(1)(l)
Implementation and recent history	• Non-profit organizations have been exempt from federal income tax since the inception of the federal income tax in 1917.
Objective – category	To achieve a social objective
Objective	This measure provides tax relief for non-profit organizations in recognition of the important role they play in Canadian society.
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax certain taxpayers.
Subject	Donations, gifts, charities and non-profit organizations
CCOFOG 2014 code	705 - Environmental protection; 706 - Housing and community amenities; 707 - Health; 708 - Recreation, culture, and religion; 709 - Education; 710 - Social protection; Other various codes
Other relevant government programs	Many federal government entities provide direct funding to registered charities, non-profit organizations and international development associations through various programs.
Source of data	T1044 Non-Profit Organization (NPO) Information Return T2 Corporation Income Tax Return
Estimation method	Net income of non-profit organizations is estimated based on a presumed market rate of return on the organization's net assets. It is assumed that that income, in the absence of the tax exemption, would be subject to the same average effective tax rates as those of typical taxable corporations. This represents a lower bound estimate.
Projection method	The cost of this measure is projected based on the estimated growth of nominal gross domestic product and the average yield on 10-year benchmark bonds.
Number of beneficiaries	About 27,500 non-profit organizations with positive net assets filed a T1044 return in 2016.

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Total – personal and corporate income tax	105	70	65	95	120	95	115	140

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

Description	The Disability Award provides injured Canadian Armed Forces members or veterans with an award for an injury or illness resulting from military service. The Critical Injury Benefit is a lump-sum award that addresses the immediate impacts of the most severe and traumatic service-related injuries or diseases sustained by Canadian Armed Forces members. Starting in 2019, the Pain and Suffering Compensation and the Additional Pain and Suffering Compensation are payments for life to recognize pain and suffering caused by a service-related disability. All these payments are exempt from income tax, as they are analogous to amounts received in respect of damages for personal injury. The benchmark definition of income excludes amounts received as damages since they compensate taxpayers for a personal loss.
Tax	Personal income tax
Beneficiaries	Veterans, members of the Canadian Armed Forces and their families
Type of measure	Exemption
Legal reference	*Income Tax Act*, paragraph 81(1)(d.1)
Implementation and recent history	• The Disability Award was made tax-free when it was introduced in 2005 as part of the New Veterans Charter. • The Critical Injury Benefit was made tax-free when it was introduced in 2015 (Veterans Affairs Canada news release, March 30, 2015). • The Pain and Suffering Compensation and the Additional Pain and Suffering Compensation were made tax-free when introduced as of April 1, 2019 (Veterans Affairs Canada, news release, December 20, 2017).
Objective – category	Other
Objective	This measure recognizes that these benefits provide a basic level of support to veterans of Canada's military engagements and their families (New Veterans Charter, 2005).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure is considered part of the benchmark tax system, and therefore is not a tax expenditure.
Subject	Other
CCOFOG 2014 code	71012 - Social protection - Sickness and disability - Disability 70219 - Defense - Military defense
Other relevant government programs	n/a
Source of data	Data from Veterans Affairs Canada
Estimation method	The value of this tax expenditure is estimated by multiplying actual expenditures on veterans' Disability Awards and Critical Injury Benefits by estimates of the marginal tax rates applicable to recipients.
Projection method	Projections for this tax expenditure are based on forecasted expenditures on veterans' Disability Awards and Critical Injury Benefits.
Number of beneficiaries	There were about 76,000 active Disability Award/Pain and Suffering beneficiaries in 2018-19, although these were not necessarily in receipt of a payment in the particular year. Only a small number of individuals received Critical Injury Benefits.

Cost Information:

Millions of dollars	2014	2015	2016	2017	2018 (P)	2019 (P)	2020 (P)	2021 (P)
Personal income tax	115	155	170	345	345	235	170	180

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	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Personal income tax	25	25	30	35	40	45	45	50

Non-taxation of registered charities

Description	Registered charities, both incorporated and unincorporated, are exempt from income tax. Registered charities include charitable organizations, public foundations and private foundations. A tax expenditure results to the extent that the charity has income that would otherwise be taxable, such as investment income or profits from certain commercial activities.
Tax	Personal (including trusts) and corporate income tax
Beneficiaries	Registered charities
Type of measure	Exemption
Legal reference	*Income Tax Act*, paragraph 149(1)(f)
Implementation and recent history	• Charities have been exempt from federal income tax since the inception of the federal income tax in 1917.
Objective – category	To achieve a social objective
Objective	This measure provides tax relief for registered charities in recognition of the important role they play in Canadian society (*The Tax Treatment of Charities*, Discussion Paper, June 23, 1975).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax certain taxpayers.
Subject	Donations, gifts, charities and non-profit organizations
CCOFOG 2014 code	705 - Environmental protection; 706 - Housing and community amenities; 707 - Health; 708 - Recreation, culture, and religion; 709 - Education; 710 - Social protection; Other various codes
Other relevant government programs	Many federal government entities provide direct funding to registered charities, non-profit organizations and international development associations through various programs.
Source of data	No data is available.
Estimation method	No estimate is available.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

Non-taxation of social assistance benefits

Description	Social assistance payments generally must be included in income for tax purposes, but an offsetting deduction from net income is provided. This approach effectively exempts such benefits from taxation, while ensuring that they are taken into account in determining income-tested credits and benefits. Some other forms of benefits (e.g., payments to foster parents, benefits in kind) are not included in income, and are therefore exempt from taxation. If an individual lived with a spouse or common-law partner when the payments were received, the person with the higher net income must report all of the payments.
Tax	Personal income tax
Beneficiaries	Low-income individuals
Type of measure	Exemption
Legal reference	*Income Tax Act*, paragraph 110(1)(f)
Implementation and recent history	• To be consistent with the treatment of payments made under the Guaranteed Income Supplement, Budget 1981 made social assistance payments includable in income and deductible in computing taxable income, effective for the 1982 and subsequent taxation years.
Objective – category	To provide income support or tax relief
Objective	This measure recognizes the nature of social assistance as a payment of last resort (Budget 1981).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base.
Subject	Income support
CCOFOG 2014 code	71099 - Social protection - Social protection not elsewhere classified
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada and Veterans Affairs Canada also support income security. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model. The estimates do not include the non-taxation of social assistance benefits that are not included in income.
Projection method	T1 micro-simulation model
Number of beneficiaries	Of the approximately 1.8 million individuals who reported having received social assistance payments in 2017, it is estimated that about 474,000 individuals would have had an increase in net tax owing in the absence of this measure.

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Personal income tax	205	230	240	265	295	310	290	280

Non-taxation of strike pay

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

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

Description	Up to $10,000 of the total death benefit paid by a deceased person's employer or former employer in respect of the deceased person's employment service is exempt from tax in the hands of recipient individuals. The excess must be included in the recipients' income.
Tax	Personal income tax (including trusts)
Beneficiaries	Individuals receiving death benefits
Type of measure	Exemption
Legal reference	*Income Tax Act*, subparagraph 56(1)(a)(iii) and subsection 248(1), definition of "death benefit"
Implementation and recent history	• The exemption of up to $10,000 of a death benefit was introduced in Budget 1959, applicable to amounts received on or after the death of an employee that occurred after April 9, 1959.
Objective – category	To achieve a social objective To provide income support or tax relief
Objective	This measure alleviates the hardship faced by dependants upon the death of a supporting individual (Budget 1959).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base.
Subject	Families and households Income support
CCOFOG 2014 code	71039 - Social protection - Survivors
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada and Indigenous Services Canada also support Canadian families and households. Programs within the mandates of Employment and Social Development Canada and Veterans Affairs Canada also support income security. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T4A Statement of Pension, Retirement, Annuity, and Other Income
Estimation method	An estimate of forgone tax revenue is calculated by multiplying the exempt portion of death benefits paid in a year by the average marginal tax rate of individuals receiving such amounts. The estimates do not cover death benefits accruing to trusts.
Projection method	The projection assumes no growth in exempt death benefit amounts.
Number of beneficiaries	About 7,500 death benefits were paid in 2017. 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	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Personal income tax	5	5	5	5	5	5	10	10

Non-taxation of workers' compensation benefits

Description	Compensation received under the employees' or workers' compensation law of Canada or a province in respect of an injury, disability or death must generally be included in income, but an offsetting deduction for the purposes of the calculation of taxable income is provided. This approach effectively exempts such benefits from taxation, while ensuring that they are taken into account in determining income-tested credits and benefits.
Tax	Personal income tax
Beneficiaries	Employees
Type of measure	Exemption
Legal reference	*Income Tax Act*, subparagraph 110(1)(f)(ii)
Implementation and recent history	• The first Workers' Compensation Boards were established in 1915, and workers' compensation benefits have been non-taxable since the inception of the income tax in 1917. • Prior to 1982, workers' compensation payments were excluded from income. From 1982 onward, workers' compensation benefits have been included in total income and deductible in computing taxable income.
Objective – category	To provide income support or tax relief
Objective	This measure provides assistance to workers suffering on-the-job injuries.
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base.
Subject	Income support Employment
CCOFOG 2014 code	71012 - Social protection - Sickness and disability - Disability 71099 - Social protection - Social protection not elsewhere classified
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada and Veterans Affairs Canada also support income security. Programs within the mandate of Employment and Social Development Canada also support employment. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 582,000 individuals reported having received workers' compensation benefits in 2017.

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Personal income tax	645	630	640	675	720	725	720	720

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 258,000 individuals claimed these deductions in 2017.

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Personal income tax	180	180	220	225	235	235	240	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	n/a
Number of beneficiaries	About 3,900 individuals claimed this credit in 2015.

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Personal income tax	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 (including trusts) and corporate income tax Goods and Services Tax
Beneficiaries	Businesses
Type of measure	Deduction; input tax credit
Legal reference	*Income Tax Act*, section 67.1 *Excise Tax Act*, section 236
Implementation and recent history	• The 1987 Tax Reform limited the deductibility of meals and entertainment expenses to 80% of the expenses incurred. • Budget 1994 reduced the deductibility limit from 80% to 50%. • Budget 2007 increased the deductibility limit to 80% for expenses incurred by long-haul truck drivers. • The rule limiting input tax credits for these expenses has been in place since the inception of the GST. The allowable amount is periodically amended, concurrently with the income tax rules.
Objective – category	n/a
Objective	n/a
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	Meals and entertainment expenses that are incurred by businesses for the purpose of earning business income may be viewed as also having an element of personal consumption. A tax expenditure would arise to the extent that a deduction is granted for the personal consumption portion of meals and entertainment expenses, or that an input tax credit is granted for the GST paid in respect of that portion. However, the personal consumption portion of meals and entertainment expenses cannot be determined, therefore it is not known the extent to which the partial deduction and input tax credits for meals and entertainment expenses depart from the benchmark tax system.
Subject	Business - other
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return T2 Corporation Income Tax Return
Estimation method	The estimates are based on actual expenses incurred by individuals (not including trusts) and businesses. The estimates are an upper bound, as they assume that all meal and entertainment expenses are incurred for personal consumption.
Projection method	The personal income tax component of this measure is projected using the T1 micro-simulation model; the corporate income tax component is projected to grow in line with corporate taxable income. The GST component is projected based on the income tax projections.
Number of beneficiaries	This measure provided tax relief to about 883,500 individuals and 862,000 corporations in 2017.

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Personal income tax	200	210	215	210	215	220	220	225
Corporate income tax	300	295	310	325	335	300	305	325
Goods and Services Tax	165	170	175	180	185	185	195	200
Total	665	675	700	715	730	705	720	745

Partial inclusion of capital gains

Description	Only half of net realized capital gains are included in income.
Tax	Personal (including trusts) and corporate income tax
Beneficiaries	Individuals and corporations
Type of measure	Exemption
Legal reference	*Income Tax Act*, section 38
Implementation and recent history	• Introduced in Budget 1971. Effective for the 1972 and subsequent taxation years. • The 1987 Tax Reform increased the capital gains inclusion for the 1988 and subsequent taxation years. In general terms, the inclusion rate increased to two-thirds from one-half for 1988 and 1989, and to three-quarters from two-thirds for the 1990 and subsequent taxation years. • The capital gains inclusion rate was reduced to two-thirds from three-quarters effective February 28, 2000 (Budget 2000), and reduced again to one-half from two-thirds, effective October 18, 2000 (2000 Economic Statement and Budget Update).
Objective – category	To encourage or attract investment To encourage savings To support competitiveness
Objective	This measure provides incentives to Canadians to save and invest, and ensures that Canada's treatment of capital gains is broadly comparable to that of other countries (*Proposals for Tax Reform*, 1969; *The White Paper: Tax Reform 1987*; Budget 2000; 2000 Economic Statement and Budget Update).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base.
Subject	Savings and investment
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	n/a
Source of data	Personal income tax: T1 Income Tax and Benefit Return and T3 Trust Income Tax and Information Return Corporate income tax: T2 Corporation Income Tax Return
Estimation method	Personal income tax: T1 micro-simulation model and T3 micro-simulation model. The tax expenditure accruing to trusts is estimated under the assumption that the repeal of this measure would cause the same proportion of the simulated taxable capital gains as the actual taxable capital gains to be paid out to beneficiaries. Corporate income tax: T2 micro-simulation model
Projection method	Personal income tax: T1 micro-simulation model in the case of individuals. Projections for trusts are based on projected growth for individuals. Corporate income tax: Projections are based on the Department of Finance Canada's forecast for the growth of corporate taxable income.
Number of beneficiaries	About 2.9 million individuals and 208,000 corporations reported capital gains in 2017. In addition, about 38,800 trusts are estimated to have benefited from this measure in 2017.

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Personal income tax								
Individuals	5,580	5,730	6,250	9,485	9,755	10,205	10,690	11,255
Trusts	865	710	565	770	795	825	865	910
Total – personal income tax	6,445	6,440	6,815	10,255	10,550	11,030	11,555	12,160
Corporate income tax	5,410	6,100	6,560	9,660	11,095	9,625	10,090	10,670
Total	11,855	12,545	13,375	19,910	21,645	20,655	21,645	22,835

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 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 (including trusts) and corporate income tax
Beneficiaries	Members of agricultural cooperatives
Type of measure	Timing preference
Legal reference	*Income Tax Act*, section 135.1
Implementation and recent history	• Introduced in Budget 2005. Effective in respect of eligible shares issued after 2005 and before 2016. • Budget 2015 extended this measure to apply in respect of eligible shares issued before 2021.
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 2017. No data is available for unincorporated agricultural cooperatives.

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Personal income tax	1	S	2	2	2	1	1	1
Corporate income tax	3	S	5	4	4	3	3	3
Total	4	S	5	5	5	4	4	4

Pension Income Credit

Description	The Pension Income Credit is a non-refundable credit that provides tax relief to taxpayers receiving eligible pension income. The value of the credit is calculated by applying the lowest personal income tax rate to the first $2,000 of eligible pension income. Any unused portion of the credit may be transferred to a spouse or common-law partner. Eligible pension income is generally limited to certain types of income from registered plans, such as a lifetime pension from a Registered Pension Plan and, for individuals who are age 65 or over, income from a Pooled Registered Pension Plan, a Registered Retirement Savings Plan annuity, a Registered Retirement Income Fund or a Life Income Fund. Variable benefits payments from a defined contribution Registered Pension Plan are also eligible for individuals who are age 65 or over. 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 5.2 million individuals claimed this credit in 2017.

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Personal income tax	1,135	1,170	1,190	1,195	1,230	1,280	1,285	1,315

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 2017.

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Personal income tax	1,145	1,165	1,135	1,290	1,355	1,455	1,580	1,700

Political Contribution Tax Credit

Description	Individuals (including testamentary trusts) who make monetary contributions to a registered party, a registered association or a candidate as defined in the *Canada Elections Act* can claim the Political Contribution Tax Credit in respect of their contributions. This non-refundable credit is calculated as 75% of the first $400 contributed, 50% of the next $350 contributed, and 33⅓% of the next $525 contributed. The maximum credit available is $650.
Tax	Personal income tax (including trusts)
Beneficiaries	Individuals
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, subsection 127(3)
Implementation and recent history	• Introduced as part of the *Election Expenses Act* of 1974. • In 2003, the amount to which the 75% credit applies was extended to $400, effective January 1, 2004. • Corporations were prohibited from making political contributions in 2007, following the adoption of the *Federal Accountability Act*.
Objective – category	To achieve a social objective
Objective	This measure encourages broad citizen participation in the electoral process.
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system.
Subject	Social
CCOFOG 2014 code	70111 - General public services - Executive and legislative organs, financial and fiscal affairs, external affairs - Executive and legislative organs
Other relevant government programs	Programs within the mandates of Canadian Heritage, Immigration, Refugees and Citizenship Canada, Transport Canada and Public Safety Canada (among other departments) also support various other social objectives. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return T3 Trust Income Tax and Information Return Data from Elections Canada
Estimation method	T1 micro-simulation model. The estimates do not cover political contributions made by testamentary trusts.
Projection method	Projections for this measure for individuals are derived using Elections Canada data and a T1 micro-simulation model. These projections take into account observed trends in political donations around federal election years.
Number of beneficiaries	About 147,000 individuals claimed this credit in 2017. The number of trusts having claimed this credit in 2017 is not disclosed due to confidentiality restrictions.

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Personal income tax	30	55	25	25	30	45	30	30

Pooled Registered Pension Plans

Description	A Pooled Registered Pension Plan (PRPP) is a type of pension plan that is similar to a defined contribution Registered Pension Plan. A deferral of tax is provided on savings in a PRPP in order to encourage and assist Canadians to save for retirement. Contributions to a PRPP are deductible from income, the investment income is not taxed as it accrues in the plan, and withdrawals and benefit payments are included in income for tax purposes. Contributions to PRPPs must be made within a PRPP member's available Registered Retirement Savings Plan contribution limit.
Tax	Personal income tax
Beneficiaries	Individuals with available RRSP contribution room
Type of measure	Timing preference
Legal reference	*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	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Personal income tax	–	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

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

Preferential tax rate for small businesses

Description	The first $500,000 of annual income earned by a Canadian-controlled private corporation (CCPC) from an active business carried on in Canada is taxed at a preferential federal corporate income tax rate of 9% (as of January 1, 2019). The $500,000 annual small business limit must be shared by a CCPC with other CCPCs with which it is associated. In order to target the preferential tax rate to small businesses, the annual small business limit is gradually reduced when: • The 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. • Budget 2016 introduced a change to prevent the small business deduction from applying to income earned from sales to another corporation, or related persons, that have a direct or indirect interest in the selling corporation. • On October 16, 2017 the Government announced a further reduction in the preferential tax rate to 10% as of January 1, 2018, and to 9% as of January 1, 2019. • Budget 2018 announced that the small business business limit would be reduced on a straight-line basis for CCPCs having between $50,000 and $150,000 of investment income, for tax years beginning after 2018. • Budget 2019 introduced a change to allow the income from sales of farming and fishing products by a CCPC to any arm's length corporation to count for the small business deduction.
Objective – category	To encourage or attract investment To support business activity
Objective	This measure allows small businesses to retain more of their earnings to reinvest and create jobs (Budget 2015).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	The applicable tax rate departs from the benchmark tax rate.

Subject	Business - small businesses
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandate of Innovation, Science and Economic Development Canada also support small businesses. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T2 Corporation Income Tax Return
Estimation method	T2 micro-simulation model
Projection method	The cost of this measure is projected to grow in line with corporate taxable income. A rate of 9% is used for projection years.
Number of beneficiaries	This measure provided tax relief to about 784,000 corporations in 2017.

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Corporate income tax	3,115	3,235	3,640	3,875	4,305	4,840	5,325	5,630

Public Transit Tax Credit

Description	A non-refundable tax credit was available at the lowest personal income tax rate for the cost of monthly public transit passes or passes of longer duration. The credit could be claimed by the individual or the individual's spouse or common-law partner in respect of eligible transit costs of the individual, the individual's spouse or common-law partner, and the individual's children who were under 19 years of age. This credit was eliminated, effective for transit use after June 30, 2017.
Tax	Personal income tax
Beneficiaries	Individuals
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, section 118.02
Implementation and recent history	• Introduced in Budget 2006. Effective July 1, 2006 and subsequent taxation years. • Budget 2007 extended the credit to innovative fare products like electronic fare cards and weekly passes when used on an ongoing basis. • Budget 2017 announced the elimination of this measure, effective for transit use occurring after June 30, 2017.
Objective – category	To achieve a social objective
Objective	This measure is intended to encourage public transit use, as increasing public transit use will ease traffic congestion in urban areas and improve the environment (Budget 2006).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system. The tax benefit from this measure is transferable between spouses or common-law partners.
Subject	Environment Social
CCOFOG 2014 code	70456 - Economic affairs - Transport - Public Transit 70539 - Environmental protection - Pollution abatement
Other relevant government programs	Programs within the mandates of Environment and Climate Change Canada, the Impact Assessment Agency of Canada, Parks Canada and Natural Resources Canada also support environment-related objectives. Programs within the mandates of Canadian Heritage, Immigration, Refugees and Citizenship Canada, Transport Canada and Public Safety Canada (among other departments) also support various other social objectives. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	n/a
Number of beneficiaries	About 1.5 million individuals claimed this credit in 2017.

Cost Information:

Millions of dollars	2014	2015	2016	2017	2018 (P)	2019 (P)	2020 (P)	2021 (P)
Personal income tax	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 (including trusts)
Beneficiaries	n/a
Type of measure	Other
Legal reference	*Federal-Provincial Fiscal Arrangements Act*, Part VI *Federal Provincial Fiscal Revision Act*, 1964
Implementation and recent history	• During the 1960s, the federal government offered provinces opting-out arrangements for certain federal-provincial programs, such as hospital care and social welfare. Under the arrangements—which only Quebec opted to use—the federal government abated personal income tax by 13.5 percentage points while Quebec increased its personal income taxes by an equivalent amount. In order to ensure that Quebec would not receive federal transfer payments for health and social programs and (unlike other provinces) also the tax abatement, this abatement was originally deducted from transfer payments to Quebec. The abatement was rolled into the Canada Health and Social Transfer in 1995, and then into the Canada Health Transfer and Canada Social Transfer in 2004. In 2012, the *Federal-Provincial Fiscal Arrangements Act* was revised to clarify that the recovery is no longer linked to the Canada Health and Social Transfer or its successor programs (the Canada Health Transfer and Canada Social Transfer). • In 1964, the federal government introduced the Youth Allowances Program. Quebec had a similar program at the time and, wishing to continue it, obtained an abatement of three personal income tax points. The Youth Allowances Program was dismantled in 1974; however, in order to minimize disruption to Quebec's tax structure, an arrangement was made to maintain the three-point abatement. The value of the corresponding reduction is currently recovered through bi-annual payments made by the Province of Quebec to the Receiver General for Canada.
Objective – category	To implement intergovernmental tax arrangements
Objective	This measure reflects the election by the Province of Quebec to receive part of the federal program contribution in the form of a tax abatement.
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure is considered part of the benchmark tax system, and therefore is not a tax expenditure.
Subject	Intergovernmental tax arrangements
CCOFOG 2014 code	n/a
Other relevant government programs	n/a
Source of data	Canada Revenue Agency, Tax Sharing Statements
Estimation method	The value of the Quebec Abatement is calculated by multiplying Basic Federal Tax for Quebec residents by 0.165.
Projection method	Projections for this measure are based on forecasted growth of Basic Federal Tax.
Number of beneficiaries	n/a

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Personal income tax								
Individuals	4,205	4,380	4,420	4,745	5,135	5,335	5,435	5,605
Trusts	65	60	60	95	70	85	85	90
Total – personal income tax	4,270	4,440	4,480	4,840	5,205	5,420	5,520	5,695

Rebate for book purchases made by certain organizations

Description	A 100% rebate is provided in respect of GST paid on books acquired by: • schools, universities, public colleges and municipalities; • charities and qualifying non-profit organizations that operate public lending libraries; and • designated charities and qualifying non-profit organizations whose primary purpose is the promotion of literacy. The rebate is not available when the books are acquired for resale.
Tax	Goods and Services Tax
Beneficiaries	Schools, colleges, universities, municipalities, certain charities and certain non-profit organizations
Type of measure	Rebate
Legal reference	*Excise Tax Act*, section 259.1
Implementation and recent history	• Introduced on October 23, 1996 (Department of Finance Canada news release 1996-076). Effective in respect of GST paid after that date. • Budget 2012 extended the rebate to include books acquired to be given away by designated literacy organizations.
Objective – category	To achieve a social objective
Objective	This measure recognizes the important role played by public libraries, educational institutions and other community organizations in helping people learn how to read and improve their reading skills (Department of Finance Canada news release 1996-076, October 23, 1996).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	GST rebates effectively reduce the value added subject to tax, and are therefore deviations from a broadly defined value-added tax base.
Subject	Education
CCOFOG 2014 code	70959 - Education - Education not definable by level
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada, the Social Sciences and Humanities Research Council, the Natural Sciences and Engineering Research Council, the Canadian Institutes of Health Research and Indigenous Services Canada also support objectives related to education and training. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Form GST66 - Application for GST/HST Public Service Bodies' Rebate and GST Self-Government Refund
Estimation method	The cost of this measure corresponds to the amounts of rebates approved, as reported in administrative data.
Projection method	The cost of this measure is projected to grow in line with provincial government expenditures on education.
Number of beneficiaries	About 1,800 entities claim this rebate each year.

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (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	2014	2015	2016	2017	2018 (P)	2019 (P)	2020 (P)	2021 (P)
Goods and Services Tax	650	695	630	665	695	720	740	755

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	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Goods and Services Tax	2,165	2,245	2,280	2,515	2,650	2,715	2,785	2,860

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	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Goods and Services Tax	570	570	520	510	490	480	510	495

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	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Goods and Services Tax	125	140	170	150	140	145	155	150

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	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Goods and Services Tax	X	X	X	X	X	X	X	X

Rebate for qualifying non-profit organizations

Description	Non-profit organizations that receive at least 40% of their funding from governments, municipalities or Indian Bands are eligible for a rebate of 50% of the GST paid on purchases related to their supplies of exempt services.
Tax	Goods and Services Tax
Beneficiaries	Non-profit organizations
Type of measure	Rebate
Legal reference	*Excise Tax Act*, subsection 259(3)
Implementation and recent history	• This measure has been in effect since the inception of the GST in 1991.
Objective – category	To achieve a social objective
Objective	This measure recognizes the important role of non-profit organizations in Canadian society (*Goods and Services Tax*, December 1989).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	GST rebates effectively reduce the value added subject to tax, and are therefore deviations from a broadly defined value-added tax base.
Subject	Donations, gifts, charities and non-profit organizations
CCOFOG 2014 code	705 - Environmental protection; 706 - Housing and community amenities; 707 - Health; 708 - Recreation, culture, and religion; 709 - Education; 710 - Social protection; Other various codes
Other relevant government programs	Many federal government entities provide direct funding to registered charities, non-profit organizations and international development associations through various programs.
Source of data	Form GST66 - Application for GST/HST Public Service Bodies' Rebate and GST Self-Government Refund
Estimation method	The cost of this measure corresponds to the amounts of rebates approved, as reported in administrative data.
Projection method	The cost of this measure is projected to grow in line with nominal gross domestic product.
Number of beneficiaries	About 7,000 entities claim this rebate each year.

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Goods and Services Tax	70	75	70	70	70	75	75	80

Rebate for registered charities

Description	Charities registered under the *Income Tax Act* and registered Canadian amateur athletic associations are eligible for a rebate of 50% of the GST paid on purchases related to their supplies of exempt services. Non-profit organizations operating a facility or part thereof to provide nursing home care are also eligible for the rebate.
Tax	Goods and Services Tax
Beneficiaries	Registered charities, registered Canadian amateur athletic associations, non-profit organizations operating a facility or part thereof to provide nursing home care
Type of measure	Rebate
Legal reference	*Excise Tax Act*, subsection 259(3)
Implementation and recent history	• This measure has been in effect since the inception of the GST in 1991.
Objective – category	To achieve a social objective
Objective	This measure recognizes the important role of charities in Canadian society (*Goods and Services Tax*, December 1989).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	GST rebates effectively reduce the value added subject to tax, and are therefore deviations from a broadly defined value-added tax base.
Subject	Donations, gifts, charities and non-profit organizations
CCOFOG 2014 code	705 - Environmental protection; 706 - Housing and community amenities; 707 - Health; 708 - Recreation, culture, and religion; 709 - Education; 710 - Social protection; Other various codes
Other relevant government programs	Many federal government entities provide direct funding to registered charities, non-profit organizations and international development associations through various programs.
Source of data	Form GST66 - Application for GST/HST Public Service Bodies' Rebate and GST Self-Government Refund
Estimation method	The cost of this measure corresponds to the amounts of rebates approved, as reported in administrative data.
Projection method	The cost of this measure is projected to grow in line with nominal gross domestic product.
Number of beneficiaries	About 45,000 entities claim this rebate each year.

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Goods and Services Tax	310	325	310	310	305	315	330	340

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	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Rebate for schools	400	400	420	445	465	480	495	505
Rebate for colleges	80	85	95	105	125	130	130	135
Rebate for universities	230	235	235	280	295	305	315	320
Total – Goods and Services Tax	710	725	745	830	885	915	940	960

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	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (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	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Goods and Services Tax	60	55	50	50	50	50	55	55

Reclassification of expenses under flow-through shares

Description	Small corporations in the oil and gas sector were entitled to reclassify as Canadian Exploration Expenses (CEE) the first $1 million per year of eligible Canadian Development Expenses (CDE) renounced to shareholders under a flow-through share agreement. CEE is fully deductible in the year incurred, while CDE is deductible at the rate of 30% per year. For background information, see the related item "Flow-through share deductions". Budget 2017 announced the elimination of this measure.
Tax	Personal (including trusts) and corporate income tax
Beneficiaries	Investors in flow-through shares and small oil and gas corporations
Type of measure	Timing preference
Legal reference	*Income Tax Act*, subsection 66(12.601)
Implementation and recent history	• Introduced in the 1992 Economic and Fiscal Statement. Effective after December 2, 1992. • Budget 1996 reduced the amount of CDE that can be reclassified to $1 million per year from $2 million and restricted the reclassification to firms with less than $15 million of taxable capital employed in Canada. • Budget 2017 announced the elimination of this tax expenditure. 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. The breakdown of the estimates between individuals and trusts is not available.
Projection method	Projections based on current market conditions.
Number of beneficiaries	Information on the number of beneficiaries is not available. About 20 corporations reclassified expenses under this provision in 2017.

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Personal income tax	-5	-5	-4	-2	-1	-3	-2	-2
Corporate income tax	-1	-1	S	S	S	S	S	S
Total	-10	-5	-5	-2	-1	-3	-3	-2

Refundable capital gains tax for investment corporations, mutual fund corporations and mutual fund trusts

Description	Capital gains realized by an investment corporation or a mutual fund corporation are taxed at the corporation level, and the tax is accumulated in an account known as the "refundable capital gains tax on hand" account. The tax accumulated in that account is refunded to the corporation upon distribution of its capital gains to its shareholders or when a mutual fund corporation redeems shares. These distributions are taxed as capital gains in the hands of the shareholder and not as dividends. This departs from general practice in that income earned by a public corporation (including taxable capital gains) does not generally retain its character for tax purposes when subsequently distributed to shareholders. Similarly, a mutual fund trust can claim a refund when it redeems units in respect of the tax the trust has paid on capital gains retained within the trust.
Tax	Personal (trusts only) and corporate income tax
Beneficiaries	Investment and mutual fund corporations and mutual fund trusts
Type of measure	Other
Legal reference	*Income Tax Act*, subsections 131(2) and (6)
Implementation and recent history	• Introduced as part of the 1971 Tax Reform to enable investment corporations and mutual fund corporations that realize capital gains to flow them out to shareholders in a subsequent distribution.
Objective – category	To prevent double taxation
Objective	This measure permits capital gains earned by investors through investment corporations and mutual fund corporations to be taxed on a similar basis as capital gains earned directly by investors.
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure is considered part of the benchmark tax system, and therefore is not a tax expenditure.
Subject	Savings and investment
CCOFOG 2014 code	n/a
Other relevant government programs	n/a
Source of data	T2 Corporation Income Tax Return T3 Trust Income Tax and Information Return
Estimation method	The value of this measure is the sum of the amounts of federal capital gains refunds claimed by investment corporations, mutual fund corporations and mutual fund trusts.
Projection method	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 taxable capital gains.
Number of beneficiaries	About 75 investment and mutual fund corporations and 2,200 mutual fund trusts claimed a capital gain refund in 2017.

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Investment and mutual fund corporations – corporate income tax	535	960	855	1,315	1,000	980	1,030	1,090
Mutual fund trusts – personal income tax	2,550	2,400	3,355	4,540	4,020	4,185	4,265	4,465
Total	3,080	3,360	4,210	5,850	5,020	5,165	5,295	5,560

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 2019, the supplement is available to individuals whose earnings from employment or self-employment meet or exceed a minimum threshold of $3,645. To be eligible for the supplement, individuals must be 18 years of age or older and have claimed eligible medical expenses under the Medical Expense Tax Credit or the disability supports deduction. The supplement is equal to the lesser of $1,248 (for 2019) and 25% of the allowable portion of expenses that can be claimed under the Medical Expense Tax Credit and the disability supports deduction. The supplement is reduced by 5% of net family income above an income threshold of $27,639. 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 556,000 individuals received this benefit in 2017.

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Personal income tax	145	150	155	165	170	180	190	200

Refundable taxes on investment income of private corporations

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

Reason why this measure is not part of benchmark tax system	This measure is considered part of the benchmark tax system, and therefore is not a tax expenditure.
Subject	Other
CCOFOG 2014 code	n/a
Other relevant government programs	n/a
Source of data	T2 Corporation Income Tax Return
Estimation method	The tax expenditure is comprised of the additional Part I tax (the difference between the applicable Part I tax rate and the federal general corporate income tax rate of 15%), the Part IV tax and the sum of the aforementioned refunds. In these accounts, tax revenues are recorded as negative amounts.
Projection method	The cost of this measure is projected to grow in line with investment income and taxable income.
Number of beneficiaries	About 282,000 and 236,000 corporations were respectively subject to the additional Part I tax and Part IV tax in 2017, while 270,000 corporations claimed the dividend refund in that year.

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Additional Part I tax	-3,720	-4,210	-4,925	-6,245	-7,670	-7,690	-8,115	-8,625
Part IV tax	-4,265	-4,830	-5,225	-6,075	-7,570	-7,590	-8,010	-8,510
Dividend refund	7,220	8,695	8,895	10,440	12,910	12,940	13,655	14,515
Total – corporate income tax	-765	-345	-1,255	-1,885	-2,330	-2,335	-2,465	-2,620

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	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Goods and Services Tax	5	10	5	5	10	10	10	10

Registered Disability Savings Plans

Description	A Registered Disability Savings Plan (RDSP) is a tax-assisted long-term savings plan that may generally be established for the benefit of an individual under 60 years of age who is eligible for the Disability Tax Credit. Contributions to an RDSP are not deductible from income, and therefore are also not included in income for tax purposes when paid out of an RDSP. Canada Disability Savings Grants (CDSGs) and Canada Disability Savings Bonds (CDSBs) are not taxed when they are paid into an RDSP and investment income earned in the plan is not taxed as it accrues. CDSGs, CDSBs and investment income earned in the plan are included in the beneficiary's income for tax purposes when paid out of an RDSP. Contributions to an RDSP are limited to a lifetime maximum of $200,000, and are permitted up until the end of the year in which a beneficiary attains 59 years of age. Up to $70,000 in matching CDSGs and up to $20,000 in CDSBs may be provided to a beneficiary over their lifetime, up until the end of the year in which the beneficiary attains 49 years of age. While the CDSGs and CDSBs are not tax expenditures, they increase the cost of the tax expenditure to the extent that they encourage increased use of RDSPs.
Tax	Personal income tax
Beneficiaries	Individuals with disabilities
Type of measure	Timing preference
Legal reference	*Income Tax Act*, sections 146.4 and 205 *Canada Disability Savings Act* and *Canada Disability Savings Regulations*
Implementation and recent history	• Introduced in Budget 2007. Effective for the 2008 and subsequent taxation years. • Budget 2019 proposed to eliminate the requirement to close an RDSP when a beneficiary no longer qualifies for the Disability Tax Credit.
Objective – category	To encourage savings
Objective	This measure helps individuals with severe disabilities and their families save for their long-term financial security (Budget 2014).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure permits the deferral of the recognition of income or gains for income tax purposes.
Subject	Health Savings and investment
CCOFOG 2014 code	71012 - Social protection - Sickness and disability - Disability
Other relevant government programs	Programs within the mandates of Health Canada, the Canadian Food Inspection Agency, the Canadian Institutes of Health Research, the Public Health Agency of Canada and Veterans Affairs Canada also support health-related objectives. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Employment and Social Development Canada
Estimation method	The value of this tax expenditure is calculated as the tax revenue forgone from the non-taxation of investment income earned on RDSP assets as well as from the non-taxation of CDSBs and CDSGs when deposited in an RDSP, minus the taxes paid on RDSP withdrawals. These amounts are determined using assumed marginal tax rates for plan contributors and beneficiaries. The tax-sheltered investment income is estimated based on the assumption that the rate of return on net RDSP assets is equal to the rate of return on Government of Canada bonds.
Projection method	Projections for this measure are based on projected RDSP net assets and withdrawals produced by Employment and Social Development Canada. Future bond yields are based on the average private sector forecast of the 10-year government bond rate.
Number of beneficiaries	About 195,000 RDSPs were registered from December 2008 to October 2019.

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Personal income tax	35	40	50	60	65	85	95	110

Registered Education Savings Plans

Description	A Registered Education Savings Plan (RESP) is a tax-assisted savings vehicle designed to help families accumulate savings for the post-secondary education of their children. Contributions to an RESP are not deductible for income tax purposes and as such are not taxed upon withdrawal, while the investment income accruing in the plan is not subject to tax until withdrawal. An individual can contribute to an RESP on behalf of a designated beneficiary. For each beneficiary of an RESP, there is a lifetime contribution limit of $50,000, but no annual limit on contributions. Contributions to an RESP may attract additional government assistance through the Canada Education Savings Grant (CESG) and the Canada Learning Bond (CLB), both of which are generally included in the income of the plan's beneficiary on withdrawal. While the CESG and CLB are not tax expenditures, they increase the tax expenditure associated with RESPs to the extent that they encourage the use of RESPs, are not taxable until withdrawn and generate investment income on which tax can be deferred.
Tax	Personal income tax
Beneficiaries	Individuals who subscribe under an RESP
Type of measure	Timing preference
Legal reference	*Income Tax Act*, section 146.1 *Canada Education Savings Act* and *Canada Education Savings Regulations*
Implementation and recent history	• Introduced in 1973 (Department of Finance Canada news release 1973-97). Effective for the 1972 and subsequent taxation years. • Budget 1998 introduced the CESG, equal generally to 20% of annual contributions made after 1997 to an RESP for beneficiaries up to and including age 17. • Budget 2004 introduced the CLB and enhanced the CESG. • Budget 2007 eliminated the $4,000 limit on annual contributions and increased the maximum CESG annual amount to $500 from $400 (to $1,000 from $800 if there is unused grant room). The lifetime RESP contribution limit was raised to $50,000 from $42,000. • Budget 2008 raised the number of years that contributions can be made to an RESP (to 31 years from 21 years) and the number of years before an RESP must be terminated (to 35 years from 25 years).
Objective – category	To encourage savings
Objective	This measure broadens access to higher education by encouraging Canadians to save towards the post-secondary education of children (Budget 1998).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure permits the deferral of the recognition of income or gains for income tax purposes.
Subject	Education Savings and investment
CCOFOG 2014 code	70939 - Education - College education 70949 - Education - University education
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada, the Social Sciences and Humanities Research Council, the Natural Sciences and Engineering Research Council, the Canadian Institutes of Health Research and Indigenous Services Canada also support objectives related to education and training. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Employment and Social Development Canada
Estimation method	The value of this tax expenditure is calculated as the tax revenue forgone from the non-taxation of investment income earned on RESP assets, minus the taxes paid on RESP withdrawals. These amounts are determined using assumed marginal tax rates for plan contributors and beneficiaries. The tax-sheltered investment income is estimated assuming that the rate of return on net RESP assets is equal to the rate of return on Government of Canada bonds.
Projection method	The projection for the first year is based on projected RESP net assets and withdrawals produced by Employment and Social Development Canada, while projections for outer years are made based on historical growth. Future Government of Canada bond yields are based on the average private sector forecast of the 10-year government bond rate.
Number of beneficiaries	No data on the total number of individuals with an RESP is available. About 6.1 million individuals with an RESP have received a Canada Education Savings Grant between 1998 and 2017.

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Personal income tax	155	145	135	110	105	100	115	150

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 ($27,230 for 2019). For defined benefit RPP members, pension benefits are limited to 2% of employment earnings per year of service up to a specified dollar amount ($3,025.56 for 2019).
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	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Deduction for contributions	15,160	15,110	15,595	16,125	16,560	17,120	17,655	18,240
Non-taxation of investment income	19,100	19,370	20,725	23,265	20,055	25,635	25,570	27,260
Taxation of withdrawals	-10,090	-10,630	-10,720	-11,355	-11,900	-12,900	-14,165	-15,120
Total – personal income tax	24,170	23,850	25,600	28,035	24,715	29,855	29,060	30,380

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 ($26,500 for 2019), 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	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Deduction for contributions	8,215	8,490	8,950	9,440	9,585	9,705	9,805	9,895
Non-taxation of investment income	13,780	13,595	13,715	15,090	12,665	15,700	16,185	16,685
Taxation of withdrawals	-6,415	-7,025	-6,740	-7,265	-7,635	-8,220	-8,785	-9,360
Total – personal income tax	15,580	15,060	15,925	17,265	14,620	17,185	17,205	17,220

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 900 individuals reported capital gains eligible for this measure in 2017.

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Personal income tax	5	X	25	10	15	15	15	15

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 ($6,200 for 2019).
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 2018.

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Personal income tax	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

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

Scientific Research and Experimental Development Investment Tax Credit

Description	A credit is available in respect of eligible expenditures on scientific research and experimental development (SR&ED) performed by businesses in Canada. SR&ED involves the systematic investigation or search carried out in a field of science or technology by means of experiment or analysis, and eligible SR&ED activities cover basic research and applied research as well as experimental development. Expenditures eligible for the credit include most current expenditures in respect of SR&ED performed by or on behalf of a taxpayer and that are related to a business of the taxpayer, including salary and wages, materials, overhead and contracts. The credit is provided at a general rate of 15%. An enhanced rate of 35% is provided to small Canadian-controlled private corporations (CCPCs) on their first $3 million per year of eligible expenditures. Small CCPCs that have prior-year taxable capital of $10 million or less can obtain a refund in respect of credits earned in a year but not used, at a rate of 100% on the first $3 million of eligible expenses. The $3 million expenditure limit is gradually reduced if prior-year taxable capital is between $10 million and $50 million. Qualifying expenditures in excess of a CCPC's expenditure limit are eligible for the 15% tax credit. Unused SR&ED credits earned at this rate may be partially refundable depending on the CCPC's taxable income and taxable capital. Unused credits that are not refunded can be carried forward 20 years and back 3 years to reduce taxes payable in those years. Unincorporated businesses are not eligible for the enhanced 35% credit rate, but are generally eligible for a 40% refund. An immediate income tax deduction is also provided in respect of eligible SR&ED expenditures (see the measure "Expensing of current expenditures on scientific research and experimental development").
Tax	Personal (including trusts) and corporate income tax
Beneficiaries	Businesses conducting eligible scientific research and experimental development
Type of measure	Credit, refundable and non-refundable
Legal reference	*Income Tax Act*, section 127
Implementation and recent history	• Federal tax incentives for SR&ED were first introduced in 1948. The basic structure of the current credit system was put in place between 1983 and 1985. • Several changes were introduced in Budget 2012, including: the reduction of the general credit rate to 15% from 20% and the removal of capital expenditures from the base of expenditures eligible for the credit (both changes effective January 1, 2014); the reduction in the prescribed proxy amount in respect of overhead expenses from 65% of the salaries and wages of employees directly engaged in the conduct of SR&ED to 60% in 2013 and 55% in subsequent years; and the removal of the profit element for arm's length third-party contracts (effective January 1, 2013). • For taxation years ending after March 19, 2019, Budget 2019 announced the repeal of the use of taxable income as a factor in determining a CCPC's annual expenditure limit for the purpose of the enhanced SR&ED tax credit.
Objective – category	To encourage or attract investment
Objective	This measure is intended to encourage the performance of scientific research and experimental development in Canada by the private sector and to assist small businesses to perform scientific research and experimental development (Budget 1996). The rationale for this tax support is that the benefits of SR&ED extend beyond the performers themselves to other firms and sectors of the economy. The existence of these spillovers of externalities means that, in the absence of government support, firms would perform less SR&ED than desirable for the economy.
Category	Non-structural tax measure and refundable tax credit
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system. The tax benefit from this measure can be obtained in a taxation year other than the year during which it accrues. The portion of this measure that is refundable is classified as a transfer payment for government accounting purposes, and therefore is not considered to be a tax expenditure.
Subject	Business - research and development
CCOFOG 2014 code	7048 - Economic affairs - R&D Economic affairs

Other relevant government programs	Programs within the mandates of Innovation, Science and Economic Development Canada, the National Research Council Canada and the federal granting councils also support research and development. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Personal income tax: T1 Income Tax and Benefit Return Corporate income tax: T2 Corporation Income Tax Return
Estimation method	The cost of this measure is based on data on actual credits claimed. Estimates for the personal income tax for 2010 to 2013 include investment tax credits claimed in respect of certain other certified property under a provision that is now repealed. These credits cannot be separated from SR&ED investment tax credits, but are likely negligible. The estimates do not cover investment tax credits claimed by trusts.
Projection method	Personal income tax: The cost of this measure is projected based on historical growth. Corporate income tax: The cost of this measure is projected to grow in line with nominal gross domestic product. The projected cost of the non-refundable portion of the measure is reduced for 2019 to 2021 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 20,900 corporations claimed this credit in 2017. The number of trusts having claimed this credit in 2017 is not disclosed due to confidentiality restrictions.

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Personal income tax	1	1	S	1	1	1	1	1
Corporate income tax								
Non-refundable portion								
Earned and claimed in current year	555	455	450	420	520	360	340	325
Claimed in current year but earned in prior years	735	850	885	1,035	755	755	790	825
Earned in current year but carried back to prior years	40	40	75	75	15	50	50	50
Total – non-refundable portion	1,330	1,340	1,410	1,530	1,295	1,165	1,185	1,205
Refundable portion	1,275	1,255	1,275	1,290	1,295	1,475	1,660	1,850
Total – corporate income tax	2,610	2,600	2,685	2,820	2,590	2,640	2,840	3,055
Total	2,610	2,600	2,685	2,820	2,590	2,640	2,840	3,055

Search and Rescue Volunteers Tax Credit

Description	Individuals who performed at least 200 hours of eligible ground, air and marine search and rescue volunteer services during a year can claim the non-refundable Search and Rescue Volunteers Tax Credit. The value of the credit is calculated by applying the lowest personal income tax rate to a credit amount of $3,000. An individual who performs both eligible volunteer search and rescue services and eligible volunteer firefighting services for a total of at least 200 hours in the year can claim either the Search and Rescue Volunteers Tax Credit or the Volunteer Firefighters Tax Credit. An individual who claims the Search and Rescue Volunteers Tax Credit is ineligible for the exemption from income that would otherwise apply to up to $1,000 of income (honoraria) received in the year for being a search and rescue volunteer (see the measure "Tax-free amount for emergency services volunteers").
Tax	Personal income tax
Beneficiaries	Search and rescue volunteers
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, section 118.07
Implementation and recent history	• Introduced in Budget 2014. Effective for the 2014 and subsequent taxation years.
Objective – category	To achieve a social objective
Objective	This measure recognizes the important role played by search and rescue volunteers in contributing to the security and safety of Canadians (Budget 2014).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system.
Subject	Social
CCOFOG 2014 code	70369 - Public order and safety - Public order and safety not elsewhere classified
Other relevant government programs	Programs within the mandates of Canadian Heritage, Immigration, Refugees and Citizenship Canada, Transport Canada and Public Safety Canada (among other departments) also support various other social objectives. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 5,100 individuals claimed this credit in 2017.

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Personal income tax	2	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	2014	2015	2016	2017	2018 (P)	2019 (P)	2020 (P)	2021 (P)
Goods and Services Tax	220	225	225	230	250	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 800 individuals in 2017.

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Personal income tax	1	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 20 credit unions applied this special tax rate in 2017.

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Corporate income tax	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 $12,069 (in 2019). 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. The Government has tabled a Notice of Ways and Means Motion to introduce an income-tested supplement to the Spouse or Common-Law Partner Credit as of 2020, which will be gradually increased in steps exceeding inflation each year until 2023, at which time the maximum credit amount will be $15,000.
Tax	Personal income tax
Beneficiaries	Couples
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, paragraph 118(1)(a)
Implementation and recent history	• Introduced as part of the 1987 Tax Reform, effective for the 1988 and subsequent taxation years, to replace the previous married exemption. • Until 2007, the Spouse or Common-Law Partner Credit amount was less than the Basic Personal Amount, and was reduced dollar-for-dollar by the net income of the dependent spouse or common-law partner in excess of the income threshold applicable for the taxation year. • Budget 2007 introduced two changes to the Spouse or Common-Law Partner Credit: (i) the credit amount was set equal to the Basic Personal Amount; and (ii) the income threshold was eliminated, resulting in the credit amount being reduced dollar-for-dollar by the net income of the dependent spouse or common-law partner. These changes became effective in 2007. • In December 2019, the Government announced its intention to increase the Spouse or Common-Law Partner Credit to $15,000 by 2023. The increase will be gradually implemented from 2020 to 2023 through annual increases in excess of inflation. The new, increased portion of the credit will be subject to an income test beginning at a level of individual net income equal to the fourth federal tax bracket threshold ($150,473 in 2020), and be fully phased out by the fifth federal bracket threshold ($214,368 in 2020).
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 2017.

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Personal income tax	1,505	1,440	1,575	1,715	1,770	1,830	1,930	2,000

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 538,000 individuals claimed this credit in 2017.

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Personal income tax	40	40	40	45	50	50	50	50

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	2014	2015	2016	2017	2018 (P)	2019 (P)	2020 (P)	2021 (P)
Corporate income tax	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	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (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 85,000 individuals reported having received alimony or maintenance payments in 2017, while about 61,000 individuals claimed a deduction.

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Personal income tax	65	65	95	95	105	105	110	110

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 is provided on employee contributions (and on the employee share of contributions by self-employed individuals) associated with the enhanced portion of the Canada Pension Plan and Quebec Pension Plan (contributions to the enhanced portion of the Canada Pension Plan and Quebec Pension Plan began in 2019). 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 introduced the enhancement of the Canada Pension Plan, which is being phased in from 2019 to 2025. Employee contributions to the enhanced portion of the Canada Pension Plan are deductible. • Budget 2018 introduced an amendment to provide a tax deduction for employee contributions to the enhanced portion of the Quebec Pension Plan (the enhanced portion of the Quebec Pension Plan is being phased in from 2019 to 2025).
Objective – category	Other
Objective	These measures ensure a consistent tax treatment of Canada Pension Plan/Quebec Pension Plan contributions and benefits.
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	These measures are considered part of the benchmark tax system, and therefore are not tax expenditures.
Subject	Employment Retirement
CCOFOG 2014 code	70412 - Economic affairs - General economic, commercial, and labor affairs - General labor affairs 71029 - Social protection - Old age
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support employment. Programs within the mandate of Employment and Social Development Canada also support retirement income security. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 16 million individuals claimed the credit for Canada Pension Plan or Quebec Pension Plan contributions on employment income in 2017, while about 1.7 million claimed the credit for these contributions on self-employment or other income.

Cost Information:

Millions of dollars	2014	2015	2016	2017	2018 (P)	2019 (P)	2020 (P)	2021 (P)
Tax recognition for employee-paid contributions	3,575	3,715	3,815	4,015	4,180	4,545	4,885	5,340
Non-taxation of employer-paid contributions	5,695	6,095	5,795	6,060	6,350	6,860	7,330	7,900
Total – personal income tax	9,270	9,810	9,610	10,070	10,530	11,400	12,220	13,240

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 2017, about 15.6 million individuals claimed the credit for Employment Insurance contributions on employment income, while about 7,400 individuals claimed this credit on self-employment or other eligible earnings. About 3.8 million individuals claimed the credit for Quebec Parental Insurance Plan contributions on employment income earned in the province of Quebec, while about 120,000 individuals claimed the credit on income earned outside Quebec. About 463,000 individuals claimed the Quebec Parental Insurance Plan credit on self-employment or other eligible income.

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Credit for employee-paid premiums	1,290	1,330	1,360	1,280	1,350	1,365	1,360	1,395
Non-taxation of employer-paid premiums	2,680	2,890	2,855	2,690	2,860	2,915	2,920	3,010
Total – personal income tax	3,970	4,220	4,215	3,965	4,210	4,275	4,275	4,410

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

Description	AgriInvest is a producer savings account that provides flexible coverage to farmers for small income declines (first 15% of income) and supports investments to mitigate risks and improve market income. Generally, producers may make a deposit into an AgriInvest account each year, and receive a matching contribution from the federal and provincial governments. Interest income earned in AgriInvest accounts and government contributions to them are not taxable until the year of withdrawal. Since 2011, the province of Quebec has supplemented AgriInvest with the Agri-Québec program, an agricultural income stabilization account program that is very similar to the AgriInvest program. The Agri-Québec program is accorded the same income tax treatment as is provided to the AgriInvest program.
Tax	Personal (including trusts) and corporate income tax
Beneficiaries	Farming businesses
Type of measure	Timing preference
Legal reference	*Income Tax Act*, subsections 12(10.2) and 248(1)
Implementation and recent history	• Introduced in Budget 2007. Effective for the 2007 and subsequent taxation years. A similar tax treatment was previously granted to accounts established under the Net Income Stabilization Account program. This program was introduced in 1991 and terminated in 2009. • Budget 2011 extended the AgriInvest tax treatment to the Agri-Québec program, effective for the 2011 and subsequent taxation years.
Objective – category	To achieve an economic objective - other To encourage savings
Objective	This measure is provided in support of the AgriInvest program, which is designed to encourage farmers, through government-matched contributions, to set aside earnings in order to provide coverage against income declines.
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure permits the deferral of the recognition of income or gains for income tax purposes.
Subject	Business - farming and fishing
CCOFOG 2014 code	70421 - Economic affairs - Agriculture, forestry, fishing, and hunting - Agriculture
Other relevant government programs	Programs within the mandates of Agriculture and Agri-Food Canada and Fisheries and Oceans Canada also support the farming and fishing sectors. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Agriculture and Agri-Food Canada
Estimation method	Personal income tax (unincorporated farms): The value of this tax expenditure is estimated on a cash-flow basis and corresponds to the taxes forgone in the year on the government contributions to and interest income earned in the farm savings accounts, minus the taxes paid on amounts withdrawn from the accounts in the year. This amount is multiplied by the share of farms that are unincorporated. Calculations are based on a marginal tax rate for unincorporated farm income as estimated by the Department of Finance Canada. The breakdown of the estimates between individuals and trusts is not available. Corporate income tax (incorporated farms): The estimated amount described above is multiplied by the share of farms that are incorporated and then by the average tax rate faced by farms, based on T2 tax return data. No estimate is available for Agri-Québec.
Projection method	Projections for 2019 through 2021 are not provided as the value of this measure cannot be reliably forecast for these years.
Number of beneficiaries	As of December 2018, about 105,000 AgriInvest accounts were registered.

Cost Information:

Millions of dollars	2014	2015	2016	2017	2018	2019 (P)	2020 (P)	2021 (P)
AgriInvest program								
Personal income tax	4	3	15	5	4	n.a.	n.a.	n.a.
Corporate income tax	1	S	2	1	1	n.a.	n.a.	n.a.
Total	4	3	15	5	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 (including trusts) and corporate income tax
Beneficiaries	Life insurance policyholders
Type of measure	Preferential tax rate
Legal reference	*Income Tax Act*, subsections 12.2(9) and 211.1(1) and (2)
Implementation and recent history	• Prior to 1968, the accumulated savings within a life insurance policy were not taxed. • To reduce the tax preference given to savings accumulated in a life insurance policy, the Investment Income Tax was introduced in 1968, along with additional rules to tax on an accrual basis the income earned in non-exempt life insurance policies. • The Investment Income Tax was repealed in 1978, reintroduced in 1987, and modified and considerably simplified in 1990.
Objective – category	To reduce administration or compliance costs
Objective	This measure simplifies the taxation of investment income earned on life insurance policies.
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	The applicable tax rate departs from the benchmark tax rate.
Subject	Savings and investment
CCOFOG 2014 code	71029 - Social protection - Old age
Other relevant government programs	n/a
Source of data	T2 Corporation Income Tax Return, industry survey statistics
Estimation method	The tax expenditure is estimated as the difference between the annual tax that would be payable by policyholders and the Investment Income Tax paid by life insurance companies. The breakdown of the estimated value by type of policyholders is not available.
Projection method	Projected growth in the Investment Income Tax is based on changes to average reserves and long-term bond rates.
Number of beneficiaries	According to the Canadian Health and Life Insurance Association, about 22 million individuals own life insurance.

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Personal and corporate income tax	255	220	205	225	215	220	215	230

Taxation of capital gains upon realization

Description	In general, capital gains are taxed on a realization basis, upon the disposition of property. This results in a tax expenditure because, under the benchmark tax system, capital gains (net of capital losses) would be included in income as they accrue.
Tax	Personal (including trusts) and corporate income tax
Beneficiaries	Individuals and corporations
Type of measure	Timing preference
Legal reference	*Income Tax Act*, subsection 40(1)
Implementation and recent history	• Introduced in Budget 1971. Effective for the 1972 and subsequent taxation years.
Objective – category	To reduce administration or compliance costs
Objective	This measure recognizes that, in many cases, it is difficult to estimate with accuracy the value of unsold assets, and that taxing the accrued gains on assets that have not been sold would be administratively complex and could create significant liquidity problems for taxpayers (*Report of the Royal Commission on Taxation*, vol. 3, 1966).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure permits the deferral of the recognition of income or gains for income tax purposes.
Subject	Savings and investment
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	n/a
Source of data	No data is available.
Estimation method	No estimate is available.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

Tax-free amount for emergency services volunteers

Description	A volunteer emergency service provider can claim an exemption of up to $1,000 for amounts received from a government, municipality or other public authority for work as a volunteer ambulance technician, firefighter, or search, rescue or other type of emergency worker. If the volunteer emergency service provider claims the $1,000 exemption, he or she cannot claim the Volunteer Firefighters Tax Credit or Search and Rescue Volunteers Tax Credit in respect of the emergency work.
Tax	Personal income tax
Beneficiaries	Providers of volunteer emergency services
Type of measure	Exemption
Legal reference	*Income Tax Act*, subsection 81(4)
Implementation and recent history	• Introduced in Budget 1961. Retroactive to the 1958 taxation year and effective in subsequent taxation years. The exemption was initially limited to volunteer firefighters. • Budget 1998 increased the exemption for volunteer firefighters to $1,000 from $500 and extended the exemption to other emergency services volunteers.
Objective – category	To achieve a social objective
Objective	This measure assists small and rural communities, which are often unable to maintain full-time emergency staff and depend on the services of volunteers. The measure supports emergency services volunteers who give freely of their time and expertise, often at considerable risk to themselves, in the service of their community (Budget 1998).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base.
Subject	Social
CCOFOG 2014 code	70329 - Public order and safety - Fire protection services 70369 - Public order and safety - Public order and safety not elsewhere classified
Other relevant government programs	Programs within the mandates of Canadian Heritage, Immigration, Refugees and Citizenship Canada, Transport Canada and Public Safety Canada (among other departments) also support various other social objectives. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T4 Statement of Remuneration Paid
Estimation method	The value of this measure is estimated by first excluding taxpayers who claim the Volunteer Firefighters Tax Credit rather than the exemption. An estimate of forgone tax revenue is calculated by multiplying the total number of individuals assumed to claim the exemption by the average amount claimed in the year, and by the marginal tax rate of individuals claiming the Volunteer Firefighters Tax Credit over the estimation period.
Projection method	The projection assumes 0.68% average annual growth in the number of emergency services volunteers claiming the exemption.
Number of beneficiaries	It is estimated that about 19,000 individuals claimed this exemption in 2017.

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Personal income tax	3	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. The TFSA annual contribution limit was $6,000 for 2019. 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 14 million individuals had a TFSA at the end of 2017.

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Personal income tax	565	635	810	1,075	885	1,340	1,595	1,790

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 60,000 individuals claimed this credit in 2017.

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Personal income tax	–	–	3	4	5	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	2014	2015	2016	2017	2018 (P)	2019 (P)	2020 (P)	2021 (P)
Personal income tax	115	120	115	65	55	40	30	20

Transfer of income tax points to provinces

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

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Personal income tax								
Individuals	20,615	22,060	21,265	22,895	24,445	25,450	26,190	26,925
Trusts	505	540	615	830	550	740	775	805
Total – personal income tax	21,120	22,600	21,875	23,725	24,995	26,195	26,965	27,730
Corporate income tax	2,855	2,850	3,000	3,320	3,525	3,335	3,440	3,770
Total	23,975	25,450	24,875	27,050	28,515	29,530	30,410	31,500

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	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Goods and Services Tax	265	300	300	310	325	340	350	365

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 2017.

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Personal income tax	1,120	1,230	1,315	1,455	1,625	1,740	1,875	1,945

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 2017.

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Personal income tax	20	20	20	20	20	20	20	20

Zero-rating of agricultural and fish products and purchases

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

Zero-rating of basic groceries

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

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Goods and Services Tax	4,080	4,260	4,405	4,560	4,750	4,880	5,020	5,170

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 A*ct
Implementation and recent history	• Budget 2016 confirmed and implemented a previous Notice of Ways and Means Motion tabled in Parliament on May 28, 2015. The relief was effective in respect of supplies made on or after July 1, 2015.
Objective – category	To provide income support or tax relief
Objective	This measure provides tax relief to households.
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	Zero-rating is a deviation from a broadly defined value-added tax base.
Subject	Families and households
CCOFOG 2014 code	n/a
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada and Indigenous Services Canada also support Canadian families and households. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Statistics Canada, Supply and Use Tables and National Income and Expenditure Accounts
Estimation method	Goods and Services Tax model
Projection method	Goods and Services Tax model
Number of beneficiaries	No data is available.

Cost Information:

Millions of dollars	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Goods and Services Tax	–	15	35	40	40	40	40	45

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	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Goods and Services Tax	360	400	420	440	455	465	480	495

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	**2014**	**2015**	**2016**	**2017**	**2018 (P)**	**2019 (P)**	**2020 (P)**	**2021 (P)**
Goods and Services Tax	785	810	855	895	930	955	985	1,010

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 Indigenous Forestry Initiative, the Investments in Forest Industry Transformation program, and the Targeted Geoscience Initiative 5 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 Impact Assessment Agency of Canada, the Parks Canada Agency, Natural Resources Canada and Infrastructure Canada also support environment-related objectives. These include programs related to combatting climate change, such as the Low Carbon Economy Fund, the Energy Innovation Program and green infrastructure investments as well as supporting sustainable ecosystems and biodiversity, 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, investments to support early learning and child care, and the Income Assistance Program and Assisted Living Program that support First Nations on reserve. More information on these programs can be found in the Departmental Plans of these organizations.
Health	Programs within the mandates of Health Canada, the Canadian Food Inspection Agency, the Canadian Institutes of Health Research, Indigenous Services Canada, the Public Health Agency of Canada and Veterans Affairs Canada also support health-related objectives. These include programs such as the Health System Priorities program, the Medical Devices program, the Federal Tobacco Control Strategy, the Healthy Child Development program, and the First Nations and Inuit Primary Health Care program. More information on these programs can be found in the Departmental Plans of these organizations. The federal government also provides long-term predictable funding for health care to provinces and territories through the Canada Health Transfer—see the Departmental Plans of the Department of Finance Canada.
Housing	Programs within the mandate of Canada Mortgage and Housing Corporation are intended to promote the construction, repair and renewal of affordable housing – currently under the umbrella of the National Housing Strategy. The Housing program of Indigenous Services Canada, and related programs at Crown-Indigenous Relations and Northern Affairs Canada, also pursue the goal of increasing the supply of safe and affordable housing to First Nations, Inuit and Métis. More information on these programs can be found in the annual report of Canada Mortgage and Housing Corporation and Departmental Plans of Indigenous Services Canada and Crown-Indigenous Relations and Northern Affairs Canada.
Income support	Programs within the mandates of Employment and Social Development Canada and Veterans Affairs Canada also support income security. These include programs such as the Canada Pension Plan Disability and Survivor benefits, the Federal Workers' Compensation Service and the Disability Award program for veterans. More information on these programs can be found in the Departmental Plans of these organizations.
Retirement	Programs within the mandate of Employment and Social Development Canada also support retirement income security. These include the Canada Pension Plan as well as the Old Age Security program. More information on these programs can be found in the Departmental Plans of Employment and Social Development Canada.
Social	Programs within the mandates of Canadian Heritage, Immigration, Refugees and Citizenship Canada, Transport Canada and Public Safety Canada (among other departments) also support various other social objectives. These include programs such as the Development of Official-Language Communities program, the Settlement program, the Transportation Infrastructure program and programs in support of emergency management. More information on these programs can be found in the Departmental Plans of these organizations. The federal government also provides funding to provinces and territories in support of programs for children, social assistance and other social programs through the Canada Social Transfer—see the Departmental Plans of the Department of Finance Canada.

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

A Profile of Trusts as Taxfilers and Taxpayers[1]

1. Introduction

Trusts are one of the three main categories of taxpayers in Canada, alongside individuals and corporations. While there exists a substantial body of descriptive research characterizing individual and corporate income tax filings in Canada—primarily with a focus on the income statistics that are derived from these filings—there is essentially no similar research on trusts.

This paper attempts to fill this information gap by presenting a statistical profile of trusts as taxfilers and taxpayers. Following some background information on trusts and their tax treatment in Canada, this paper presents statistics on tax filings, reported income and taxes paid by trusts, as well as a profile of the individuals that make use of testamentary trusts.

2. Background

2.1 Definition and Types of Trusts

In general terms, a trust can be described under Canadian law as a relationship under which a person, called the settlor, transfers property to another person, called the trustee, who holds that property for the benefit of another person, called the beneficiary.[2] The legal meaning of a trust derives from English common law as well as modern provincial and territorial statutes, and has been adopted for tax purposes.[3]

Many different types of trusts exist, not all of which correspond to types of trusts that are defined for income tax purposes. Types of trusts can be distinguished based on many factors such as the identity of their settlors, trustees and beneficiaries, the reasons they were set up and the purposes they serve, the types of property being held in trust, or the powers that have been assigned to the trustees. Key categories of trusts include:

- *Testamentary trusts:* Testamentary trusts are trusts or estates created on and as result of the death of an individual, and whose purpose is to manage the deceased's wealth, most particularly the transfer of this wealth to beneficiaries. Testamentary trusts include, for instance, trusts established under the terms of a taxpayer's will and trusts established by court orders for the support of a deceased's dependants. This category also includes graduated rate estates, which in general terms are estates that have been in existence for less than 36 months, and qualified disability trusts, which are testamentary trusts whose beneficiaries qualify for the Disability Tax Credit. Trusts that are not testamentary trusts are referred to as *inter vivos* trusts, meaning trusts created during the lifetime of a person among living individuals.
- *Wealth management trusts:* Trusts in this category encompass *inter vivos* trusts that are set up by individuals or groups of related individuals as part of their wealth management strategies. Different types of trusts can be used for wealth management, including personal trusts (such as family trusts), spousal or common-law partner trusts and alter ego trusts.[4] In general, the settlors of such trusts are related to the beneficiaries (e.g.,

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1 The analysis presented in this paper was prepared by Scott Legree and David Messier, respectively former economist and economist, Tax Policy Branch, Department of Finance Canada. Enquiries regarding Department of Finance Canada publications can be sent to finpub@canada.ca.

2 This definition is found in Chow and Pryor (2018).

3 The federal *Income Tax Act* does not formally define what a trust is, other than to specify that a trust includes an estate and that a reference to a trust or estate is to be read to include a reference to the "trustee, executor, administrator, liquidator of a succession, heir or other legal representative having ownership or control of the trust property". It also deems some entities created under the Quebec Civil Code to be trusts for federal income tax purposes (Quebec's laws governing trusts differ significantly from the common law applicable in other Canadian provinces).

4 In general terms: a personal trust is a trust in which no beneficial interest was acquired for consideration payable directly or indirectly to the trust or to any person or partnership that has made a contribution to the trust; a family trust (not a type of trust that is defined in the *Income Tax Act*) is a trust whose settlors and beneficiaries are related; a spousal or common-law partner trust is a trust where the settlor's spouse or partner is entitled to all of the trust income during the lifetime of the settlor and his or her spouse or partner, and no other person can receive any income or capital from the trust during that period; and an alter ago trust is a trust where the settlor is 65 years old or over and is the only person entitled to receive the income and capital of the trust until his or her death.

a taxpayer and his or her spouse, a couple and their children) and the property placed in the trust will consist in some portfolio investment assets such as shares, bonds, real estate properties or partnership interests, as well as shares of closely owned private corporations.

- *Investment trusts:* Investment trusts cover trusts that serve as collective investment vehicles, and include trusts such as mutual fund trusts, real estate investment trusts and insurance segregated fund trusts. An interest in an investment trust generally takes the form of a unit that could (but need not) be publicly traded.
- *Business trusts:* Business trusts include trusts under which some businesses are being carried on as well as trusts used by widely held businesses for tax planning purposes.
- *Employee benefit trusts:* This category encompasses trusts that are set up by employers to manage some forms of employee benefits such as pensions or health and welfare benefits. Employee benefit trusts are used by both small and large firms, and may cover any number of employees, from a single employee to thousands.
- *Registered savings plans trusts:* This category covers Registered Retirement Savings Plans, Registered Retirement Income Funds, Registered Disability Savings Plans, Registered Education Savings Plans and Tax-Free Savings Accounts that are set up as trusts.

Other types of trusts not covered in the above categories include charitable trusts, non-profit organization trusts, amateur athletic trusts, communal organizations that are treated as trusts for tax purposes, qualifying environmental trusts, and other government-mandated and government-sponsored trusts.

Information is not available that would permit to separate business trusts from wealth managements trusts. As such, information presented in the following as covering wealth management trusts covers all personal trusts, alter ego trusts, spousal/common-law partner trusts and joint spousal/common-law partner trusts, including where such trusts are used as business trusts.[5]

2.2 Tax Treatment of Trusts in Canada

Trusts are not legal entities under Canadian laws (being a form of legal relationship); however, for income tax purposes, trusts are deemed to be individuals distinct from their trustees (in their personal capacities) and beneficiaries, and are therefore subject to income tax as individuals.

Trusts must determine their income, taxable income and tax payable under rules generally similar to those applicable to individuals. However, a number of important differences are worth noting:

- The income of a trust that is paid or payable to a beneficiary during the year is deductible in computing the trust's taxable income and included in the income of the beneficiary. This means that income earned by a trust can be flowed through to a beneficiary without attracting tax at the trust level. The flow-through treatment that is granted to trusts implies that a large number of trusts are in a non-taxable position in any given year (see Section 3.2).
- The income of a trust that is retained within the trust (i.e., that is not flowed through to a beneficiary as just described) is generally subject to tax at the top marginal personal income tax rate.[6] However, when the trust is a graduated rate estate or qualified disability trust, the trust is subject to tax at the graduated income tax rates applicable to individuals.[7]

[5] Specified investment flow-through trusts are categorized as investment trusts, even though many such trusts are carrying on businesses. Information on trust types is as reported to the Canada Revenue Agency and corresponds to the different types of trusts that are listed in the Agency's *T3 Trust Guide* (publication T4013). Trust types correspond to the type of a trust as of 2017; since the type of a trust can change over time, this may result in the misclassification of certain trusts for years prior to 2017.

[6] Certain types of trusts are exempt from income tax in Canada (provided certain conditions are met), including most employee benefit trusts and registered savings plans trusts.

[7] Before 2016, all testamentary trusts as well as certain grandfathered *inter vivos* trusts paid income tax at the graduated income tax rates.

- Trusts subject to income tax are eligible for a limited number of tax credits, including the dividend tax credit, the charitable donation tax credit, the foreign tax credit and most investment tax credits. Trusts cannot claim the credit for the Basic Personal Amount and the other personal tax credits that are available to individuals.
- Depending on the circumstances, some trusts can remain in existence for very long periods of time, if not indefinitely. To prevent the use of trusts to defer tax on capital gains, trusts are deemed to have disposed of their property and realized any accrued capital gains every 21 years.[8]
- Certain trusts are subject to the alternative minimum tax just like individuals; however, only graduated rate estates can benefit from the $40,000 basic exemption in determining their adjusted taxable income for purpose of the minimum tax.[9]

3. Statistical Profile of Trusts

This section presents some general information about trusts, based on administrative data collected by the Canada Revenue Agency. It should be cautioned that this data does not cover the whole population of trusts, but rather is limited to trusts that have filed a tax return with the Canada Revenue Agency and have registered with the Agency for this purpose (i.e., were issued a trust account number).[10] In general, a trust is required to file a tax return if it has tax payable or distributed all or part of its income or capital to its beneficiaries.[11] Many trusts are not required to file a tax return, including most tax-exempt trusts; however, the number of trusts not filing a tax return is not known, and therefore it is not possible to assess with precision the proportion of the total trust population that is covered in the following analysis.

The information is presented on a calendar-year basis. Trusts generally must have taxation years that end on December 31. There are two exceptions to this rule: testamentary trusts that are graduated rate estates can have non-calendar taxation year-ends, while mutual fund trusts can elect to have a December 15 year-end.[12] Unless otherwise noted, information for a given calendar year covers all trust taxation years ending during that calendar year. All dollar amounts are adjusted for inflation and expressed in 2019 Canadian dollars.

3.1 Number of Trusts and Returns Filed

Chart 1 shows the number of trusts that were in existence and registered with the Canada Revenue Agency over the period from 1987 to 2017, for selected categories of trusts. There were close to 254,000 registered testamentary trusts as of 2017, a number that grew significantly over the period, and in particular since 2006. About 130,000 wealth management trusts were registered as of 2017, a number that also grew strongly since 1987. Other categories of trusts are less common, with some 18,500 investment trusts, 33,900 employee benefit trusts and 41,400 other trusts registered as of 2017. Table 1 provides the number of registered trusts for specific types of trusts for selected years between 1990 and 2017.

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[8] These deemed disposition rules generally do not apply to investment trusts, employee benefit trusts and registered savings plans trusts. The initial deemed disposition date is also postponed in the case of certain spousal and common-law partner trusts, joint spousal and common-law partner trusts and alter ego trusts.

[9] All testamentary trusts could benefit from the $40,000 basic exemption prior to 2016.

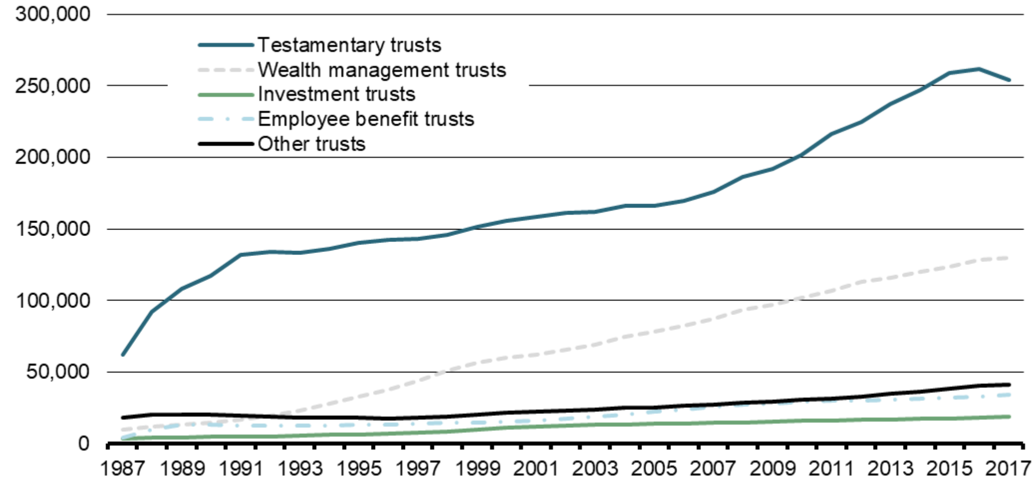
[10] The information covers filings of the general T3 Trust Income Tax and Information return as well as filings of the “special” T3 returns (T3D, T3P, T3S, T3IND-RESP, T3RI, T3R-IND, T3RIF-IND, T3ATH-IND, T3M, T3GR, T3-1061 or T3RCA), which are filed by specific types of trusts only. Information on income and taxes paid by trusts is generally extracted from the general T3 return, and as such would not cover trusts filing a special T3 return.

[11] There are some special cases where trusts not meeting these conditions may still be required to file. New reporting requirements have been proposed in Budget 2018 that, when in effect in 2021, will extend T3 filing requirements to a larger number of trusts, as well as provide for the reporting of detailed beneficial ownership information on an annual basis.

[12] Prior to 2016, any testamentary trust could have a non-calendar taxation year-end.

Chart 1

Number of Registered Trusts, Selected Trust Categories



Note: Other trusts include the other types of trusts mentioned at the end of Section 2.1 (except charitable trusts) as well as trusts identified as "other *inter vivos* trusts" in the Canada Revenue Agency data, but do not include registered savings plans trusts and trusts of unidentified type.

Table 1

Number of Registered Trusts, Selected Trust Types (Selected Years)

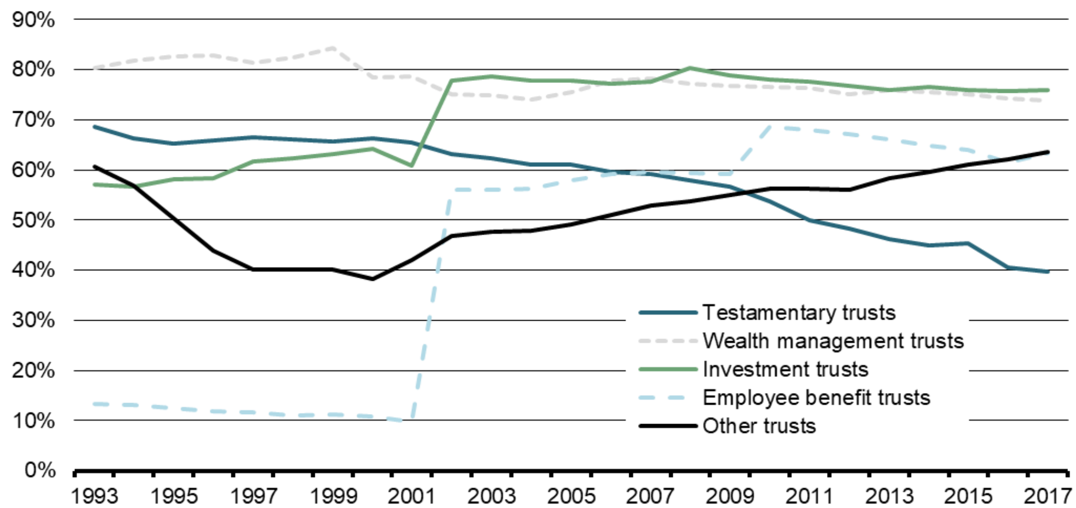
	1990	1995	2000	2005	2010	2015	2016	2017
Testamentary trusts	117,586	140,410	155,601	166,115	202,072	258,981	261,575	253,801
of which:								
Spousal/common-law partner trusts	15,089	17,641	18,335	17,288	18,786	22,036	18,430	17,523
Graduated rate estates						27,552	73,630	76,146
Qualified disability trusts	52	85	176	330	595	1,039	1,145	1,179
Wealth management trusts	14,744	32,535	59,906	77,820	102,062	123,694	128,589	129,797
of which:								
Personal trusts	14,471	32,207	59,031	74,932	97,310	116,934	121,104	121,768
Alter ego trusts			71	1,147	2,381	3,602	4,023	4,351
Spousal/common-law partner trusts	247	285	721	1,157	1,230	1,303	1,358	1,372
Joint spousal/common-law partner trusts			27	530	1,064	1,723	1,952	2,155
Investment trusts	4,667	6,376	10,923	13,731	15,677	17,761	18,294	18,527
of which:								
Mutual fund trusts	638	1,148	2,503	3,071	3,419	4,159	4,345	4,459
Other unit trusts	2,980	3,337	3,937	4,532	5,058	5,471	5,557	5,623
Registered investment funds	810	1,497	3,270	4,067	4,057	4,082	4,251	4,261
Insurance segregated fund trusts	180	330	1,132	1,921	2,989	3,885	3,972	4,015
Real estate investment trusts	1	1	7	11	15	41	44	44
Royalty trusts	56	61	64	67	70	72	72	72
Specified investment flow-through trusts	2	2	10	62	69	51	53	53
Employee benefit trusts	12,909	13,050	15,521	22,035	28,980	31,913	32,760	33,874
of which:								
Employee pension plans	6,006	6,939	7,809	11,674	15,092	15,334	15,287	15,375
Deferred profit sharing plans	5,017	3,933	4,707	6,419	8,504	10,641	11,437	12,370
Retirement compensation arrangements	40	196	987	1,947	3,212	3,716	3,822	3,958
Other trusts	20,517	17,831	21,305	25,282	30,759	38,096	40,461	41,440
of which:								
Communal organizations	293	321	353	360	381	404	406	410
Non-profit organization trusts	695	773	824	1,038	935	966	965	965
Qualifying environmental trusts	0	8	26	44	67	110	110	109

Notes: See note to Chart 1. Trust types correspond to the type of a trust as of 2017 (see footnote 5), which explains why there are some graduated rate estates and qualified disability trusts in years prior to 2016.

The proportion of registered trusts that file a trust tax return varies by trust type (Chart 2). About three-quarters of wealth management trusts and investment trusts file a T3 return in any given year, while slightly less than two-thirds of employee benefit trusts and other trusts do so. The filing rate for testamentary trusts is the lowest amongst the categories shown in Chart 2, and has been on a gradual decline since the early 2000s. Large increases in the filing rates of investment trusts and employee benefit trusts in 2002 are due to the introduction of new filing requirements for registered investment funds, employee pension plans and deferred profit sharing plans.

Chart 2

Share of Trusts That Filed a T3 Return, Selected Trust Categories (%)

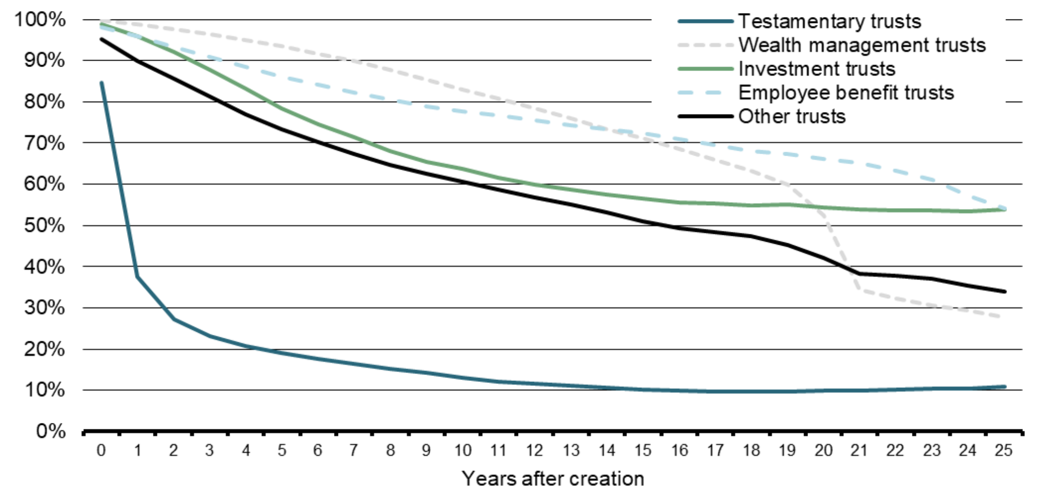


Notes: See note to Chart 1. Large increases in the filing rates of investment trusts and employee benefit trusts in 2002 are due to the introduction of new filing requirements for registered investment funds, employee pension plans and deferred profit sharing plans.

Chart 3 and Table 2 provide some information about the dynamics of trust creation and trust closure for selected categories of trusts. As can be seen, the typical lifespan of a testamentary trust is quite different than the typical lifespan of other trusts. Fewer testamentary trusts are kept in existence for long periods of time: more than 80% of testamentary trusts are closed within five years of their creation, and the median age for trusts in existence at any point in time is four years. Also, about one testamentary trust out of five in existence in a given year was created in that year, and about one in five was closed in that year. In contrast, other categories of trusts are kept in existence for much longer periods of time, and have much lower rates of annual creation and closure. A large number of wealth management trusts are closed immediately before reaching the 21-year limit at which they are deemed to have disposed of their capital property.

Chart 3

Survival Rates, Selected Trust Categories, Averages Cohorts 1987-2017 (%)



Note: See note to Chart 1.

Table 2

Rates of Creation and Closure and Average and Median Age, Selected Trust Categories, Averages 2010-2017

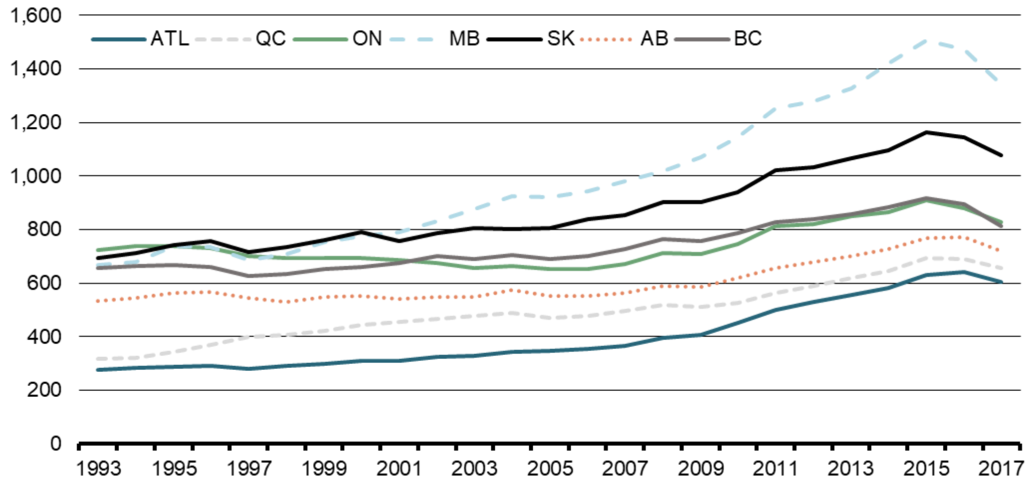
	Proportion of trusts in existence in a year that were created during the year (%)	Proportion of trusts in existence in a year that were closed during the year (%)	Net annual rate at which trusts are created (%)	Average age of trusts in existence in the year	Median age of trusts in existence in the year
Testamentary trusts	21	17	3	8	4
Wealth management trusts	7	3	3	9	8
Investment trusts	5	3	2	17	11
Employee benefit trusts	4	2	2	15	10
Other trusts	6	2	4	15	11

Note: See note to Chart 1.

Over 99% of all trusts registered with the Canada Revenue Agency are trusts that are resident in Canada for income tax purposes.[13] Charts 4 and 5 show the ratios of testamentary trusts and wealth management trusts per 100,000 of population aged 18 years and over, by province of residence of the trusts. The use of testamentary trusts appears to be more prevalent in Manitoba and Saskatchewan, while the use of wealth management trusts appears to be significantly higher in British Columbia. As shown in Chart 5, the ratio of wealth management trusts per population has grown significantly since 1993 in Saskatchewan, in the Atlantic provinces and in Quebec.

Chart 4

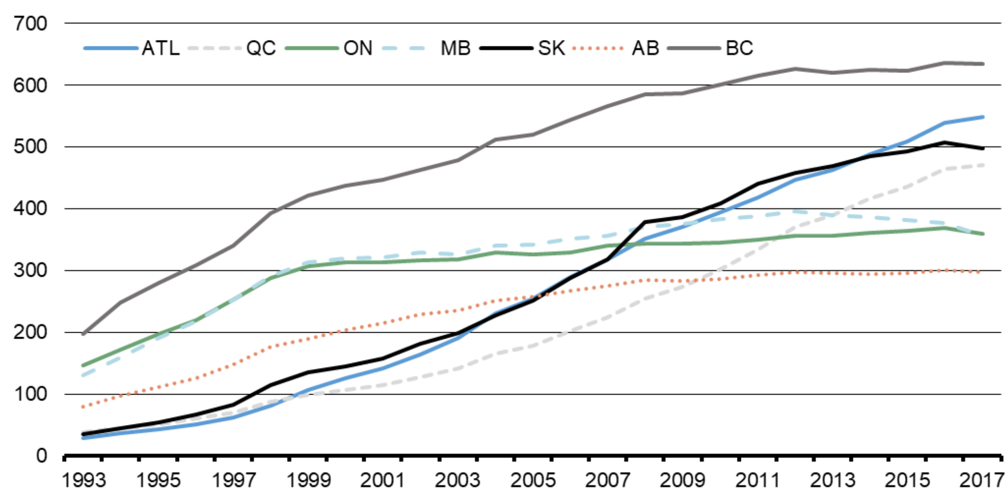
Number of Testamentary Trusts per 100,000 Population 18 Years and Over, by Province



Note: Excludes non-resident trusts and trusts for which residence is not known.

Chart 5

Number of Wealth Management Trusts per 100,000 Population 18 Years and Over, by Province



Note: Excludes non-resident trusts and trusts for which residence is not known.

13 Following a recent Supreme Court of Canada decision, the residence of a trust is now generally accepted to be the location where the central management and control of the trust is exercised, as determined based on all relevant facts and circumstances. See Roth et al. (2016) at 710. Prior to that decision, the residence of a trust generally corresponded to the residence of the trustee or trustees that controlled the property of the trust. Certain non-resident trusts can be deemed to be resident in Canada for income tax purposes.

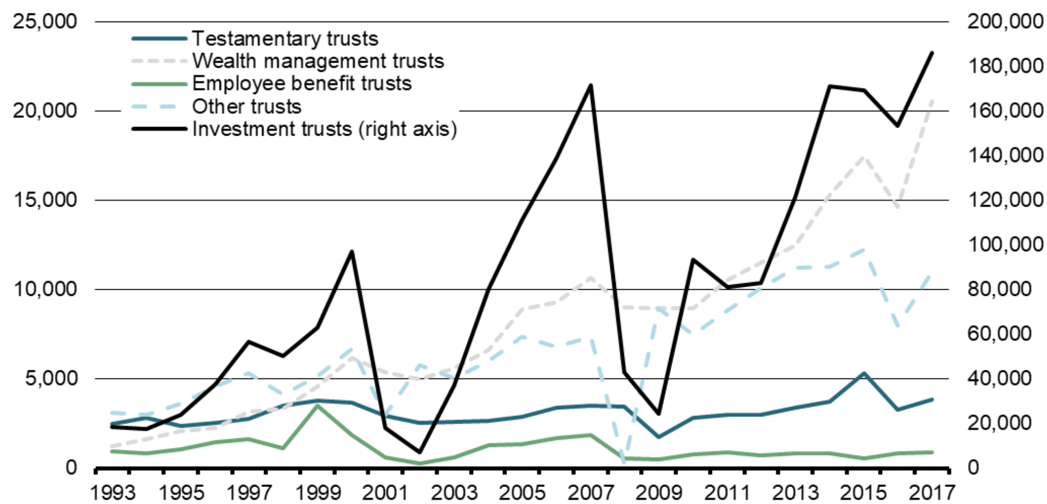
3.2 Income and Net Federal Tax

Chart 6 shows the total adjusted income reported by trusts that filed a trust tax return between 1993 and 2017, for selected trust categories. The adjusted income of a trust corresponds to its total income (line 20 of the general T3 return), adjusted to add back the non-includable portion of capital gains and deduct current-year capital losses, and is prior to deductions for distributions paid or payable to beneficiaries.[14]

Total adjusted income was $223 billion in 2017, up from $26 billion in 1993, corresponding to a 9% annual increase in real terms over the period. Investment trusts account for 80% on average of the total income reported by trusts, although the income reported by investment trusts is highly cyclical and decreased substantially in the early 2000s and during the 2008-2009 financial crisis. The total adjusted income reported by wealth management trusts and other trusts also grew significantly over the period, and currently account for 9% and 5% respectively of total income reported. In contrast, the income reported by testamentary trusts and employee benefit trusts remained relatively stable (employee benefit trusts are largely exempt from income tax and from filing a trust tax return, and as such do not report significant income in the aggregate). The income reported by wealth management trusts, testamentary trusts and other trusts spiked in 2015 and then experienced a one-year decrease in 2016.

Chart 6

Total Adjusted Income, Selected Trust Categories (millions of dollars)



Notes: Total adjusted income corresponds to total income reported on line 20 of the general T3 return, adjusted to add back the non-includable portion of capital gains and deduct current-year capital losses. Total income from line 20 is before the gross-up for dividends from taxable Canadian corporations.

Care should be taken in interpreting these income figures, as total trust income is over-estimated to the extent that the income that a trust derives from another trust is counted twice. Such double-counting has likely become more significant over time in light of the growth over the period of mutual funds and exchange-traded funds that invest in other funds ("funds of funds").

Chart 7 shows the average adjusted trust income by trust category. Investment trusts have the highest average income, at some $15.8 million on average over the last five years, followed by employee benefit trusts ($865,000), other trusts ($626,000), wealth management trusts ($236,000) and testamentary trusts ($38,500).

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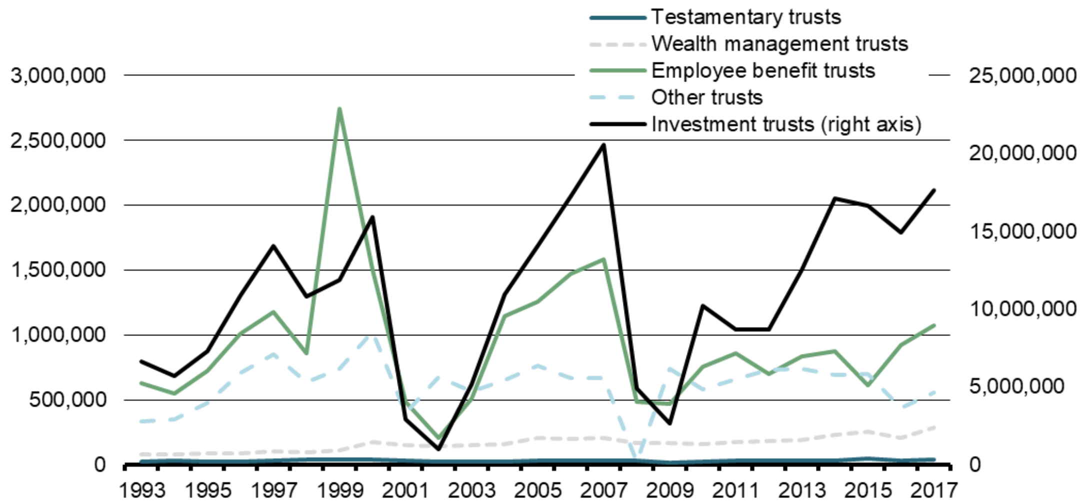
14 Registered savings plans trusts report negligible amounts of income, and are therefore excluded from the statistics presented in this section. The category "other trusts" includes the other types of trusts mentioned at the end of Section 2.1 (except charitable trusts) as well as trusts identified as "other *inter vivos* trusts" in the Canada Revenue Agency data.

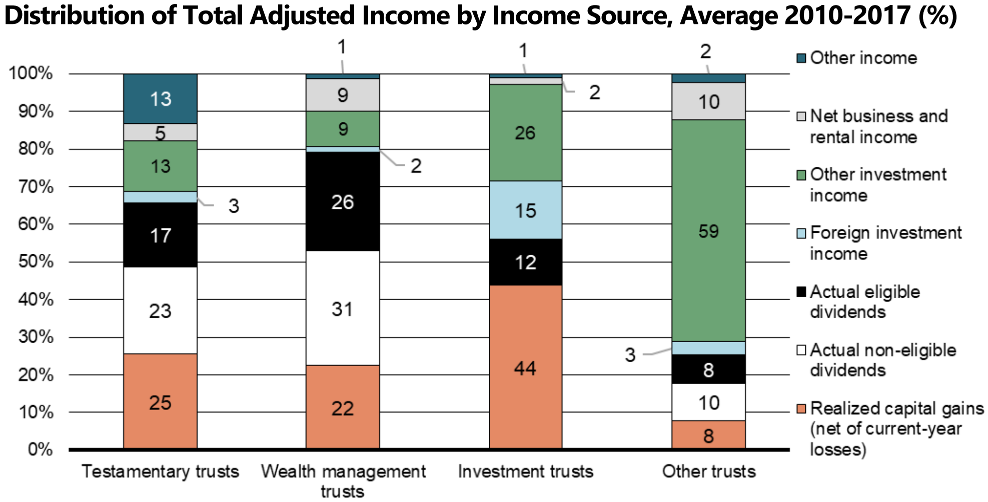
Chart 7
Average Adjusted Income, Selected Trust Categories (dollars)



Notes: See notes to Chart 6. Average adjusted income is calculated as the total adjusted income divided by the number of trusts that reported non-nil adjusted income.

Sources of income differ significantly across categories of trusts (Chart 8). Capital gains represent 44% on average of the adjusted income of investment trusts, versus 25% of the income of testamentary trusts and 22% of the income of wealth management trusts. Non-eligible dividends (which in large part consist in dividends received from small privately owned Canadian corporations) account for 23% and 31% of the total income of testamentary trusts and wealth management trusts, but a negligible fraction of the income of investment trusts. In turn, eligible dividends (which mainly consist in dividends from larger corporations) account for 17% and 26% of the total income of testamentary trusts and wealth management trusts. Foreign investment income and other investment income account for a significantly larger share of the income of investment trusts and other trusts compared to testamentary trusts and wealth management trusts. Net business and rental income represents about 10% of the income of wealth management trusts and other trusts, 5% of the income of testamentary trusts, and a negligible share of the income of investment trusts.

Chart 8
Distribution of Total Adjusted Income by Income Source, Average 2010-2017 (%)

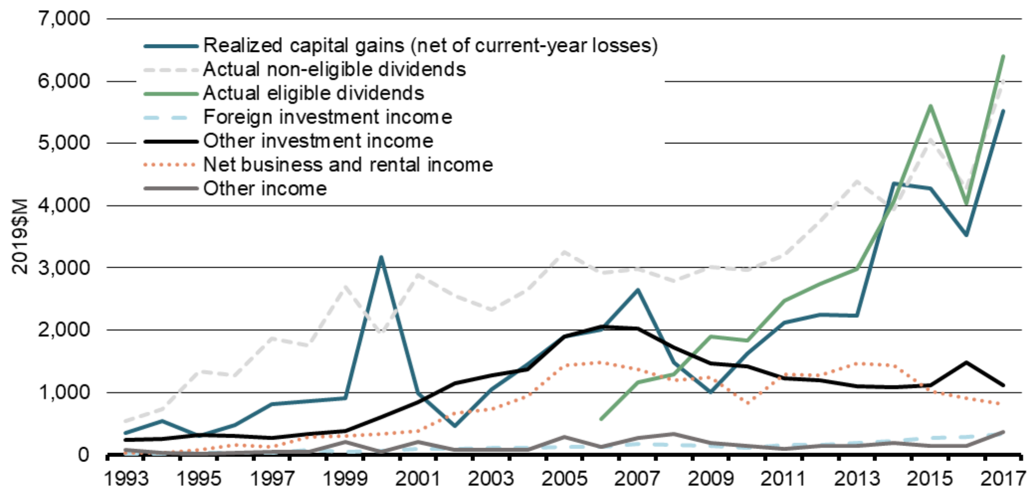


Notes: See notes to Chart 6. The distribution for employee benefit trusts is not shown due to confidentiality reasons.

Charts 9 and 10 show the evolution in the composition of the total adjusted income of wealth management trusts and investment trusts since 1993. Wealth management trusts have been reporting increasingly large amounts of capital gains and taxable Canadian dividends (both eligible and non-eligible) since the end of the financial crisis. As for investment trusts, Chart 10 shows that the high variability of their reported income reflects large swings in reported capital gains and losses that have tracked stock market cycles. Other investment income (which includes Canadian-source interest income) of investment trusts grew strongly between 2002 and 2007, reflecting the growth in income trusts over that period.[15] Investment trusts have also been earning increasing amounts of foreign investment income, a change that may be attributable in part to the repeal of the limitation on foreign investment that applied to Registered Retirement Savings Plans before 2005, but may also reflect a greater interest of Canadian investors towards foreign securities.[16]

Chart 9

Wealth Management Trusts, Total Adjusted Income by Income Source (millions of dollars)

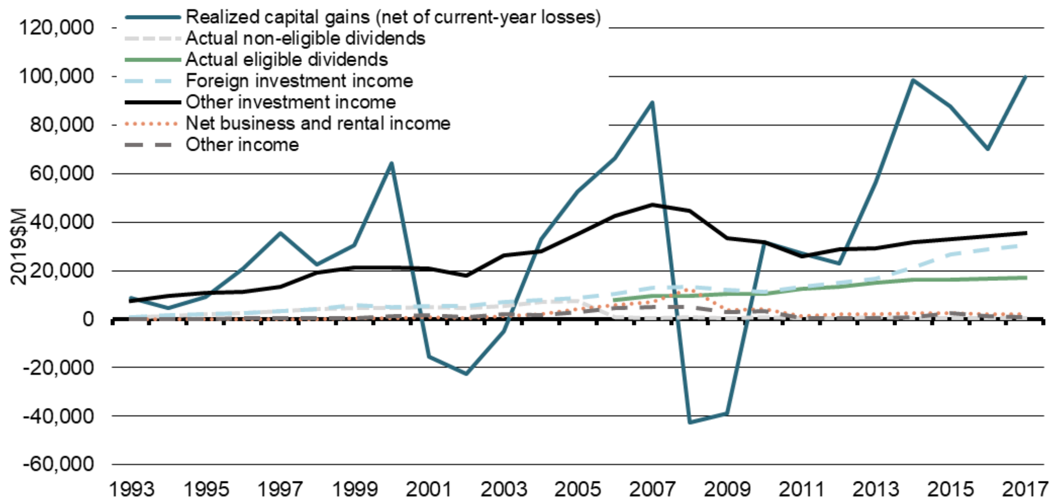


Note: See notes to Chart 6.

15 See Department of Finance Canada (2005b), Edgar (2004) and McKenzie (2006) for additional information on income trusts. New rules were announced on October 31, 2006 to effectively tax income trusts on the same basis as corporations. These rules, which were fully phased-in by 2011, effectively ended the growth of this sector.

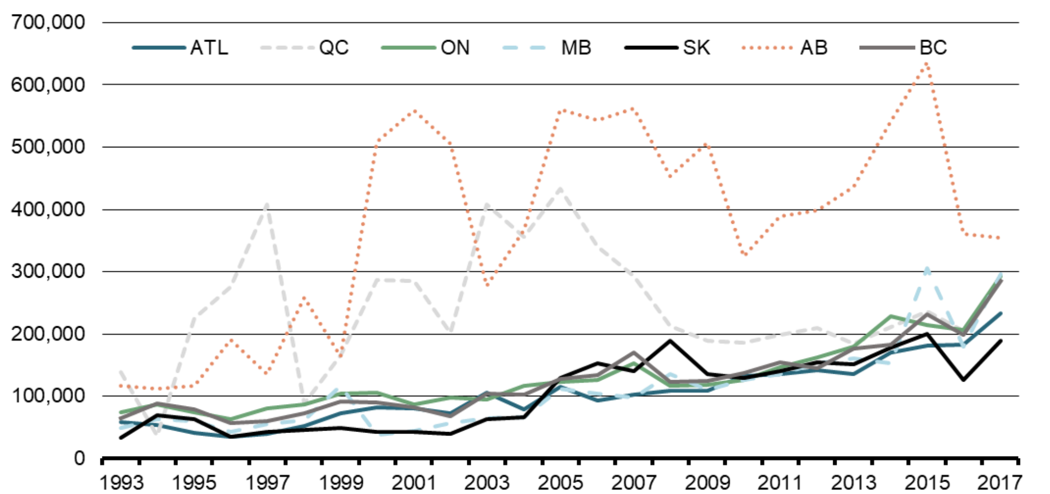
16 The foreign property rule limited the amount of foreign investments an individual could own in a Registered Retirement Savings Plan or Registered Pension Plan to 30% of the total assets owned. This rule was repealed as of 2005.

Chart 10
Investment Trusts, Total Adjusted Income by Income Source (millions of dollars)



Note: See notes to Chart 6.

Chart 11
Wealth Management Trusts, Average Adjusted Income by Province (dollars)



Notes: See notes to Chart 6. Excludes non-resident trusts and trusts for which residence is not known. Average adjusted income is calculated as the total adjusted income divided by the number of trusts that reported non-nil adjusted income.

The average income reported by wealth management trusts has been increasing in all provinces since 1993 (Chart 11). Average adjusted income is higher in Alberta than in other provinces, which may be attributable to this province's relatively lower density of wealth management trusts compared to other provinces (see Chart 5). Average income was also higher for wealth management trusts in Quebec up to 2012, but has since been on par with average income in other provinces (except Alberta), reflecting the substantial increase in the number of wealth management trusts in Quebec in recent years (see Chart 5).

Table 3 and Chart 12 provide information on the extent to which the income earned by trusts is being flowed through to their beneficiaries or is retained and taxed within the trusts. As noted in Section 2.2, trusts other than graduated rate estates (and, prior to 2016, other testamentary trusts) pay tax at the top personal income tax rate. This creates a strong incentive for trusts taxed at the top rate to pay out all of their income to their beneficiaries so as to minimize the income that is retained and taxed at the trust level. Indeed, as shown in Table 3, more than 85% of all wealth management trusts, investment trusts and other trusts either had no positive income or retained 5% or less of their income. The proportion of trusts that retained more than 95% of their income varied between 4% and 13% for these categories of trusts. As expected, the retention behaviours of testamentary trusts differ drastically, with some 72% of all testamentary trusts on average having retained more than 95% of their income.[17] Overall, total net income (after allocations) reported by testamentary trusts represented 85% of their total income before allocations (average 2008 to 2017), in comparison to 17%, 15% and 18% for wealth management trusts, investment trusts and other trusts respectively.

Table 3
Distribution of Number of Trusts and Income Before Allocations by Degree of Income Retention Within the Trust, Average 2008 -2017 (%)

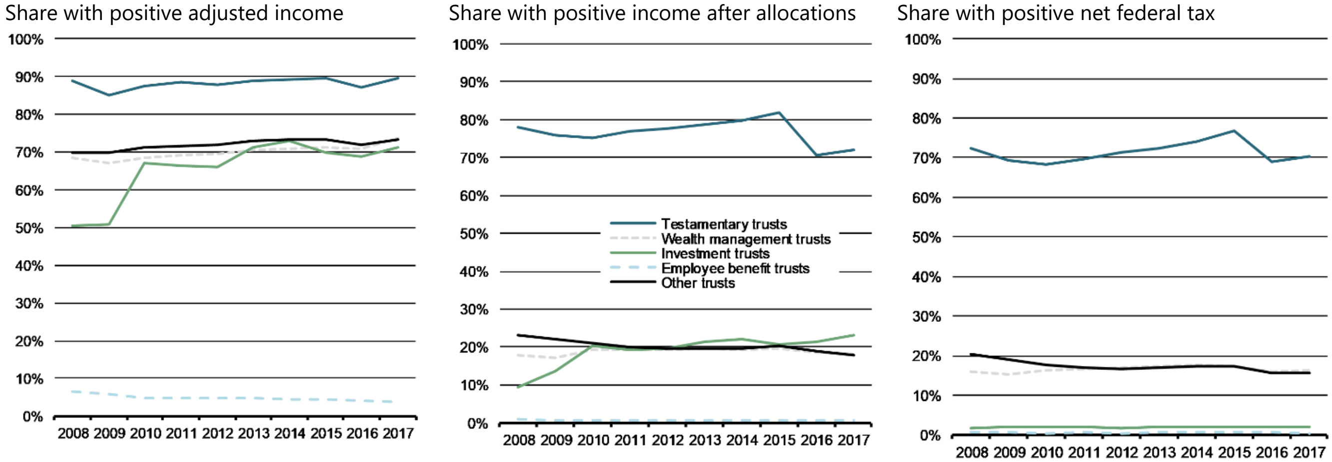
Degree of income retention within the trust	Testamentary trusts	Wealth management trusts	Investment trusts	Other trusts
	Distribution of Total Number of Trusts			
Income before allocations nil or neg.	12	31	33	30
Retained 5% or less	12	57	52	55
Retained between 5% and 50%	2	2	8	2
Retained between 50% and 95%	2	1	3	1
Retained more than 95%	72	8	4	13
Total	*100*	*100*	*100*	*100*
	Distribution of Total Income Before Allocations			
Income before allocations nil or neg.	-1	-2	-2	8
Retained 5% or less	16	82	60	79
Retained between 5% and 50%	9	3	30	3
Retained between 50% and 95%	9	4	9	2
Retained more than 95%	67	13	3	8
Total	*100*	*100*	*100*	*100*

Notes: The data shown in this table excludes trusts that did not file a T3 return. Income before allocations can be negative due to business losses or claimed deductions in excess of reported income. The degree of income retention is calculated as the ratio of income after allocations (line 48 of the general T3 return) to income before allocations (line 46). Employee benefit trusts are not shown as total income before allocations is small or negative for this category of trusts.

[17] This corresponds to the average for years 2008 to 2017. A significant decrease is observed as of 2016 when access to the graduated rate structure was limited to graduated rate estates and qualified disability trusts. While 74% of all testamentary trusts retained more than 95% of their income on average between 2008 and 2015, this proportion decreased to 66% in 2016 and 2017.

Chart 12

Share of Trusts With Positive Adjusted Income, Income After Allocations and Net Federal Tax (%)

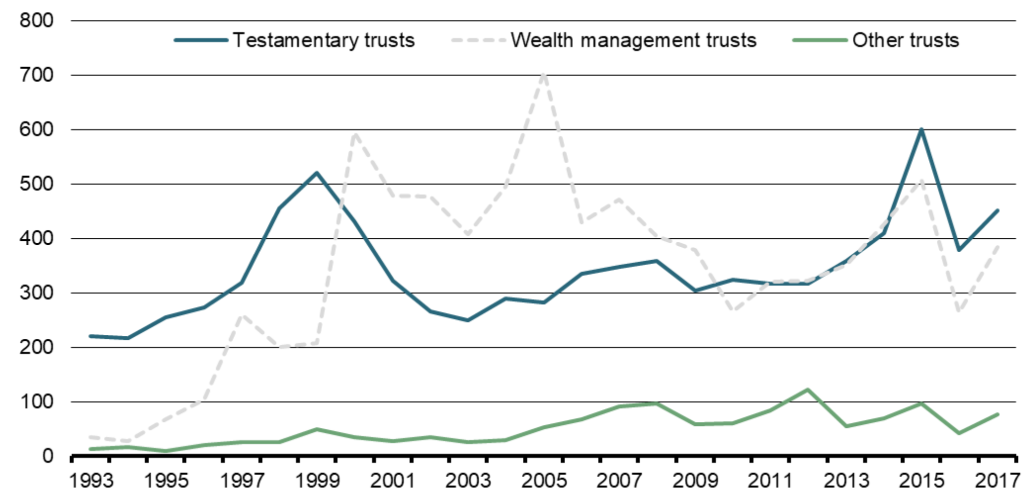


Notes: See notes to Chart 6. The data shown in this table excludes trusts that did not file a T3 return.

Chart 13 shows the total net federal tax paid by trusts since 1993. Testamentary trusts paid $380 million in net federal taxes on average annually over the last 10 years, compared to $365 million paid by wealth management trusts and $75 million paid by other trusts. Investment trusts and employee benefit trusts (not shown in Chart 13) pay negligible amounts of federal taxes. As previously noted, employee benefit trusts are generally exempt from federal income tax; as for investment trusts, these trusts either flow through most of their income to their investors or, in the case of mutual fund trusts that retain a portion of their capital gains and pay tax on these gains, are eligible for a refund of the taxes paid upon redemption of their trust units.[18]

Chart 13

Net Federal Tax, Selected Trust Categories (millions of dollars)

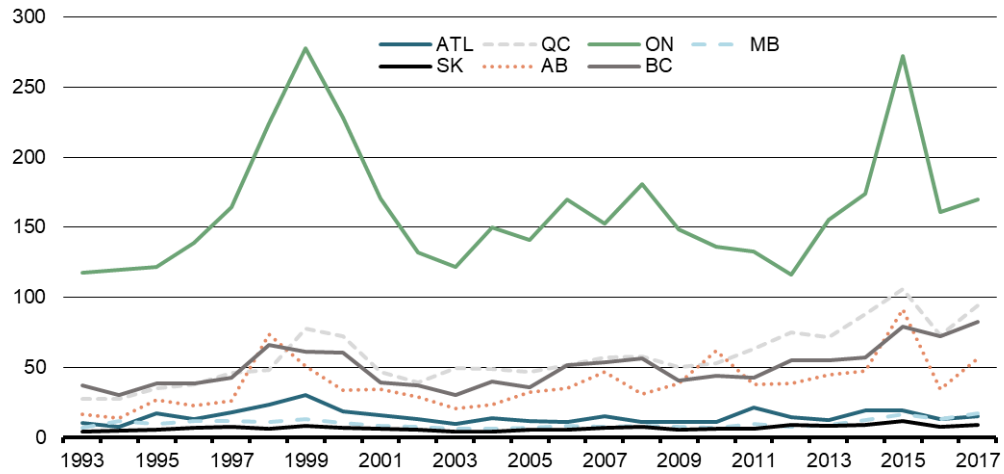


Note: Net federal tax is calculated as total federal tax (line 81 of the general T3 return) minus the refundable Quebec abatement (line 87), refundable investment tax credits (line 88) and federal capital gains refunds (line 89).

18 The refundable capital gains tax mechanism for mutual fund trusts ensures the proper integration between taxes paid at the trust level and taxes paid at the investor level, and operates in a similar manner as the refundable capital gains tax for investment and mutual fund corporations (see the description of this measure in Part 3 of this report).

Chart 14

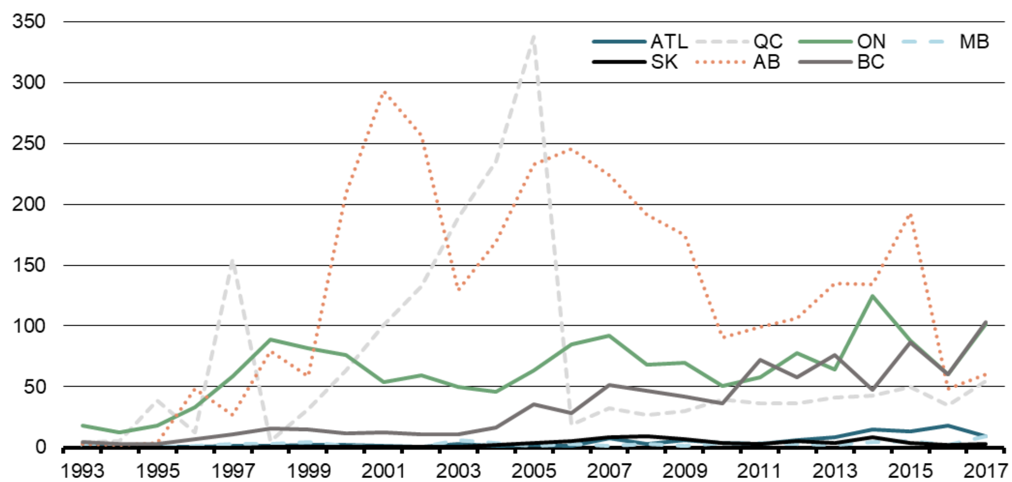
Testamentary Trusts, Net Federal Tax by Province (millions of dollars)



Note: See note to Chart 13.

Chart 15

Wealth Management Trusts, Net Federal Tax by Province (millions of dollars)



Note: See note to Chart 13.

Charts 14 and 15 break down by province of residence of the trusts the amounts of net federal tax paid by testamentary trusts and wealth management trusts. The provincial distribution of taxes paid by testamentary trusts is broadly in line with the provincial distribution of personal income, with trusts resident in Ontario accounting for about 45% of the total paid on average over the last 10 years. The noticeable surge in net federal taxes paid around 1999 is partly attributable to deemed dispositions that took place that year due to the effect of the 21-year rule mentioned in Section 2.2.[19]

The provincial distribution of taxes paid by wealth management trusts has differed significantly than that for testamentary trusts. Taxes paid by Quebec resident trusts increased substantially between 1998 and 2005, but then decreased sharply. Between 2000 and 2015, Alberta resident trusts accounted for the largest share of net federal tax paid among all provinces (except for a short period between 2003 and 2005 when the largest share accrued to trusts resident in Quebec), but taxes paid decreased sharply in 2016.

[19] Although the first deemed dispositions took place in 1993 (that is, 21 years after the introduction of capital gains taxation in 1972), legislation was passed in the early 1990s that allowed trusts to elect to defer the deemed disposition until 1999. Some 2,300 deemed dispositions were reported in 1993 by testamentary trusts versus 2,850 in 1999 and 760 in 2014 (or 21 years after 1993).

4. Profile of Settlors of Testamentary Trusts

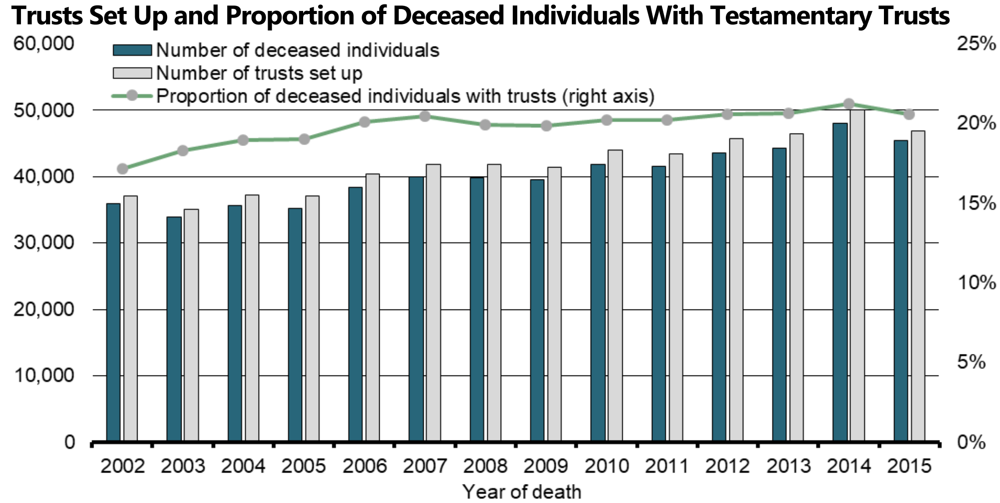
This section presents information on individuals who were the settlors of testamentary trusts over the period 2002 to 2015. The information was extracted from individual income tax (T1) filings of the deceased individuals that were matched to income tax (T3) filings of related testamentary trusts.[20]

As shown in Chart 16, some 46,800 testamentary trusts were set up in 2015 in respect of 45,500 individuals who died that year (a small number of individuals set up more than one testamentary trust each). About one in five individuals who died in 2015 had set up a testamentary trust. The number of individuals who set up testamentary trusts and the proportion of deceased individuals who had set up testamentary trusts have both been increasing slowly since 2002.

It could be expected that testamentary trusts would be more frequently set up by individuals who do not have a surviving spouse or partner who could inherit and manage their estate. A number of facts bear out this expectation. First, the propensity to have a testamentary trust is higher among deceased individuals who were single at time of death, especially if those individuals had not been in a couple before (Table 4).[21] Indeed, individuals who were in couple at time of death account for only 8% of all deceased individuals who set up testamentary trusts (not shown). Second, the propensity to have a testamentary trust is slightly higher for deceased women than for deceased men (Table 4), which is in line with the fact that women are generally more likely than men to survive their spouse or partner. Finally, the proportion of deceased individuals who have set up a testamentary trust increases slightly with age at time of death (Chart 17), consistent with the fact that settlors of testamentary trusts are more likely to be the surviving spouses or partners.

Chart 16

Number of Deceased Individuals With Testamentary Trusts, Number of Testamentary Trusts Set Up and Proportion of Deceased Individuals With Testamentary Trusts



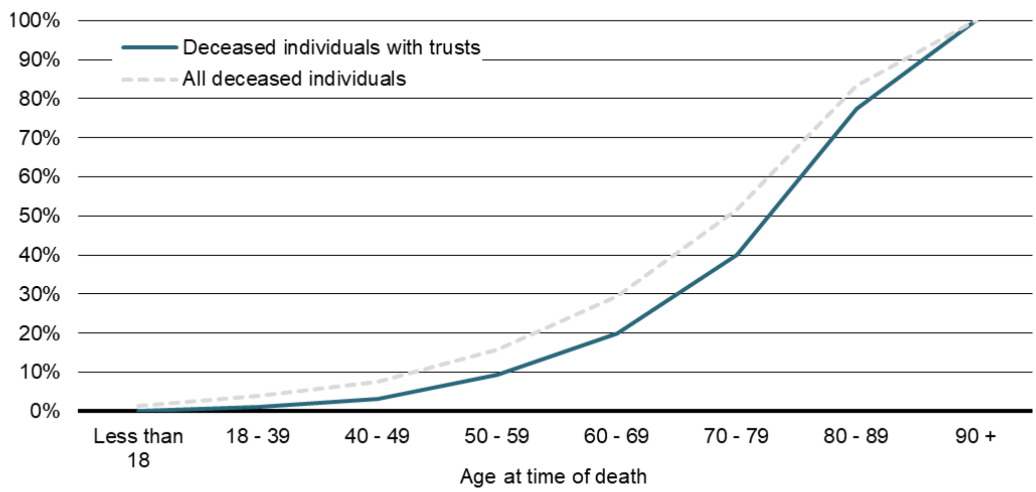
[20] A small proportion (about 3%) of all testamentary trusts that were created over that period were excluded from the analysis, either because these trusts did not report the social insurance numbers of the deceased individuals or because the deceased individuals did not file a T1 return. The absence of any T1 filings for certain deceased individuals may be attributable to late filings (i.e., T1 returns filed too late to be included in the datasets used for this analysis) or the fact that these deceased individuals were not required to file a T1 return.

[21] Couple status prior to the year of death is determined on the basis of couple status in all prior years an individual has filed a T1 return since 1995. To account for the possibility that an individual has been widowed for many years prior to his or her death, an individual is deemed to have been in a couple prior to death if he or she has been in a couple at least half the years for which he or she filed a T1 return.

Table 4
Proportion of Deceased Individuals With a Testamentary Trust (%, average 2002-2015)

	Proportion with a testamentary trust (%)
By couple status	
In a couple at time of death	10
Not in a couple at time of death, but in a couple before	19
Not in a couple, either at time of death or before	25
By sex of deceased individual	
Men	19
Women	21

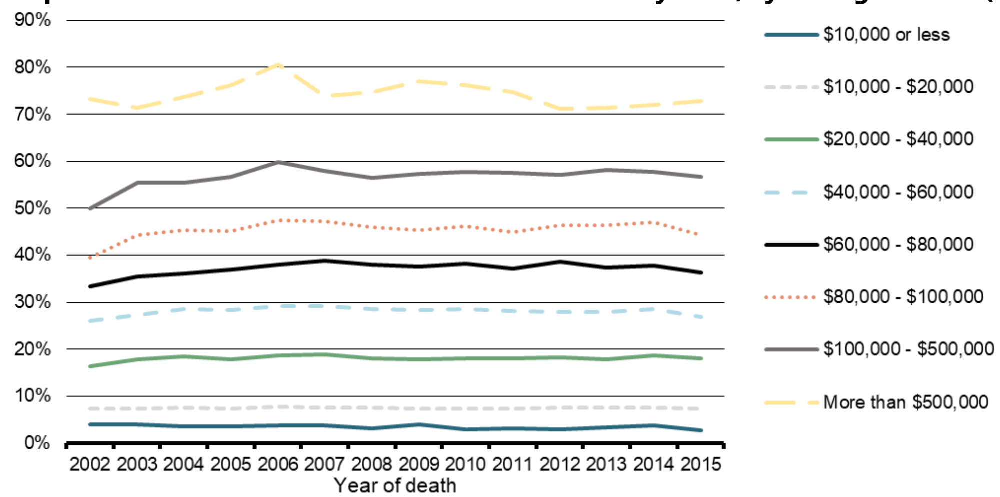
Chart 17
Number of Deceased Individuals With and Without Testamentary Trusts, Cumulative Distributions by Age at Time of Death (%, average 2002-2015)



The propensity to have a testamentary trust also increases with income (Chart 18). Close to 60% of deceased individuals with average income of $100,000 or more had set up a testamentary trust, compared to less than 10% of deceased individuals with average income below $20,000. However, as high-income individuals remain a relatively small group of the population, deceased individuals with average income of $100,000 or more represent a relatively small fraction (11% on average) of all testamentary trusts.

Chart 18

Proportion of Deceased Individuals With a Testamentary Trust, by Average Income (%)



Notes: Average income corresponds to the average adjusted gross income reported by the individual from 1995 onwards, expressed in 2019 dollars. For individuals who were in a couple, average income corresponds to the total income of both spouses or partners, divided by two.

5. Conclusion

The analysis and commentary presented in this study are intended to emphasize the relevance of trusts within the Canadian income tax system. Overall, there has been significant growth in the number of trusts set up in recent decades, as well as in income reported and federal tax paid by trusts. There are dozens of different types of trusts, each with different purposes and objectives. Investment trusts, particularly mutual fund trusts, continue to represent the largest category of trusts by income, but pay little income tax as they flow essentially all of their income to investors. Testamentary trusts account for the largest number of trusts and largest share of federal income taxes paid by trusts. The use of wealth management trusts has also grown significantly over time.

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The Refundable Medical Expense Supplement: A Profile of Beneficiaries[1]

1. Introduction

In Canada, federal, provincial and territorial tax systems contain measures that provide support to individuals and families dealing with significant medical expenses. These measures include the Refundable Medical Expense Supplement (RMES). Introduced in 1997, the RMES was designed to address barriers to labour force participation 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. More generally, the RMES aims to provide tax relief to low-income working individuals with above-average medical expenses.[2]

This paper presents a profile of RMES beneficiaries. It begins by providing an overview of the measure and its eligibility criteria. A statistical profile of the eligible and beneficiary populations is presented, followed by an analysis of the evolution of several RMES indicators since the introduction of the measure. A discussion ensues on the interaction between the RMES and other measures that provide tax relief for persons with significant medical or disability-related expenses and measures that encourage labour market participation. The paper also includes a longitudinal analysis on trends related to the RMES.

2. Background information on the Refundable Medical Expense Supplement

2.1 Description of the Refundable Medical Expense Supplement

Introduced in 1997, the RMES is a refundable federal tax credit provided to individuals in low-income families, to provide some compensation for the medical and disability-related expenses they incur. Since the RMES is refundable, taxfilers whose income is too low to pay taxes can benefit from the measure. The RMES can be claimed by filing a tax return with the Canada Revenue Agency (CRA).

The RMES amount benefiting a given taxfiler is equal to 25% of total eligible medical expenses claimed under the Medical Expense Tax Credit (METC) and the disability supports deduction (DSD), up to a maximum credit amount of $1,203 in 2017.[3] Since the RMES depends on eligible costs for the METC and the DSD, which both aim to provide tax relief for medical and/or disability-related expenses, both the eligibility criteria for and the amount claimed under the RMES are intrinsically tied to the characteristics of these two measures. The METC and the DSD are not analyzed in this report, but a description of both measures, along with the characteristics of medical expenses claimed by RMES beneficiaries, are considered in Section 4.1.

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

[2] Government of Canada, Budget 1997, *Building the Future for Canadians*, pp. 110, 195.

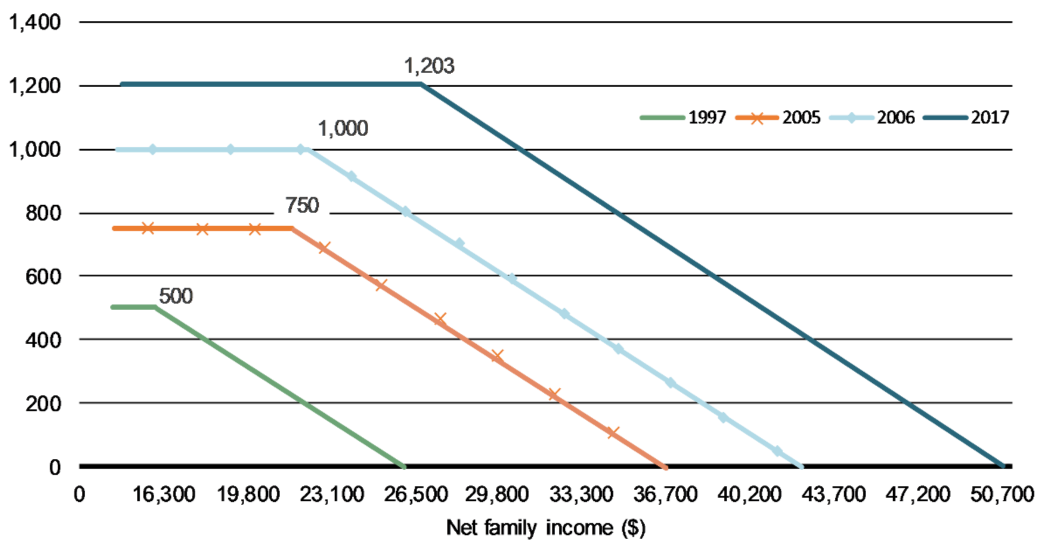
[3] This study uses individual tax data from 2017, which is the most recent year for which complete data is available.

To be eligible for the RMES in a given year, taxfilers must meet the following five criteria:

1. **Age**—The individual is at least 18 years of age at the end of the taxation year.
2. **Residence**—The individual is a resident in Canada throughout the year.
3. **Medical expenses**—The individual reports eligible medical expenses under the METC (i.e., expenses in excess of the lesser of the following amounts: 3% of net personal income and $2,268[4] in 2017) for themselves, their spouse or common-law partner or a dependant (children under the age of 18 or a family member), or an amount for the DSD.
4. **Personal working income**—The individual's net personal income from employment or self-employment is greater than or equal to the minimum earnings threshold. The threshold was introduced to target taxpayers showing sufficient participation in the labour force, and in 2017, it was $3,514.
5. **Family income**—The individual's net family income[5] is below a certain level. In 2017, the maximum amount of the RMES was clawed back at a rate of 5%, starting at net family income of $26,644, and entirely eliminated when net family income reached $50,704. The net family income reduction threshold and the reduction rate were established to target lower-income taxfilers.[6]

In 1997, the maximum amount of supplement that could be paid was $500. From 2000 onward, the maximum amount of the RMES, the minimum earnings threshold, and the net family income reduction threshold were indexed to inflation. Since 1997, the reduction rate has remained at 5%. The maximum amount further increased from the indexed value to $750 in 2005 and to $1,000 in 2006. Since then, no further substantial changes have been made to the RMES (Figure 1).[7]

Figure 1
Maximum amount of the Refundable Medical Expense Supplement, selected years



Note: All values in this figure are in current dollars.
Source: Department of Finance Canada.

4 Originally, the amount of medical expenses was chosen to target taxpayers who had above-average medical expenses. The threshold remains relevant today since, according to Statistics Canada's Survey of Household Spending (Table 11-10-0222-01), average household spending for health care was $2,579 in 2017.

5 Net family income refers to the total net personal income of taxfilers and their spouse or common-law partner. Total net personal income excludes the Universal Child Care Benefit and income from a Registered Disability Savings Plan.

6 Since 1997, changes in the RMES parameters have closely aligned with changes in the thresholds of the Low Income Measure (LIM), although they are not officially linked. In 1997, the net family income threshold at which no further supplement amount could be granted was slightly below the LIM threshold established for a family of four people ($26,069 compared to $27,780 for the LIM threshold) and this was again the case in 2017 ($50,704 compared to $53,454 for the LIM threshold). Source: Statistics Canada, Table 11-10-0232-01.

7 In 2011, the government eliminated the limit on eligible expenses that can be claimed under the METC with respect to a dependent relative, so taxfilers were able to claim more medical expenses

3. Statistical profile

Since the objective of the RMES is to provide support for persons with disabilities entering the labour market, it is useful to determine the extent to which the RMES benefits these individuals. To assess whether the RMES reaches Canadians with a disability in the labour force, the population of persons with disabilities needs to be identified. The two most direct tax measures in the T1 return that recognize costs associated with disabilities are the disability supports deduction (DSD) and the Disability Tax Credit (DTC).[8] However, using DSD and DTC claimants as a proxy for identifying persons with disabilities underestimates the population of Canadian taxfilers with a disability and may introduce bias into reported results. For instance, in order to claim the DTC, taxfilers must have a severe and prolonged disability, so it is not possible to identify individuals with mild to moderate disabilities, based on DTC claims. The Canadian Survey on Disability, which is the most comprehensive source of information on persons with disabilities in Canada, estimates that, in 2017, roughly 6.2 million Canadians over the age of 15 had a disability that limited them in performing daily activities, with 57% reporting a mild or moderate disability.[9] In contrast, in the 2017 T1 return, there were 767,900 self-claimants of the DSD or DTC.[10] Because of the challenge of identifying persons with disabilities in the tax data, this study presents a profile of the RMES-eligible and beneficiary populations among all filers, instead of among persons with disabilities.

3.1 Profile of the beneficiary population

Using individual taxfiler data, this section analyzes eligibility for the RMES among the population of Canadian taxfilers, along with characteristics of the beneficiary population. The eligible population is defined as all filers who, according to the information reported in their income tax returns, meet all the eligibility criteria of the supplement, i.e., age, residence, medical expenses, personal working income, and net family income. The beneficiary population is defined as all taxfilers to whom an RMES amount was paid following the assessment of their income tax return by the CRA. The profile of beneficiaries is based on the following personal identity factors: gender, age, province of residence, family type, and total personal income.

Over 27.8 million Canadians filed an income tax return in 2017. As a whole, Canadian taxfilers made up 20.2 million families. Over half (55.0%) lived in a couple with another taxfiler,[11] while 45.0% were sole filers.[12] Table 1 depicts the proportion of all taxfilers, men, and women who met the RMES eligibility criteria in 2017. Among the 27.8 million taxfilers, almost two-thirds (63.6%) reported personal working income at least equal to the RMES minimum earnings threshold of $3,514 and 18.3% claimed eligible medical expenses under the METC or DSD. Nearly half (49.0%) of all taxfilers had reported moderate family income, which is a net family income less than $50,704. Among taxfilers with a moderate family income, 57.4% had net family income that was sufficiently low (less than $26,644) to be eligible for the maximum supplement. The remaining 42.6% had income ($26,644 - $50,704) that did not guarantee the receipt of a supplement amount, since, in their case, eligibility was based on a combination of their level of net family income and eligible medical expenses.

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8 A description of these measures is presented in Section 4.

9 Statistics Canada, Canadian Survey on Disability, 2018.

10 This figure includes taxfilers who claimed the DTC for themselves. It excludes those who claimed the credit on behalf of a spouse or dependant, without having claimed it for themselves.

11 That is, they were married or living in a common-law relationship with a taxfiling spouse (of the opposite sex or not).

12 Taxfilers who are not part of a couple or who claim couple status, but with a non-filer or a filer who cannot be identified in the T1 data, are considered to be sole filers in the current study. Therefore, the net family income of these filers corresponds to their net personal income. Among taxfilers identified as sole filers in 2015, 2.8% had an uncertain couple status, i.e., they were potentially part of a couple with another filer, but their tax returns contained some inconsistencies that did not allow their status to be definitively confirmed. A proportion of them likely had not been with their spouse for a sufficient amount of time in the taxation year. In fact, line 452 of the 2016 *General Income Tax and Benefit Guide* stipulates that taxfilers do not have to account for the net income of their spouse if, due to the breakup of the relationship, they have lived separately for a period of 90 days or more, including December 31.

Table 1

Proportion of taxfilers who met each individual RMES eligibility criterion, all RMES eligibility criteria (eligibility rate) and who received an RMES amount (benefit rate) in 2017, by gender (%)

	All	Men	Women
ALL TAXFILERS (#)	27,847,900	13,461,600	14,348,000
Filers 18 and over who lived in Canada all year*	98.3	98.2	98.3
Filers with sufficient working income	63.6	68.3	59.3
Filers who reported eligible medical expenses	18.3	15.1	21.4
Filers with low family income**	28.1	26.0	30.0
Filers with moderate family income***	49.0	46.5	51.3
Eligibility rate****	2.1	1.7	2.5
Benefit rate*****	97.8	97.6	98.0

Note: The sum of the total number of men and women does not necessarily correspond to the total number of filers, since there are some filers whose gender could not be identified.

*Accurate identification of residence status requires knowing whether taxfilers resided in Canada during the entire year, which is not possible using the tax data. However, the data did allow for the identification of taxfilers who immigrated or emigrated during the taxation year and thus, the exclusion of those who, based on their date of immigration or emigration, had not resided in Canada for at least 183 days.

**Low family income refers to a level of net family income that is less than the net family income threshold of $26,644. Filers reporting low family income are eligible for the maximum supplement amount.

***Moderate family income refers to a level of net family income that is less than the level above which no supplement can be paid ($50,704). Among filers with a net family income between the low family income and moderate family income thresholds ($26,644-$50,704), only those who claim a sufficiently high level of medical expenses, taking into account the applied reduction rate (5%), are eligible to receive an RMES amount.

****The eligibility rate is the proportion of eligible taxfilers among all taxfilers.

*****The benefit rate is the proportion of beneficiaries among all claimants.

Source: 2017 T1 tax returns.

Table 1 shows that among all 2017 taxfilers, 2.1% met all the RMES eligibility criteria, corresponding to approximately 592,300 filers. Out of 568,400 filers who claimed the RMES, 556,100 received a positive amount, which is equivalent to a benefit rate of 97.8%.[13] If the supplement had not been refundable, only 44.7% of all beneficiaries would have been able to benefit from it in 2017, since 55.3% had no federal income tax payable (notably due to the Basic Personal Amount) before the calculation of refundable credits.

Table 2 shows that, in total, $156.2 million was paid in RMES in 2017, for an average amount of $281 per beneficiary. Only 2.2% of beneficiaries received the maximum supplement amount of $1,203.

Table 2

Tax savings realized due to the RMES, by gender, 2017

	All	Men	Women
Beneficiaries (#)	556,100	213,400	342,400
Tax savings realized by taxfilers due to the RMES ($ millions)	156.2	60.3	95.8
Average amount per beneficiary ($)	281	283	280
Distribution of RMES beneficiaries based on amount received (%)			
Between $1 and $249	61.2	61.2	61.1
Between $250 and $499	20.8	20.4	21.0
Between $500 and $749	9.1	9.1	9.1
Between $750 and $999	4.7	4.9	4.5
$1,000 and over	4.3	4.5	4.2
Proportion of beneficiaries who received the maximum RMES amount (%)	2.2	2.2	2.0

Note: The sum of the total number of male and female beneficiaries does not necessarily correspond to the total number of beneficiaries, since there are some filers whose gender could not be identified.

Source: 2017 T1 tax returns.

[13] It should be noted that some filers who were ineligible according to the data (e.g., because of a personal working income below the minimum earnings threshold or a net family income above the moderate family income threshold) claimed the supplement (13,700 filers), 1,700 of whom received a positive RMES amount. It is possible that the CRA reassessed these claims at a later date, which would not be captured in the data used for this study.

Gender

As presented in Table 1, more than half of the 27.8 million taxfilers in 2017 were women (51.5%) and 48.3% were men. Women were more likely to have reported eligible medical expenses, a low family income, and a moderate family income. However, women were less likely than men to have reported sufficient working income. Overall, women had a higher eligibility rate than men (2.5% versus 1.7%). While women represented 51.5% of Canadian taxfilers in 2017 and reported 41.8% of pre-tax income, they represented a significantly higher proportion of the number of RMES beneficiaries (61.6%)[14]. Moreover, they received 61.3% of the total amount of RMES payments (Table 2).

Age group

As shown in Table 3, eligibility and benefits from the RMES vary according to age group. Taxfilers aged 18 to 24 had the highest eligibility rate for the RMES (3.6%), particularly since they were more likely to have a moderate family income. Although the proportion of filers reporting eligible medical expenses gradually increased with age, reaching 33.5% among those 75 and older, elderly taxfilers (those 65 and over) had the lowest RMES eligibility rate of all age groups, primarily because they did not meet the personal working income criterion.

Province of residence

Table 3 shows that taxfilers residing in Quebec consisted of only 23.6% of Canadian taxfilers in 2017 yet they made up 45.8% of all RMES beneficiaries. In contrast, the reverse was true for filers from Ontario and to a lesser extent, filers from Alberta and British Columbia. Table 3 shows that these differences are likely the result of varying eligibility rates, which seem to stem primarily from the significantly larger proportion of taxfilers reporting eligible medical expenses in Quebec, relative to other provinces. Quebec filers were more likely to have claimed eligible medical expenses (33.1%) than their Ontario counterparts (12.0%).

This trend could be explained by a few factors that may incentivize Quebec filers to track and report medical expenses, including a provincial METC (similar to other provinces), a provincial refundable tax credit for medical expenses, and unique tax treatment of employer paid benefits from private health and dental plans. Quebec is also the only province or territory with a public drug insurance plan under which annual premiums can be claimed for the federal METC.

Family type

As shown in Table 4, sole filers (with or without children) were over-represented among RMES beneficiaries, consisting of 45.3% of filers in Canada and making up 76.8% of RMES beneficiaries in 2017. Among sole filers, 10.2% were eligible for the RMES compared to 1.9% of filers in a couple. Sole filers with children had the highest eligibility rate for the supplement (6.9%). The moderate family income criterion contributes the most to explaining the higher RMES eligibility rate among sole filers, since filers in a couple were considerably less likely to report net family income below the moderate family income threshold (24.5% compared to 78.7% of sole filers)[15] Moreover, filers with dependent children were slightly more likely to be eligible for the supplement.

Total personal income group

Table 4 shows that more than one-third (39.1%) of filers reported total personal income (individual income, not family income) less than $25,000 in 2017, yet they made up nearly two-thirds (64.7%) of RMES beneficiaries. The RMES eligibility rate was highest among filers with an annual personal income between $12,500 and $25,000 (4.4%) and between $25,000 and $37,500 (4.2%). Those with personal income below $12,500 were less likely to be eligible for the RMES because a smaller proportion of them reported sufficient working income or eligible medical expenses. In accordance with the RMES net family income threshold, the eligibility rate diminishes considerably among filers reporting total personal income above $37,500.

[14] Figures not reported.
[15] Figures not reported.

Table 3

Statistics on eligibility and benefits from the RMES, by age group and province of residence, 2017

	Distribution of taxfilers (%)	Eligibility rate (%)	% with sufficient working income	% with eligible medical expenses	% with moderate family income	Benefit rate (%)	Distribution of beneficiaries (%)	Average amount per beneficiary ($)	Distribution of total RMES amount (%)
AGE GROUP									
18-24 years	10.0	3.6	76.7	5.6	92.0	99.3	17.5	204	12.7
25-34 years	16.7	2.6	83.6	10.7	51.7	98.8	20.8	247	18.3
35-44 years	16.2	2.3	83.6	15.1	34.4	98.4	17.2	308	18.9
45-54 years	16.7	2.4	82.6	17.1	32.9	92.6	18.7	319	21.3
55-64 years	17.5	2.6	65.6	21.8	37.1	97.8	20.0	313	22.3
65-74 years	12.9	0.8	22.1	29.2	48.2	90.9	4.7	312	5.2
75 years and over	10.0	0.2	4.2	33.5	67.0	77.8	1.0	358	1.3
PROVINCE OF RESIDENCE									
Newfoundland and Labrador	1.5	2.1	59.2	22.8	50.3	97.7	1.4	303	1.5
Prince Edward Island	0.4	2.7	66.4	25.1	51.4	98.2	0.5	270	0.5
Nova Scotia	2.7	2.4	59.9	22.1	52.2	98.0	2.9	265	2.7
New Brunswick	2.2	2.7	61.4	24.1	53.2	98.3	2.7	282	2.8
Quebec	23.6	4.1	62.5	33.1	52.2	97.7	45.8	248	40.5
Ontario	37.9	1.4	63.3	12.0	48.9	98.2	25.7	307	28.0
Manitoba	3.5	1.9	65.1	17.2	50.5	98.2	3.1	296	3.2
Saskatchewan	3.0	1.6	65.6	15.3	45.7	97.8	2.2	341	2.7
Alberta	11.0	1.3	69.2	12.8	40.9	97.7	6.6	325	7.7
British Columbia	13.5	1.4	63.0	14.1	48.6	97.5	8.9	322	10.3
Territories	0.7	0.0	52.0	5.0	63.3	88.0	0.1	325	0.1
ALL TAXFILERS	**100.0**	**2.1**	**63.6**	**18.3**	**49.0**	**97.9**	**100.0**	**281**	**100.0**

Source: 2017 T1 tax returns.

Table 4

Statistics on eligibility and benefits from the RMES, by family type and personal income group, 2017

	Distribution of taxfilers (%)	Eligibility rate (%)	% with sufficient working income	% with eligible medical expenses	% with moderate family income	Benefit rate (%)	Distribution of beneficiaries (%)	Average amount per beneficiary ($)	Distribution of total RMES amount (%)
FAMILY TYPE									
Sole filers without children	41.3	3.3	61.4	15.1	78.7	97.9	63.9	249	56.7
Sole filers with children	3.9	6.9	71.6	17.3	78.4	98.5	12.9	302	13.9
Filers in a couple with children	19.7	1.1	83.0	16.3	20.9	98.4	10.5	362	13.6
Filers in a couple without children	35.0	0.8	54.5	23.4	26.5	96.6	12.7	352	15.9
PERSONAL INCOME GROUP									
Under $12,500	18.8	2.5	33.9	7.6	85.1	98.4	22.0	259	20.2
From $12,500 to $25,000	20.3	4.4	47.5	19.0	84.2	98.1	42.7	278	42.2
From $25,000 to $37,500	14.2	4.2	68.0	27.1	61.8	97.8	27.5	302	29.5
From $37,500 to $50,000	12.6	1.1	73.5	27.7	45.8	96.2	6.4	292	6.6
$50,000 or more	34.1	0.1	84.1	15.1	4.0	91.4	1.5	272	1.4
ALL TAXFILERS	**100.0**	**2.1**	**63.6**	**18.3**	**49.0**	**97.9**	**100.0**	**281**	**100.0**

Source: 2017 T1 tax returns.

3.2 Trends in the Refundable Medical Expense Supplement, 1997 to 2017

As shown in Table 5, between 1997 and 2017, the RMES eligibility rate, which is the proportion of taxfilers who met all the RMES eligibility criteria, increased from 0.9% to 2.1%. The benefit rate—the proportion of beneficiaries among all claimants—also increased from 93.2% in 2003 to 97.8% in 2017. The average amount paid per RMES beneficiary has gradually increased over the past 20 years, rising from $220 in 1998 to $281 in 2017. The simultaneous growth in the eligibility and benefit rates and the number of beneficiaries, along with the slight increase in the average amounts of supplement paid to beneficiaries, explains the increase in the total cost of the RMES since its introduction, from $38.6 million in 1998 to $156.2 million in 2017.

Table 5
Changes in eligibility, benefits and number of beneficiaries of the RMES, 1997 to 2017

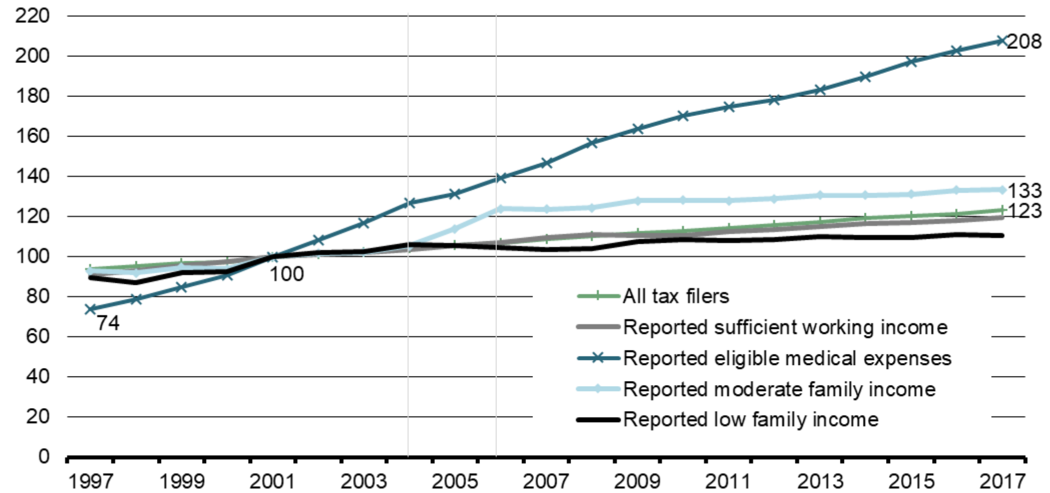
	Eligibility rate	Benefit rate	Number of beneficiaries	Average amount of supplement paid	Total amount of supplement paid
	%	%		2017 $	millions of 2017 $
1997	0.9	n.a.	n.a.	n.a.	n.a.
1998	0.9	n.a.	175,700	220	38.6
1999	1.1	n.a.	192,800	225	43.4
2000	1.1	n.a.	217,000	226	49.1
2001	1.3	n.a.	248,700	234	58.3
2002	1.4	n.a.	288,800	238	68.7
2003	1.5	93.2	310,200	236	73.3
2004	1.7	94.3	340,600	241	82.1
2005	1.8	94.6	367,600	266	97.7
2006	1.9	95.4	403,000	289	116.5
2007	1.9	95.6	408,700	291	118.8
2008	2.0	95.9	441,800	294	129.7
2009	2.1	96.5	482,600	295	142.2
2010	2.1	96.4	500,500	290	144.9
2011	2.1	96.5	507,700	282	143.4
2012	2.1	97.0	516,400	280	144.5
2013	2.1	97.3	524,000	280	146.6
2014	2.1	97.6	527,800	275	145.3
2015	2.1	97.6	544,200	278	151.3
2016	2.2	97.7	561,900	280	157.6
2017	2.1	97.8	556,100	281	156.2

Note: "n.a." means that the statistic could not be obtained due to missing data.
Source: Department of Finance Canada.

Given the presence of various RMES eligibility criteria, there could be multiple factors that explain the growth of the eligibility rate. The possibilities include, for example, growth in the population with a moderate family income who work or who claim eligible medical expenses. The growth indicators presented in Figure 2 provide potential explanations.[16]

Figure 2

Changes in the number of taxfilers based on their eligibility for the RMES, 1997 to 2017 (base 2001=100)



Source: Department of Finance Canada.

From 1997 to 2017, the number of taxfilers with sufficient personal working income or low family income grew at a rate similar to that of all Canadian taxfilers. Over the course of this period, the more significant changes occurred in relation to the number of filers reporting eligible medical expenses or moderate family income. A continuous upward trend was observed in the proportion of filers reporting eligible medical expenses—rising from 8.6% in 1997[17] to 18.3% in 2017.[18] The number of filers with a moderate family income grew significantly between 2004 and 2006, likely due to changes in the RMES parameters. As discussed in Section 2.1, the maximum supplement amount increased from $500 to $750 in 2005 and from $750 to $1,000 in 2006, with no changes to the other parameters—the reduction rate remained at 5% and the net family income threshold at which the maximum RMES amount begins to be clawed back continued to be indexed to inflation. Both increases in the maximum supplement amount led to major increases in the net family income level above which no further supplement can be paid and accordingly, a considerable increase in the proportion of filers reporting net family income below that level (see Figure 1).

In summary, the trends suggest that the significant increase in the RMES eligibility rate that was observed since its introduction in 1997 can mostly be explained by the continuous increase in the number of filers reporting eligible medical expenses, as well as changes to the RMES parameters.

[16] The proportion of filers who meet the eligibility criteria related to both age and residence has been excluded, as it has remained fairly stable from 1997 to 2017, fluctuating between 97.5% and 98.3%.

[17] Figure not reported.

[18] This trend was also observed among the population of filers with a moderate family income.

4. Interaction of the Refundable Medical Expense Supplement with other tax measures

It is worthwhile to determine the extent to which the RMES interacts with other tax measures with similar or potentially complementary policy objectives—i.e., those that recognize the impact of medical expenses on an individual's ability to pay tax or that encourage labour market participation. In this section, the interaction between the RMES and several other tax measures is considered: the Medical Expense Tax Credit (METC), the disability supports deduction (DSD), the Disability Tax Credit (DTC), and the Working Income Tax Benefit (WITB).[19]

4.1 Medical Expense Tax Credit and disability supports deduction

As discussed in Section 2.1, eligible medical expenses for the RMES are equal to 25% of total expenses claimed under the METC and the DSD, up to the maximum credit amount.

The METC is a non-refundable tax credit that allows individuals to claim above-average medical expenses. A wide range of medical expenses are covered under the METC, including some disability-related expenses. Examples of allowable medical expenses include attendant care, devices and equipment, prescription drugs and medication, and service animals. The METC can also be claimed by caregivers, a spouse or common-law partner, or on behalf of dependants (children or certain other family members).[20] In 2017, individuals were able to claim expenses above the lesser of 3% of their net income and $2,268.

Under the DSD, individuals are able to claim the costs associated with disability supports expenses incurred for employment or education purposes. Unlike the METC, which covers a broad spectrum of medical expenses, the DSD recognizes additional costs associated with disability-related supports in a specific context. Examples of qualifying expenses include note-taking and reading services, attendant care, and devices and software. Individuals do not have to be eligible for the DTC in order to claim the DSD. In addition, the same medical expenses cannot be claimed under both the METC and DSD.[21]

As shown in Table 6, in 2017, among RMES beneficiaries, the majority claimed the METC only. This result is expected, due to the narrow scope of the DSD in providing tax relief specifically for disability-related expenses connected to employment or education. In 2017, RMES beneficiaries reported total eligible medical expenses averaging $1,804, while the average RMES payout per beneficiary was $281. Although there were very few individuals who reported medical expenses through the DSD, they reported a higher level of medical expenses compared to the METC-only beneficiaries ($5,232 versus $1,801), partially due to the METC expense threshold, and also received more from the RMES ($514 versus $281 for METC-only beneficiaries). Furthermore, the distribution of RMES beneficiaries based on medical expenses reported shows that 70.3% of all beneficiaries reported eligible medical expenses that were below $2,000. Among DSD claimants, the majority reported medical expenses above $2,000 (59.3%).

[19] Budget 2018 introduced the Canada Workers Benefit, which replaced the WITB as of 2019.

[20] Canada Revenue Agency, *Income Tax Folio S1-F1-C1, Medical Expense Tax Credit.*

[21] Canada Revenue Agency, *Income Tax Folio S1-F1-C3, Disability Supports Deduction.*

Table 6
Number and proportion of RMES beneficiaries who claimed the METC or the DSD, 2017

	All RMES beneficiaries	METC only	DSD
TAXFILERS (#)	556,100	555,600	500
by % of RMES beneficiaries	100.0	99.9	0.1
Average eligible* medical expenses reported ($)	1,804	1,801	5,232
Average RMES amount per beneficiary ($)	281	281	514
Distribution of RMES beneficiaries based on reported medical expenses (%)			
less than $2,000	70.3	70.3	40.7
$2,000 and over	29.7	29.7	59.3

Note: Figures are rounded to the nearest 100.
*For the METC, eligible expenses are expenses above the METC expense threshold (i.e., above the lesser of 3% of net income and $2,268).
Source: 2017 T1 tax returns.

4.2 Interaction between the Refundable Medical Expense Supplement and the Disability Tax Credit

The DTC is a non-refundable credit that applies to costs related to a disability that cannot be itemized. For a taxfiler to be eligible for the credit, a medical practitioner must attest to the presence of a serious and prolonged physical or mental impairment that limits an individual's ability to perform a basic activity of daily living[22] or that would limit it in the absence of appropriate care. The maximum benefit amount for the DTC in 2017 was $1,220 (or 15% of the credit amount of $8,133). The DTC amount can be transferred to a supporting spouse, parent, or other person related to the eligible individual. Families caring for eligible children with a serious and prolonged impairment may claim an additional amount as a supplement to the credit.[23]

Table 7 reports the RMES eligibility criteria among DTC beneficiaries. In 2017, there were 740,100 individuals who benefited from the DTC (based on a claim for themselves, a dependant, or unused amounts transferred from a spouse), representing 2.7% of all taxfilers.[24] Of the 556,100 taxfilers who benefited from the RMES, only 11,100 individuals also benefited from the DTC, which is 2.0% of all RMES beneficiaries. There are several possible explanations for the low degree of interaction between the two measures. As mentioned previously, a large proportion of RMES beneficiaries had no tax payable in 2017 (55.3%), and thus might not have taken full advantage of the DTC, since it is a non-refundable credit. Therefore, the pool of RMES beneficiaries who could have potentially benefited from the DTC decreases to the 255,600 beneficiaries who paid tax in 2017, or would have paid tax in the absence of the DTC, with 4.3% of them actually benefiting from both measures.[25]

22 Basic activities of daily living include: walking, speaking, hearing, feeding, eliminating, dressing, and mental functions (adaptive reasoning, memory, problem-solving and judgement).

23 Canada Revenue Agency, *Income Tax Folio S1-F1-C2, Disability Tax Credit*.

24 DTC beneficiaries include all taxfilers who benefited from a reduction in taxes payable, which was directly attributable to the DTC amounts they claimed on lines 316 and 318 of Schedule 1 and unused amounts transferred from a spouse claimed on line 357 of Schedule 2 of their T1 return, all else constant. In contrast, DTC claimants are defined as all taxfilers who claimed an amount for the DTC in their T1 return, but did not necessarily benefit from a reduction in taxes due to the DTC claim. In 2017, 1,161,900 individuals claimed the DTC (this figure includes the 740,100 DTC beneficiaries).

25 Figures not reported.

Table 7

Number and proportion of DTC and WITB beneficiaries who met each individual RMES eligibility criterion and who received an RMES amount, 2017 (%)

	All taxfilers	DTC beneficiaries	All WITB beneficiaries	Basic WITB beneficiaries	Disability supplement beneficiaries
ALL TAXFILERS (#)	27,847,900	740,100	1,427,600	1,411,300	31,300
Filers with sufficient working income	63.6	52.0	95.3	95.6	79.6
Filers who reported eligible medical expenses	18.3	33.5	14.6	14.5	21.1
Filers with low family income*	28.1	8.6	94.9	94.9	92.3
Filers with moderate family income**	49.0	36.1	99.6	99.6	99.7
Eligibility rate	2.1	2.1	13.8	13.8	18.2
Filers who benefited from the RMES	556,100	11,100	191,800	190,000	4,800
By % of RMES beneficiaries	100.0	2.0	34.5	34.2	0.9

Note: Figures are rounded to the nearest 100.

*Low family income refers to a level of net family income that is less than the net family income threshold of $26,644. Filers reporting low family income are eligible for the maximum supplement amount.

**Moderate family income refers to a level of net family income that is less than the level above which no supplement can be paid ($50,704). Among filers with a net family income between the low family income and moderate family income thresholds ($26,644-$50,704), only those who claim a sufficiently high level of medical expenses, taking into account the applied reduction rate (5%), are eligible to receive an RMES amount.

Source: 2017 T1 tax returns.

The low degree of interaction between the two measures is also explained by the low RMES eligibility rate among DTC beneficiaries, which was only 2.1%. A closer examination of the RMES eligibility criteria shows that, compared to the general population of Canadian taxfilers, DTC beneficiaries were more likely to report eligible medical expenses (33.5% versus 18.3%). However, DTC beneficiaries were less likely to satisfy the RMES income criteria, with just 52% reporting sufficient working income.[26] Since 63.0% of DTC beneficiaries resided in a couple with another taxfiler (Table 8), they were also less likely to meet the family income criteria, with 36.1% reporting a moderate family income (Table 7).

Furthermore, as presented in Table 8, the age distribution suggests that the majority of DTC beneficiaries were older. Among this group, 66% were over 55 years of age (compared to 27.5% of RMES beneficiaries), with 42.5% over the age of 65 (compared to only 5.7% of RMES beneficiaries). Overall, RMES beneficiaries tended to be younger, sole filers, and reporting lower income levels, whereas DTC beneficiaries tended to be older,[27] living in a couple, and reporting higher income levels. It should be noted that this finding may also be the result of situations where caregivers claimed and benefited from the DTC on behalf of dependants or family members. The small overlap between RMES and DTC beneficiaries suggests that the two measures reach different populations.

[26] Among non-DTC beneficiaries 63.9% reported sufficient working income, 17.9% reported eligible medical expenses, and 49.4% reported moderate family income.

[27] DTC beneficiaries also tended to be older than non-DTC beneficiaries. In fact, 42.5% of DTC beneficiaries were over the age of 65, compared to 22.4% of non-DTC beneficiaries.

Table 8
Distribution of RMES, DTC and WITB beneficiaries, by age, family type and personal income group, 2017 (%)

	All taxfilers	All RMES beneficiaries	All DTC beneficiaries	All WITB beneficiaries	Basic WITB beneficiaries	WITB disability supplement beneficiaries
AGE GROUP						
18-24 years	10.0	17.5	1.0	27.3	27.5	21.8
25-34 years	16.7	20.8	4.2	26.7	26.7	23.7
35-44 years	16.2	17.2	11.6	17.2	17.2	16.1
45-54 years	16.7	18.7	17.2	15.1	15.1	16.8
55-64 years	17.5	20.0	23.5	12.0	11.9	18.3
65-74 years	12.9	4.7	17.5	1.4	1.4	2.7
75 years and over	10.0	1.0	25.0	0.2	0.2	0.7
FAMILY TYPE						
Sole filers without children	41.3	63.9	33.9	65.1	64.9	81.1
Sole filers with children	3.9	12.9	3.1	15.9	16.1	6.9
Filers in a couple with children	19.7	10.5	17.6	10.2	10.3	3.4
Filers in a couple without children	35.0	12.7	45.4	8.8	8.8	8.6
PERSONAL INCOME GROUP						
Under $12,500	18.8	22.0	0.6	40.4	40.7	22.6
From $12,500 to $25,000	20.3	42.7	12.3	53.1	52.8	71.0
From $25,000 to $37,500	14.2	27.5	23.0	6.1	6.0	5.9
From $37,500 to $50,000	12.6	6.4	20.6	0.3	0.3	0.3
$50,000 or more	34.1	1.5	43.6	0.2	0.2	0.2
NUMBER OF TAXFILERS	**27,847,900**	**556,100**	**740,100**	**1,427,600**	**1,411,300**	**31,300**

Source: 2017 T1 tax returns.

4.3 Overlap between the Refundable Medical Expense Supplement and the Working Income Tax Benefit

Replaced by the Canada Workers Benefit as of 2019, the WITB was a refundable tax credit that supplemented the earnings of low income workers in order to encourage labour market participation. In 2017, the basic refundable credit was equal to 25% of each dollar of working income in excess of $3,000, up to a maximum level. The WITB was phased out at a rate of 15% of each dollar of adjusted family net income above a specific threshold. Both the maximum credit amount and phase-out threshold were dependent on household composition.[28] For individuals eligible for the DTC, the WITB featured a disability supplement that started phasing in at working income of $1,150 and was also subject to a phase-out.[29] Provincial and territorial governments could reconfigure the WITB to better align it with provincial programs, and in 2017, Quebec, Alberta, British Columbia, and Nunavut had reconfigured WITB parameters in place.

[28] In 2017, the maximum basic credit for single individuals without children was $1,043 and the phase-out threshold was $11,838. For families (single parents or couples) the maximum basic credit was $1,894 and the phase-out threshold was $16,348.

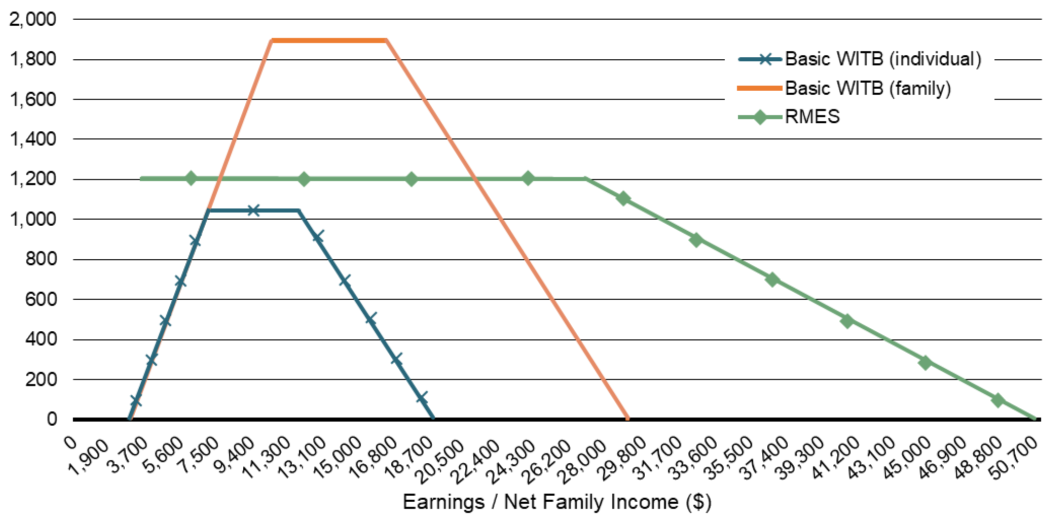
[29] In 2017, the phase-out threshold for the disability supplement was $18,791 for single individuals without dependants and $28,975 for families.

As shown in Table 7, a total of 1,427,600 individuals benefited from the WITB in 2017 (5.1% of taxfilers). There were 1,411,300 beneficiaries of the basic credit and 31,300 beneficiaries of the disability supplement.[30] Compared to the DTC, there was a greater degree of overlap between the RMES and the WITB, with 191,800 individuals benefiting from both measures, corresponding to 34.5% of all RMES beneficiaries. One reason for this result is the high eligibility rate for the RMES among WITB beneficiaries (13.8%), compared to the entire taxfiler population or the population of DTC beneficiaries (both 2.1%).

The greater degree of overlap between the WITB and RMES populations is attributable to similarities in the eligibility criteria and characteristics of the beneficiary populations, primarily because both measures target low-income working individuals (Figure 3). Relative to all Canadian taxfilers and DTC beneficiaries, WITB beneficiaries were far more likely to meet the RMES eligibility criteria related to income (Table 7). In fact, as shown in Table 8, 93.5% of all WITB beneficiaries reported total personal income under $25,000. As is the case with RMES beneficiaries, WITB beneficiaries also tended to be younger, with 54% under the age of 35 (compared to 38.3% for the RMES beneficiary population and 26.7% for the entire taxfiler population). The most represented family type among the WITB and RMES beneficiary populations was sole filers (81% versus 76.8%). These results show that the RMES provides an additional supplement to a proportion of WITB beneficiaries, which is, in part, due to the fact that both measures target low-income workers.

Figure 3

Maximum amount of the Working Income Tax Benefit (basic credit) and the Refundable Medical Expense Supplement (2017 $) allocated to taxfilers meeting all eligibility criteria, 2017



Notes: All figures are in 2017 dollars.
Differences in WITB parameters across provinces are not captured.
Source: Department of Finance Canada.

5. Longitudinal analysis of the Refundable Medical Expense Supplement

This section presents a longitudinal analysis of the RMES to better understand how individuals access the measure over time. More specifically, the characteristics of new and repeat beneficiaries are compared, along with reasons for entry into and exit from the RMES. Since filers must satisfy several criteria to claim the RMES, examining the reasons for entry and exit is useful for gaining insight into the most important factors that determine whether an individual will benefit from the measure.

[30] A total of 15,000 taxfilers were beneficiaries of both the basic credit and the disability supplement in 2017.

5.1 Selection criteria used to determine the longitudinal sample

The analysis follows individuals for a period of five years, from 2013 to 2017. The starting point for determining the longitudinal sample is all individuals who filed their taxes in 2017. Since individuals must be at least 18 years of age to be eligible for the RMES, the target population is all filers who were at least 22 years of age in 2017 and filed their taxes that year. Imposing this condition ensures that individuals were at least 18 years of age in 2013, thus meeting the age criterion for each year in the period of interest. From the 556,100 individuals who benefited from the RMES in 2017, 492,500 were at least 22 years of age (89% of all beneficiaries).[31]

5.2 Characteristics of new and repeat beneficiaries

All 2017 RMES beneficiaries were divided into three mutually exclusive groups:

1. **New beneficiaries**—individuals who received the RMES in 2017 and were not beneficiaries in any of the four prior years.
2. **Intermittent beneficiaries**—individuals who received the RMES in 2017 and at least once between 2013 and 2016, but not all years.
3. **Persistent beneficiaries**—individuals who benefited from the measure in all five years.

Table 9 presents a profile of the 2017 characteristics of new and repeat beneficiaries. Repeat beneficiaries consist of all individuals who were either intermittent or persistent beneficiaries. In 2017, 43.3% of all beneficiaries received the RMES for the first time (new beneficiaries), while repeat beneficiaries made up 56.6% of all beneficiaries. Therefore, in 2017, the RMES reached a large proportion of individuals who were not beneficiaries in the four preceding years. Among repeat beneficiaries, 15.4% were persistent beneficiaries as they received the RMES every year from 2013 to 2017 (8.7% of all beneficiaries), whereas 84.6% were intermittent beneficiaries (47.9% of all beneficiaries). The 2017 cohort of RMES beneficiaries benefited from the RMES for 2.2 years on average, over the 2013 to 2017 period.

As shown in Table 9, across all three above-described groups, women represented the largest proportion of RMES beneficiaries (61.4% of all beneficiaries versus 51.6% of non-beneficiaries) and were also more likely to be repeat beneficiaries.

While RMES beneficiaries tended to be younger (under the age of 35) than non-beneficiaries, persistent beneficiaries were less likely to be under the age of 35. Among persistent beneficiaries, 60.4% were in the 45 to 64 age bracket.

Further, among RMES beneficiaries, persistent beneficiaries were less likely to be in a couple with children (5.8%).

The personal income distribution is more or less the same across the three groups of RMES beneficiaries. However, persistent beneficiaries were slightly more likely to report personal income in the $12,500 to $37,500 range, whereas new beneficiaries were slightly more likely to report personal income under $12,500.

[31] Of these filers, 429,700 filed in all five years (77% of all 2017 RMES beneficiaries), so there is complete data available for these individuals. A portion of the sample (62,800 filers) did not file for at least one year from 2013 to 2016, which is 11% of all 2017 RMES beneficiaries. Because the characteristics of these individuals in 2017 differ significantly from those who filed every year, non-filers were included in the sample to avoid introducing bias to the results.

Table 9
Profile of new and repeat RMES beneficiaries, by gender, age group, family type and personal income group, 2017

				Repeat Beneficiaries	
	Non-beneficiaries	All RMES beneficiaries	New beneficiaries	Intermittent beneficiaries	Persistent beneficiaries
Taxfilers aged 22+ (#)	**25,104,400**	**492,500**	**213,500**	**236,000**	**43,000**
% of RMES beneficiaries	-	100.0	43.3	47.9	8.7
GENDER					
Male	48.4	38.6	43.2	36.1	29.9
Female	51.6	61.4	56.8	63.9	70.1
AGE GROUP					
18-24	3.3	6.9	9.0	6.0	1.5
25-34	17.9	23.5	27.2	22.2	12.2
35-44	17.3	19.5	19.9	19.3	17.8
45-54	17.9	21.1	19.0	22.0	26.4
55-64	18.7	22.6	18.8	23.9	34.0
65-74	14.0	5.3	4.9	5.4	6.7
75+	10.9	1.2	1.1	1.2	1.4
FAMILY TYPE					
Sole filers without children	36.1	59.5	57.1	60.1	68.4
Sole filers with children	4.0	14.4	13.4	15.4	14.6
Filers in a couple with children	21.5	11.8	14.0	10.9	5.8
Filers in a couple without children	38.4	14.2	15.5	13.6	11.2
PERSONAL INCOME GROUP					
<$12,500	15.2	18.8	20.8	17.9	14.2
$12,500-$25,000	19.3	42.6	40.9	43.5	46.2
$25,000-$37,500	14.4	29.8	27.8	30.9	33.6
$37,500-$50,000	13.6	7.1	8.1	6.6	5.3
$50,000+	37.5	1.7	2.4	1.2	0.6

Note: Figures are rounded to the nearest 100.
Source: 2013-2017 tax returns.

Since the RMES seeks to provide support to individuals who enter the labour market and transition away from social assistance, by helping to offset the loss of coverage for medical and disability-related expenses, it is interesting to examine the prevalence of social assistance among new RMES beneficiaries. Within the cohort of new RMES beneficiaries, the majority of individuals (205,900 out of 213,500) reported receiving no social assistance concurrently with the RMES in 2017. Of these individuals, 93.7% also did not report receiving social assistance in the previous four years, from 2013 to 2016, whereas 6.3% received social assistance in at least one of these years (13,000 individuals). Overall, a small proportion of new RMES beneficiaries in 2017 previously benefited from social assistance, indicating that the RMES helped alleviate an increase in medical expenses for some former social assistance recipients. However, the majority of RMES support was provided to individuals reporting significant medical expenses and low income, regardless of previous social assistance status.

5.3 Entry into and exit from the RMES

The following analysis explores reasons for entry into and exit from the RMES, between 2016 and 2017. Studying these dynamics provides insight into the factors that underpin an individual's ability to benefit from the RMES over time. Since there are several criteria that a filer must fulfill in order to be eligible for the RMES, it is useful to understand the reasons that are more likely to drive the transition from one status to another (i.e., non-beneficiary to beneficiary, or vice versa). Four major factors have been identified which could affect an individual's eligibility for the RMES from one year to the next, which are described in Table 10. An individual was included in a given category if there was a change in status from 2016 to 2017 relating to that specific factor. All individuals in the sample filed their taxes in both years.[32]

The reasons for entry are analyzed for all filers who were beneficiaries in 2017 but not in 2016. Out of the 492,500 RMES beneficiaries aged 22 years or more in 2017, 278,200 individuals[33] met this requirement. The population of interest for studying trends in exit from the RMES is all filers who were beneficiaries of the measure in 2016 but not in 2017. Among all non-RMES beneficiaries in 2017, 299,900 individuals benefited from the RMES in 2016.

Table 10

Factors potentially affecting entry into and exit from the RMES, 2016-2017

Change in:	Entry into the RMES	Exit from the RMES
Filer status	Became a resident of Canada for the entire year; eligible for the RMES in both years, but only claimed in 2017	Not a resident of Canada for the entire year anymore; eligible for the RMES in both years, but only claimed in 2016
Net family income*	Decrease in net family income below the maximum threshold	Increase in net family income above the maximum threshold
Personal working income	Increase in personal working income above the minimum threshold	Decrease in personal working income below the minimum threshold
Medical expenses**	Increase in eligible medical expenses (either above zero or relative to family income)	Decrease in eligible medical expenses (either to zero or relative to family income)

*Net family income can change for two reasons: (1) a change in family structure (i.e., a filer becoming part of a couple or no longer being part of a couple) that causes a change in family income; or (2) a change in family income that is not influenced by family structure.

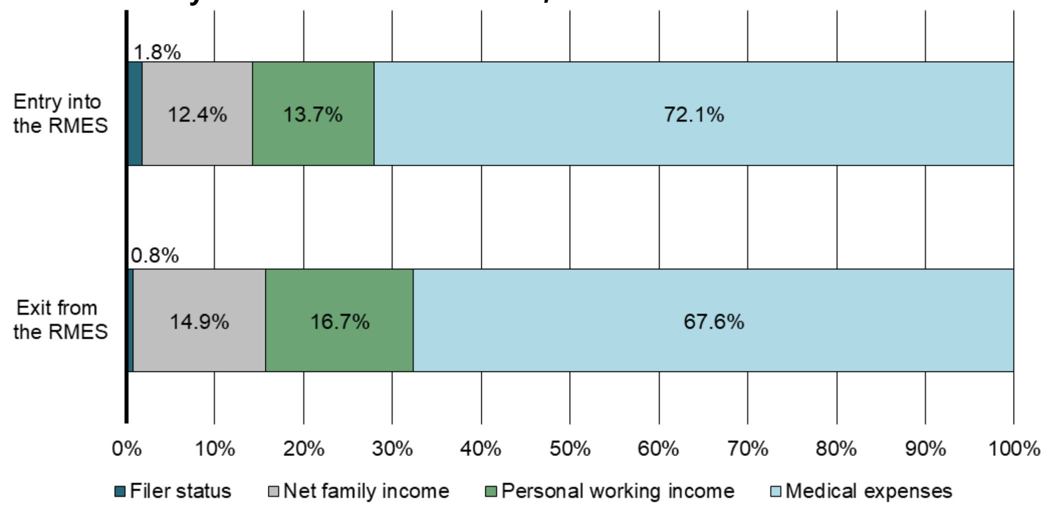
**This category includes two types of changes to medical expenses. The first is a reported change in medical expenses from zero to a positive amount (or vice versa, for those individuals who exit the RMES). The second is a change in the level of medical expenses where filers reported positive medical expenses in both years. The RMES amount that individuals are eligible for is influenced by their net family income, when the latter is greater than the reduction threshold. When the level of reported eligible medical expenses is high relative to net family income, then the RMES amount is more likely to be greater, whereas in situations where the level of reported eligible medical expenses is low relative to net family income, the RMES amount is likely to be lower (or zero).

32 Since several changes may occur from one year to the next, it was possible for an individual to belong to multiple categories. For instance, an individual entering the RMES may have reported both an increase in medical expenses and an increase in personal working income from 2016 to 2017. Therefore, to ensure that each category was mutually exclusive, it was necessary to prioritize each factor of change. The ranking of the factors is as follows: (1) filer status, (2) net family income, (3) personal working income, and (4) medical expenses. Once individuals were placed in a given category, they were excluded from all other categories. For example, if an individual entering the RMES was eligible for it in both years, but claimed in 2017 only, this individual was placed in the category "filer status" and was, therefore, excluded from the remaining categories, regardless of whether or not there was a change in the remaining factors. The category "filer status" was ranked first in order to rule out minor reasons before considering changes to the three key conditions relating to the RMES—net family income, personal working income, and medical expenses.

33 This includes both new beneficiaries (199,400 individuals) and a portion of intermittent beneficiaries who were not beneficiaries in 2016 (78,800 individuals).

The results are depicted in Figure 4. From 2016 to 2017, the three main reasons that contributed to an individual becoming eligible for and benefiting from the RMES are (1) a rise in medical expenses (72.1%); (2) a rise in personal working income (13.7%); and (3) a drop in net family income (12.4%). After ruling out all other factors, an increase in reported eligible medical expenses explains entry into the RMES for nearly three-quarters of all beneficiaries. Among beneficiaries for whom a rise in medical expenses is the driving factor for RMES entry, 78.7% did not report any amount for the METC and/or DSD in 2016 (56.7% of all 2017 entrants). The remaining 21.3% reported an increase in eligible medical expenses relative to family income from 2016 to 2017 (15.4% of all 2017 entrants). These findings are indicative that the RMES is accessed by individuals primarily for reasons relating to important year-over-year increases in medical expenses, rather than other factors, such as a change in income.

Figure 4
Reasons for entry into and exit from the RMES, 2016-2017



Source: Department of Finance Canada.

The top three reasons for exit from the RMES are similar: (1) a drop in medical expenses (67.6%); (2) a decrease in personal working income (16.7%); and (3) an increase in net family income (14.9%). Again, after accounting for all other reasons, medical expenses dominate in terms of explaining why individuals no longer receive the RMES. A further breakdown shows that of those who exited due to a change in medical expenses, 74.2% reported zero eligible medical expenses (50.2% of all exiting individuals), whereas 25.8% reported a decrease in medical expenses relative to their family income (17.5% of all exiting individuals). It should be noted that changes in filer status were not a significant factor in explaining either entry or exit.

The longitudinal analysis suggests that changes in individuals' level of reported medical expenses mainly explain why they become, or cease to remain, RMES beneficiaries. The vast majority of filers became RMES beneficiaries because of important increases in their reported level of medical expenses, as opposed to other reasons such as an increase in labour income. Moreover, among those who did not repeat as beneficiaries in two consecutive years, the main reason for exit was a drop in reported medical expenses, with most individuals reporting zero eligible expenses in the year after they were RMES beneficiaries. Although a small proportion of beneficiaries consistently benefited from the RMES between 2013 and 2017 (8.7%), these results suggest that the RMES is primarily a measure that individuals access at a single point in time when they experience a temporary increase in medical expenses. To that effect, the RMES provides tax relief to individuals incurring significant medical expenses. However, these findings also indicate that a large proportion of beneficiaries of the measure are working individuals with high transitory medical expenses, rather than those with high permanent medical expenses.

6. Conclusion

This study presents an analysis of the Refundable Medical Expense Supplement, a refundable credit that aims to reduce barriers to labour market participation for low-income individuals who incur significant medical and disability-related expenses. Since its introduction in 1997, there has been a continuous increase in the eligibility rate, benefit rate, and number of beneficiaries. While the total cost of the RMES has increased significantly over the years, the average amount of supplement received per beneficiary has risen more gradually. The growth in the eligibility rate is due to a continuous increase in the number of filers reporting eligible medical expenses, as well as changes to the RMES parameters in 2005 and 2006, which led to increases in the level of net family income above which the credit is eliminated. In 2017, women represented nearly two-thirds of all beneficiaries, who also tended to be younger, sole filers, and reported personal income under $25,000.

The analysis of METC and DSD claims shows that the majority of RMES beneficiaries claim eligible medical expenses through the METC. There is little overlap between the RMES and the DTC, indicating that the two measures reach different subsets of taxfilers. The higher degree of overlap between the RMES and the WITB occurs because both measures target low-income individuals with some attachment to the labour market.

Finally, the longitudinal analysis shows that a significant proportion of RMES beneficiaries in 2017 (43.2%) had not previously benefited from the measure from 2013 to 2016. The findings on the reasons for entry and exit emphasize that a change in the reported level of medical expenses is a key driver in determining whether an individual will benefit from the RMES. While the RMES provides tax relief to those incurring significant medical expenses, the results also indicate that a large proportion of beneficiaries are working individuals with high transitory medical expenses, rather than working individuals with high permanent medical expenses.

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Gender-Based Analysis Plus of Federal Personal Income Tax Expenditures With Family Components[1]

1. Introduction

In 2018, the *Canadian Gender Budgeting Act* introduced new reporting requirements for the Minister of Finance, including the release of an annual report on the impacts in terms of gender and diversity of federal tax expenditures.

Pursuant to this new requirement, the 2019 edition of the *Report on Federal Tax Expenditures* included the first Gender-based Analysis Plus (GBA+) of existing federal personal income tax (PIT) expenditures. The main objectives of this analysis were to examine the overall impact of the 2016 federal PIT system on the distribution of income between men and women as well as the allocation of individual federal PIT expenditure benefits between genders. The results suggested that the federal PIT system overall reduced inequality of income between genders, as the share of after-tax income held by women was higher than their share of before-tax income. The study also found that men and women benefited relatively more from almost the same number of the 60 tax expenditures examined. These results were based on the assumption that claimants were the sole beneficiaries of tax expenditures. This assumption is conceptually consistent with the design of Canada's PIT system, where spouses or common-law partners[2] are required to file separate tax returns and may not have an obligation to share benefits or tax liabilities. However, because several federal tax measures include family components where families are treated differently from unattached individuals, the 2019 study recognized that further analysis on the distribution of benefits from tax expenditures within families would be worth exploring.[3]

There has been an increased focus on the principles of privacy, independence and equality between spouses in tax matters over the past several decades. Only a few members of the Organisation for Economic Co-operation and Development (OECD), including the United States, have systems of joint taxation in place (i.e., systems that allow using the family instead of the individual as the main unit of taxation). Empirical research has demonstrated that, while joint filing tends to lower the marginal tax rate for the primary earner and generally results in a financial gain for couples, this type of taxation system favours single-earner families over dual-earner families in comparison to individual taxation. In particular, the OECD provided evidence showing that, if the taxation system is progressive, the marginal tax rate for the second earner is higher when spouses are taxed jointly.[4] This is because the tax rate of the primary earner also applies to the income of the second earner, which increases the marginal tax rates of second earners and the disincentive for them to participate in the labour force. Since women are more likely than men to be secondary earners, joint taxation is often seen as being unfavourable to women's financial security in comparison to individual taxation.

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

2 For simplicity, the term "spouse" will be used in this paper to refer to "spouse or common-law partner".

3 Department of Finance Canada, *Report on Federal Tax Expenditures: Concepts, Estimates and Evaluations 2019*, "Gender-Based Analysis Plus of Existing Federal Personal Income Tax Measures," footnote 26.

4 OECD Family Database, OECD – Social Policy Division, Directorate of Employment, Labour and Social Affairs, PF1.4: *Neutrality of tax-benefit systems*, updated 08-11-16. The OECD Centre for Tax Policy and Administration, 2011, *Taxation and Employment*, OECD Tax Policy Studies, No. 21, Paris.

The Canadian PIT system is mainly an individual taxation system, with some elements of a family-based system for seniors with private pension income (due to pension income splitting). However, like many countries with individual taxation systems, the Canadian PIT system includes some joint or family components (i.e., tax relief that can be used by either or both spouses or that is tied to the family situation). In individual-based tax systems, family components are usually introduced to achieve particular policy objectives, such as the recognition of costs that some families incur to earn employment income or raise children. Such components are typically perceived as a cost-efficient means of tackling poverty and income inequality because they allow for a better targeting of families in need. On the other hand, they are also sometimes seen as disadvantageous to specific families or individuals (notably women) because they may create work disincentives for secondary earners, reinforce particular gender roles and alter the bargaining power between spouses. These considerations often require a balance between the policy objectives of reducing inequalities between and within families.

The main objective of the current paper is to examine claiming patterns and the distribution of benefits within families of federal PIT expenditures with family components. After presenting the scope of the analysis (Section 2), the paper provides descriptions of the federal PIT expenditures with family components (Section 3), underlining whether their design includes rules on who must claim in the family or leaves discretion on who can claim. It then examines the profile of the actual claimants of each tax expenditure and assesses whether existing tax rules or other factors lead to some gender biases in the way taxfilers claim them (Section 4). Finally, a sensitivity analysis regarding the allocation of benefits within couples is conducted to test the robustness of the results to alternative benefit-sharing assumptions (Section 5).

2. Scope of the analysis

This paper is primarily based on T1 return data for the 2017 tax year as well as on the 2018-2019 Canada Child Benefit (CCB) and Goods and Services Tax/Harmonized Sales Tax Credit (GST/HST Credit) payments data.[5] It focuses on federal PIT expenditures for which the claimants and beneficiaries as well as their gender[6] can be identified in the data.[7] For the purpose of the current study (i.e., the analysis of claims and benefit patterns of family-related federal PIT expenditures), the tax expenditures considered are only those that include family components.

Table 1 shows that more than 27.8 million individuals—48.4% of which were men and 51.6% women—filed a 2017 tax return. The majority of filers (56.6%) were in couples, 97.4% with a filing spouse and 2.6% with a non-filing spouse. The remaining 43.4% were considered sole filers for tax purposes. About 35% of those with a spouse had dependent children compared to less than 9% of sole filers. The share of lone parents (i.e., sole filers with children) was larger among female than male filers (6.2% versus 1.2%).

5 The analysis is based on returns from the 2017 tax year, generally filed by the end of April 2018, and uses the tax parameters that prevailed that year. Tax year 2017 was the most recent year for which full tax data were available when the study was conducted. 2018-2019 CCB and GST/HST Credit payments were determined based on the 2017 T1 return.

6 In this analysis, the term "gender" refers to the sex or biological gender attributed at birth based on available data. 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 More information on data, definition of concepts and the methodology used to identify tax expenditures' beneficiaries and benefits is available in the 2019 GBA+ study. For instance, the 2019 study indicates that registered plans, such as Registered Pension Plans and Registered Retirement Savings Plans, are excluded from the analysis due to data limitations. 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 savings plans.

Table 1

Number and distribution of taxfilers*, by family type and gender, 2017**

Family type (on December 31)	Total number (x1,000)			Distribution by gender (%)	
	All	Men	Women	Men	Women
All taxfilers	27,810	13,462	14,348	48.4	51.6
Sole filers*** without children	11,026	5,400	5,627	49.0	51.0
Sole filers with children	1,056	165	891	15.6	84.4
Filers in couples**** with children	5,531	2,745	2,786	49.6	50.4
Filers in couples without children	10,196	5,153	5,044	50.5	49.5

Notes: The total number of taxfilers identified for the 2017 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 2017 T1 return data were shared with the Department of Finance Canada in 2019, reassessments for the 2017 tax year had not been entirely finalized by the CRA.

In this table, as well as in all other tables presented in this study, results may not always add up due to rounding.

*The population of taxfilers is not the same as that of all Canadians. It excludes non-filers and most children. Data includes all taxfilers regardless of age.

**Family type only considers whether the tax filer has a 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.

***Sole filers include the never married, separated, divorced or widowed.

****Filers in couples include filers in couples with another filer as well as those in couples with a non-filer, regardless of the sex of the other filer (i.e., opposite sex or same sex).

Female taxfilers reported a lower proportion of total pre-tax income (41.5%) than the share of taxfilers they represented (51.6%). This was the case for female taxfilers in all family types (Table 2). Among lone parents, women earned the large majority (76.3%) of total pre-tax income. However, this is because most filing lone parents are females (84.4%), not because they earn more, on average, than male lone parents.

Table 2

Total personal pre-tax income* and distribution of total pre-tax income, by family type and gender, 2017

Family type (on December 31)	Total pre-tax income ($ billions)			Distribution by gender (%)	
	All	Men	Women	Men	Women
All taxfilers	1,379.3	807.3	572.0	58.5	41.5
Sole filers without children	422.3	219.9	202.4	52.1	47.9
Sole filers with children	40.5	9.6	30.9	23.7	76.3
Filers in couples with children	342.6	220.3	122.2	64.3	35.7
Filers in couples without children	574.0	357.5	216.5	62.3	37.7

Note: *Pre-tax income includes all income for federal tax purposes (line 150 of the federal tax return) with the following adjustments: a) plus the non-taxable portion of capital gains, b) less the gross-up of dividends received, c) less the split pension income amounts transferred from a spouse, and d) less the net capital losses incurred during the year and those carried over from prior years.

When taxfilers are classified according to their family type, women's average pre-tax income is consistently lower than that of men (Table 3). This is particularly true among couples with children, where the difference in favor of men is of about $36,000. The difference in average pre-tax income between men and women is smaller among sole filers without children (around $5,000).

Table 3 also shows that, among filers in couples with children, men are close to three times more likely than women to be the higher-income spouse (74.5% versus 26.6%). Men are also more likely to be the higher-income spouse in couples without children (71.6% versus 31.6%). Men and women's earning positions in couples may affect their decisions with respect to who claims tax expenditures, including exemptions, deductions and credits.

Table 3

Average personal pre-tax income and proportion of filers who are the higher-income spouse in a couple, by family situation and gender, 2017

Family type (on December 31)	Average pre-tax income ($)			% who are the higher-income spouse in a couple		
	All	**Men**	**Women**	**All**	**Men**	**Women**
All taxfilers	49,600	60,000	39,900	n.a	n.a	n.a.
Sole filers without children	38,300	40,700	36,000	n.a	n.a	n.a.
Sole filers with children	38,300	58,500	34,600	n.a	n.a	n.a.
Filers in couples with children	61,900	80,300	43,900	50.4	74.5	26.6
Filers in couples without children	56,300	69,400	42,900	51.8	71.6	31.6

Notes: Filers in a couple are classified as the higher- or lower-income spouse based on their level of personal pre-tax income in relation to that of their spouse. Filers are classified as such, regardless of the magnitude of the difference in income. In couples where spouses have the same level of personal pre-tax income, the first-assessed spouse is classified as the higher-income spouse. Filers who live in a couple with non-filers are also classified as the couple's higher-income spouse. This explains the above 50% proportions of higher-income spouses. This also explains why the sum of the proportion of men and women filers who are the higher-income spouse in a couple is above 100%. In 2017, 4.2% of taxfilers in two-filer couples were classified as the higher-income spouse while having a personal pre-tax income similar to that of their spouse (i.e., a difference of less than $1,000). The relative shares of higher-income spouses among men and women is almost the same among two-filer couples in which the difference in personal pre-tax income between spouses was $1,000 or more (72.4% of higher-income spouses are men and 27.6% are women).

Source for Tables 1 to 3: T1 return data, 2017.

3. Federal PIT expenditures with family components

A number of federal PIT expenditures include a family component, meaning that they can be transferred or shared between spouses at filing, or that entitlement depends on the filer's family circumstances or income. The design of some of these family-related tax expenditures includes rules on which family member is eligible to claim. The design of others includes no requirements on who must claim, leaving this choice at the discretion of filers.

Table 4 provides a list of federal PIT expenditures with a family component for which claims and benefits can be identified using T1 data. It also indicates the nature of each of these family components and specifies whether the design of the tax expenditures includes rules on who must claim in the family.

A total of 18 federal PIT expenditures with a family component are listed in column 1. Most of them are non-refundable credits, but the list also includes one deduction, four refundable credits and one other tax measure.

The family component of these tax expenditures includes three key characteristics (column 2):

- the fact that only taxfilers in certain family circumstances can claim (e.g., the Canada Caregiver Credit (CCC) and Spouse or Common-Law Partner Credit);
- the possibility of sharing or transferring the claim between spouses or family members (e.g., the Adoption Expense Tax Credit and Charitable Donation Tax Credit); and,
- the presence of a family-income test (e.g., the CCB, GST/HST Credit, Refundable Medical Expense Supplement (RMES) and Working Income Tax Benefit (WITB)).[8]

As column 3 indicates, the design of five of these 18 family-related tax expenditures includes rules on who must claim in the family. For example, the child care expense deduction (CCED) must be claimed, in most cases, by the spouse with the lower net income.

[8] The Canada Workers Benefit replaced the WITB in 2019.

The design of three additional tax expenditures—the CCC, the RMES and the WITB—also includes rules on who must claim in the family, but only for taxfilers in specific circumstances.

- In the case of couples claiming the WITB, the spouse who receives the advance payments–if any–is the person who must claim. For couples jointly claiming advance payments, formal guidance is provided to the effect that the spouse who expects to have the higher working income should generally receive the advance payments. For the small share of couples in which one spouse is eligible for the WITB disability supplement, the CRA advises that this individual should make the claim.
- For the CCC, when the eligible dependant is a spouse, the caring spouse is required to claim the amount. Otherwise (i.e., when the eligible dependant is not a spouse), any caregiver can claim.
- Only workers with eligible medical expenses in relation to the Medical Expense Tax Credit (METC) or the disability supports deduction (DSD) can claim the RMES. In couples, when the RMES is claimed in relation to DSD expenses, the spouse with the disability is required to claim. However, either spouse can claim when the RMES is tied to the METC expenses, because the METC design includes no rules on who must claim eligible medical expenses in the family.

The design of pension income splitting offers discretion to filing couples on how to use the measure. Spouses have to determine jointly–using the form T1032–who will be the pension-income transferor and receiver and what will be the amount to split. When such decisions are made, the elected transferor can claim the deduction for the amounts transferred whereas the elected receiver has to report the amounts of income and tax withholdings received.

For the remaining family-related PIT expenditures listed in Table 4, spouses have discretion to make their own claiming decisions, as the design of the measures does not include rules on who must claim in the family. Claims of these expenditures are the result of intra-family decision processes that are unobservable in tax data. These choices can be driven by a number of factors, including the spouses' desire to minimize joint tax liabilities or their own personal tax liabilities. In some instances, the selection criteria applied by tax software or professionals can also implicitly determine their choices. These criteria typically aim for a minimization of joint tax liabilities.[9]

Splitting decisions are also the result of unobserved decision-making processes within families, which are likely influenced by an assessment (conscious or not) of potential economic outcomes. In the absence of specific requirements on who must claim in the family, rules are sometimes available to specify whether claims can be split between spouses and if so, on whether splitting restrictions apply. For example, the design of the First-Time Home Buyers' Tax Credit specifies that two buying spouses can split the amount, but that the total combined claim must not exceed $5,000.

[9] For the 2017 tax year, about 8% of all filers (8.1% and 7.7% of male and female filers) filed their tax returns on paper. The rest filed electronically, either by themselves or through someone else (e.g., through NETFILE, EFILE, File my Return or 2D bar code returns).

Table 4

Federal PIT expenditures with family components, nature of the family component and presence of rules on who must claim in the family, 2017

Federal family-related PIT expenditures	Nature of the family component	Presence of rules on who must claim in the family
Deductions		
1-Child care expense deduction	Sharable between spouses in certain situations	**Yes** – Generally, the spouse with the lower **net** income (even if it is zero) must claim the expenses.*
Non-refundable credits		
2-Adoption Expense Tax Credit	Sharable between spouses	**No** – Either spouse can claim. The two parents can split the amount if the combined claim for eligible expenses for each child is not more than the amount before the split.**
3-Canada Caregiver Credit (CCC)	Only taxfilers caring for a dependant (spouse, common-law partner, child, parent, grandparent, brother, sister, aunt, uncle, niece, nephew) can claim. Some CCC components are also sharable between spouses.	**Yes and No** – Rules depend on whom the CCC is being claimed for: • Only the spouse caring for an eligible spouse can claim the CCC for a spouse or common-law partner. • Either spouse caring for an infirm dependant 18+ years of age can claim. This amount can be split with another person supporting the same dependant as long as the combined claim does not exceed the maximum amount allowed for that dependant.** • Either spouse caring for infirm children under 18 years can claim in respect of all eligible children or they can each claim separate children, but each child can only be claimed once.
4-Charitable Donation Tax Credit	Sharable between spouses	**No** – Either spouse can claim charitable donations regardless of who made them.
5-Disability Tax Credit (DTC)–for a dependant	Only taxfilers with a dependant eligible for the DTC other than a spouse can claim this DTC component	**No** – Either spouse with a dependant eligible for the DTC can claim this credit. Multiple supporting persons can split the amount if the combined claim is not more than the amount before the split.**
6-Eligible Dependant Credit (EDC)	Only taxfilers with a dependant other than a spouse can claim	**Yes** – The supporting filers who have not claimed a Spouse or Common-Law Partner Credit can claim this credit, as long as the claim is not for a child for whom the individual had to make support payments. The amount cannot be split with another supporting person.
7-First-Time Home Buyers' Tax Credit	Sharable between spouses	**No** – Either spouse can claim. Two buying spouses can split the amount, but the total combined claim cannot exceed $5,000.
8-Home Accessibility Tax Credit	Sharable between spouses	**No** – Either spouse can claim. The claim can be split between the qualifying individual (65+ individual who is eligible for the DTC) and the eligible individual(s) (supporting individual(s) of the qualifying individual).

Table 4 (cont'd)

Federal PIT expenditures with family components, nature of the family component and presence of rules on who must claim in the family, 2017

Federal family-related PIT expenditures	Nature of the family component	Presence of rules on who must claim in the family
Non-refundable credits (cont'd)		
9-Medical Expense Tax Credit (METC)	Sharable between spouses	**No** – Either spouse can claim medical expenses regardless of who made them. The 2017 Federal Income Tax and Benefit Guide provides the following tax tip: "*Compare the amount you can claim with the amount your spouse or common-law partner would be allowed to claim. It may be better for the spouse or common-law partner with the lower net income (line 236) to claim the allowable medical expenses.*"
10-Political Contribution Tax Credit	Sharable between spouses	**No** – Either spouse can claim political contributions regardless of who made them.
11-Tuition Tax Credit–transferred from a dependant	Only a spouse, common-law partner, parent or grandparent can claim this component of the Tuition Tax Credit	**No** – A spouse, parent, or grandparent of a student can claim if the student does not have enough income to claim his or her full tuition amount and does not want to carry forward this amount.
12-Spouse or Common-Law Partner Credit	Only taxfilers living in a couple with a dependant spouse can claim	**Yes** – The supporting*** spouse must claim the credit.
13-Unused credits transferred from a spouse or common-law partner	Only taxfilers living in a couple can claim	**Yes** – A taxfiler whose spouse does not need to claim all of certain non-refundable tax credits (Age Credit, Pension Income Credit, DTC–for self, Tuition Tax Credit and CCC-for infirm children under 18 years) to reduce their federal tax to zero can claim the unused amount of these credits.
Refundable credits		
14-Canada Child Benefit (CCB)	Only taxfilers with children under the age of 18 and a family income below a certain threshold are entitled. CCB amounts depend on family income and circumstances	**Yes** – Only one person in a family with children can apply for the CCB. When a child resides with a female and male parent, the female parent is automatically considered the parent who is primarily responsible for the care and upbringing of the child and is the parent who receives the benefit. A female parent is required to inform the CRA in writing that the male parent is primarily responsible for the care and upbringing of the child for the male parent to receive the benefit.****
15-Goods and Services Tax/Harmonized Sales Tax Credit (GST/HST Credit)	Only taxfilers with a family income below a certain threshold can claim. GST/HST Credit amounts depend on family income and circumstances	**No** – Only one spouse can receive the GST/HST Credit. In couples, the credit is paid to the spouse whose tax return is assessed first.****

Table 4 (cont'd)

Federal PIT expenditures with family components, nature of the family component and presence of rules on who must claim in the family, 2017

Federal family-related PIT expenditures	Nature of the family component	Presence of rules on who must claim in the family
Refundable credits (cont'd)		
16-Refundable Medical Expense Supplement (RMES)	Only working taxfilers with a family income below a certain threshold and medical expenses exceeding a particular threshold are entitled. RMES amounts depend on family income and circumstances	**Yes and No** – Only the working spouse who claimed the METC and/or the disability supports deduction (DSD) can claim the RMES. While either spouse can claim the METC, only the person with the disability can claim the DSD.
17-Working Income Tax Benefit (WITB)	Only taxfilers in working families with a family income below a certain threshold are entitled. WITB amounts depend on family income and circumstances. Couples and single parents are eligible under the more generous family schedule	**Yes and No** – Among taxfilers with an eligible spouse**,** either spouse can generally claim the WITB. For spouses who received an advance payment, rules require that they claim the WITB. Informal guidance advises that a person eligible for the WITB disability supplement should also claim the basic WITB.
Other measures		
18-Pension income splitting	Only taxfilers living in a couple with private pension income can claim	**No** – Either spouse with pension income can transfer amounts. Spouses need to jointly determine at filing who will transfer and receive the notional pension income and tax withholdings amounts. Rules then prescribe that: • 18a - the transferring spouse claims the deduction for the elected split-pension amount. • 18b - the receiving spouse reports the elected split-pension amount as part of his or her total income.

*The higher-income parent may claim a deduction if the lower-income parent is incapable of caring for children because of a mental or physical infirmity, confined to a bed or a wheelchair, in prison or a similar situation for at least two weeks, attending a designated educational institution or secondary school, or living apart due to a breakdown in the relationship for a period of at least 90 days during the year.

** If the claimants cannot agree on the portion each can claim, the Minister of National Revenue affixes the portions.

***The taxfiler supported a spouse or common-law partner with a net income (line 236 of his or her return, or the amount it would be if he or she filed a return) of less than $11,635 in 2017 ($13,785 if he or she is dependent on the taxfiler because of an impairment in physical or mental functions).

****Two eligible individuals can receive amounts in respect of a particular month (CCB) or quarter (GST/HST Credit) if they share custody of a child (i.e., a child lives more or less equally with two individuals who live separately).

4. Claiming patterns of family-related PIT expenditures

This section examines the family type of taxfilers who claimed family-related PIT expenditures in 2017, and discusses whether existing tax rules or other factors led to some gender differences in the way they claimed them.

4.1 Family situation of claiming taxfilers

Table 5 shows that the bulk of family-related PIT expenditures are claimed relatively more by taxfilers in couples. Almost all claimants of the Spouse or Common-Law Partner Credit, unused credits transferred from a spouse and pension income splitting are considered to be in a couple for tax purposes. This is in accordance with the design of these measures, which requires the filers to have a spouse to be eligible.[10] For other measures, the fact that they include a family component does not necessarily mean that filers need to be part of a couple to claim. Expenditures related to the care of dependants, medical expenses, political contributions and charitable donations do not require having a spouse to be eligible. However, for all these tax expenditures except for the Eligible Dependant Credit (EDC) and the RMES, filers in couples are more likely to claim than those who are unattached. In 2017, between 63.4% and 86.2% of claimants of these expenditures lived as a couple. This was significantly larger than the proportion of individuals who filed as a couple (56.6%).

It is conceivable that filers in couples are more subject to life circumstances that make them eligible to claim particular expenditures. For instance, the likelihood of having dependent children or adoption plans is typically higher among couples than among the unattached, which makes them more likely to claim the CCED or the Adoption Expense Tax Credit. The financial circumstances of couples may also partly explain why filers in couples are relatively more likely to claim some of these expenditures. Couples have potentially two earners rather than one, as is the case for the unattached, making their equivalent-per-person income (i.e., their family income adjusted for family size) generally higher. The comparative economic advantage of filers in couples may be a factor increasing their probability of making political contributions or charitable donations and of benefiting from the associated tax savings. However, this factor appears to be less important in respect of spending decisions for the purchase of a first home, as there is a similar proportion of sole filers and filers in couples claiming the First-Time Home Buyers' Tax Credit.

Conversely, most refundable credits which target lower-income individuals and families disproportionately accrue to sole filers. In addition, unsurprisingly, the EDC is almost entirely claimed by sole filers because of its eligibility criterion requiring that only taxfilers with a dependant, other than a spouse, can claim.[11] For this family-related measure, negotiation between spouses is not required to determine who will claim.

4.2 Gender profile of claiming sole filers

Table 5 indicates that sole filers who claim family-related PIT expenditures are more likely to be women. In 2017, women represented in general higher proportions of claiming sole filers than their proportion among all sole filers (53.9%). This may be because women are more likely to meet the requirements to claim these tax expenditures (e.g., having a low income, being primarily responsible for the care of children or other dependants or assuming high medical expenses in relation to their income). The GST/HST Credit is also part of the measures claimed more often by female sole filers, but less markedly. The First-Time Home Buyers' Tax Credit is the only family-related expenditure that is claimed relatively more by male sole filers. The Political Contribution Tax Credit and the WITB represent other exceptions since claims among sole filers are distributed between men and women almost proportionally to the size of each group among all sole filers.

[10] While taxfilers without spouses are not entitled to claim these expenditures, small percentages of claiming filers are identified as sole filers (less than 1%). This could be due to cases that involve individuals who separate around the end of the tax year or individuals for whom family status might have been subsequently reassessed.

[11] While taxfilers in couples are not entitled to claim this credit, 2017 data indicates that 2.1% of claiming filers were in a couple. This result is based on a small number of cases which presumably experienced a separation during the tax year (since the EDC may be claimed if an individual supporting a dependant did not have a spouse or was not living with or being supported by this spouse at any time in the year) or for which family status may have been subsequently reassessed by the CRA. The distribution of claims among this small number of couples is not examined further in this paper.

Table 5

Number and proportion of claimants of family-related PIT expenditures, proportion who are filers in couples or sole filers, and proportion of men and women among claiming sole filers, 2017

Federal family-related PIT expenditures	Claimants among all taxfilers		% of claimants who are in couples	% of claimants who are sole filers	Among claiming sole filers	
	# (x 1,000)	%			% who are men	% who are women
All filers	27,810	100.0	56.6	43.4	46.1	53.9
Deductions						
1-Child are expense deduction	1,376	4.9	78.2	21.8	22.0	78.0
Non-refundable credits						
2-Adoption Expense Tax Credit	2	0.0	86.2	13.8	X	X
3-Canada Caregiver Credit (CCC)–Total	409	1.5	78.0	22.0	22.4	77.6
4-Charitable Donation Tax Credit	5,427	19.5	65.5	34.5	34.6	65.4
5-Disability Tax Credit–for a dependant	256	0.9	69.9	30.1	20.0	80.0
6-Eligible Dependant Credit	975	3.5	2.1	97.9	17.0	83.0
7-First-Time Home Buyers' Tax Credit	189	0.7	56.1	43.9	54.6	45.4
8-Home Accessibility Tax Credit	28	0.1	67.9	32.1	25.0	75.0
9-Medical Expense Tax Credit	5,129	18.4	63.4	36.6	31.0	69.0
10-Political Contribution Tax Credit	147	0.5	71.0	29.0	45.3	54.7
11-Tuition Tax Credit–transferred from a dependant	601	2.2	82.6	17.4	24.0	76.0
12-Spouse or Common-Law Partner Credit	2,067	7.4	99.1	0.9	X	X
13-Unused credits transferred from a spouse–Total	1,192	4.3	99.7	0.3	X	X
Refundable credits						
14-Canada Child Benefit (CCB)	3,575	12.9	71.2	28.8	13.6	86.4
15-GST/HST Credit	10,063	36.2	19.4	80.6	42.9	57.1
16-Refundable Medical Expense Supplement	556	2.0	24.2	75.8	32.6	67.4
17-Working Income Tax Benefit	1,427	5.1	21.3	78.7	45.3	54.7
Other measures						
18-Pension income splitting–Total	2,651	9.5	100.0	0.0	X	X
18a-Pension income splitting–Receiver	1,325	4.8	100.0	0.0	X	X
18b-Pension income splitting–Transferor	1,326	4.8	100.0	0.0	X	X

Note: "X" statistics not produced due to insufficient number of observations.

Sources: T1 return data, CCB and GST/HST Credit payment data, 2017.

4.3 Gender profile of claiming filers in couples

In general, federal PIT expenditures do not impose claiming requirements according to the gender of a taxfiler. The only exception is the CCB where 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. As it is consistent with the approach taken under the previous system of child benefits, the CCB female-presumption rule facilitates the delivery of the CCB and reflects that female parents are more likely than male parents to be the primary caregivers when a female parent is present in the family.[12]

Even in the absence of gender requirements, claiming patterns based on gender may still be observed due to implicit characteristics of men and women and the fact that, sometimes, an optimal allocation of claims between the higher- and lower-income spouse may lead to tax savings for the couple. Notably, Table 6 indicates that, for couples, male spouses tend to claim federal family-related PIT expenditures more often than female spouses. In 2017, 50.2% of filers in couples were men, while the proportions of claims they made were, in most cases, higher. If we assume that couples generally aim for minimizing joint tax liabilities, this result is unsurprising given that men were the higher-income spouse in more than 70% of filing couples.

Only the CCED was claimed significantly more often by female spouses (70.7%). This result is not surprising given the design of the CCED, which generally requires the lower-income spouse to claim and the fact that women are more often the lower-income spouse in couples. By requiring the lower-income spouse to make the claim, this measure aims to reduce barriers to labour force participation for secondary earners.

The METC is also somewhat more likely to be claimed by female spouses. This pattern is contrary to that observed for all other non-refundable credits. The Federal Income Tax and Benefit Guide includes a tax tip to help couples determine claimants: "Compare the amount you can claim with the amount your spouse or common-law partner would be allowed to claim. It may be better for the spouse or common-law partner with the lower net income (line 236) to claim the allowable medical expenses. You can make whichever claim you prefer." This may have an impact on the allocation of claims between male and female spouses.

4.4 Impacts of gender and other factors on claiming patterns among couples

In 2018-19, a survey conducted in Quebec and analysed by the Chaire en fiscalité et en finances publiques at the Université de Sherbrooke suggested that several models exist for treating taxation within couples.[13] The decisions made by couples at filing and after assessment are often related to how they manage their entire budget. According to this survey, spouses who manage income and expenses independently are more likely to file for themselves and assume their own tax liabilities. On the other hand, spouses who pool their income and expenses are more likely to file for both and share liabilities. This survey also indicated that married and or long-term couples are more likely to treat taxation jointly than common-law and new couples. Moreover, it showed that men are more likely to be responsible for filing both spouses' returns and that most couples rely on tax software or tax professionals to determine which spouse will claim the tax expenditures that include a family component. This survey also pointed out that few couples make in-depth calculations that consider each spouse's income and expenses when it is time to file tax returns.

While no such survey exists for taxfilers in other provinces and territories, this section attempts to provide a better sense of the family dynamics underlying claiming decisions among couples by first examining which spouse is actually claiming the family-related PIT expenditures, and then by discussing the factors that may have led to such claiming decisions. In addition to breaking down claimants in couples by gender, Table 6 also shows

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[12] Statistics Canada's analysis (2011) of the General Social Survey on the time use of Canadians reported that regardless of the child's age, women spend more than twice as much time on their care as men do.

[13] Helène Belleau, Suzie St-Cerny, Antoine Genest-Grégoire and Luc Godbout, *Comment les couples abordent la fiscalité : une question commune ou individuelle?*, Cahier de recherche 2019/06, Chaire en fiscalité et en finances publiques, Université de Sherbrooke, April 2019.

the distribution according to whether they are the lower- or higher-income spouse in the family. This different breakdown provides additional insight into how actual claiming patterns in couples coincide with existing rules and expectations based on the design of tax measures.

Among the family-related tax expenditures considered, two include formal claiming requirements that are tied to the spouses' relative income position in the couple.

- The Spouse or Common-Law Partner Credit recognizes the impact of having a dependent spouse on the ability of a taxpayer to pay tax, and ensures that a one-earner couple has access to a similar level of basic non-refundable credits as a two-earner couple by providing an equivalent basic amount of tax relief in respect of a dependant. Without this measure, a one-earner couple would pay more tax than a two-earner couple with a similar combined income. Consistent with the design of this measure, almost all claimants (i.e., 97.5%) were the higher-income spouse in the couple—of which 77% were men. Only a small number of claimants were identified as the lower-income spouse. While both spouses are not entitled to claim this credit for each other for the same tax year, 1.1% of claimants did so in 2017. Although it cannot be determined based on T1 data whether double claims were intentional or not, it is possible that the CRA rejected the overlapping claims after its assessment and that some claiming lower-income spouses ultimately did not benefit from the credit. The fact that the earning position of spouses may change depending on the concept of income considered (e.g., net income or taxable income versus the concept of pre-tax income considered in the current study) may also explain why some lower-income spouses claim this credit (and potentially other measures).[14]
- Under the CCED, in general, lower-income spouses must file the claim. This requirement aims to reduce the disincentive to participate in the labour force by ensuring that tax is not paid on the income used to pay for childcare expenses up to a specific amount. Results in Table 6 show that 93% of CCED claimants in couples were the lower-income spouses–of which 72% were women. The remaining 7% of claims made by higher-income spouses may, in part, be explained by the fact that, in certain circumstances, higher-income spouses are allowed to claim (e.g., when lower-income spouses attend school and are enrolled in part-time or full-time education or are not capable of caring for the children due to physical or mental impairment). The concept of income used in the current study and family dynamics, such as union formation and dissolution during the tax year, may also explain why some CCED claimants are identified as higher-income spouses.

Other family-related PIT expenditures include no formal claiming requirements based on spouses' relative income position in the couple. However, other characteristics may lead to differences in the way claims are allocated between spouses. Notably, while either spouse in a couple can get the GST/HST Credit, the first-assessed eligible spouse receives the amounts. For the 2017 tax year, amounts were paid to the higher-income spouse in 60% of eligible couples. Interestingly, at equivalent relative income position (i.e., higher- or lower-income), male spouses received the GST/HST Credit payments more often than female spouses (e.g., 61.3% of male higher-income spouses received the credit compared to 48.8% of female higher-income spouses). This gender bias may potentially be the result of who, in couples, is responsible for filing. While tax data indicates whether spouses in couples file on the same date or not (in 2017, this was the case for 83% of taxfilers in couples), it does not identify the filing person.

Some claiming patterns according to the spouses' income position in the couple are present even in the absence of specific claiming requirements rules. Notably, Table 6 shows that higher-income spouses are significantly more likely to claim most non-refundable credits without explicit rules on who must claim in the family. This result is consistent with expectations that the higher-income spouse would claim non-refundable credits in order to maximize family tax savings. Indeed, contrary to deductions, non-refundable tax credits yield the same tax savings to all claimants, but only among those who have enough federal tax payable (before the application of

[14] If taxable income instead of pre-tax income had been selected for classifying all spouses according to their income position, 6% of the current higher-income spouses would have been classified as the lower-income spouses and vice-versa.

non-refundable credits) to receive the full value of the credit, a situation that is more prevalent among higher-income taxfilers. For the Charitable Donation Tax Credit, the rate structure provides incentives to pool donations and for only one spouse–the higher-income spouse–to claim, even when both spouses have enough tax payable to benefit from the credit. For other non-refundable credits, the financial advantage for the higher-income spouse to claim is not as straightforward when both spouses have sufficient federal tax payable. However, tax data indicates that, even among couples in this economic situation (i.e., a situation where both spouses can benefit from the same value of non-refundable credits), higher-income spouses are still more likely to claim than lower-income spouses (results not reported).

Interestingly, there are taxfilers who are in couples where both spouses claim the same non-refundable credits. This may be expected given that most of these can be split between spouses. When spouses decide to split, both the higher- and lower-income spouse automatically claim the tax expenditure.

Although the unused credits transferred from a spouse cannot be split by design, there is a non-negligible proportion of couples in which both spouses claim them. This situation can arise when both spouses cannot fully utilize the credits (due to insufficient tax payable) and amounts are automatically transferred by tax software on filing. This situation is especially common in relation to unused amounts of the Age Credit. However, spouses who do not have room to use their own maximum credits will not ultimately benefit from such automatic transfers.

Table 6

Proportion of claimants in couples who are the male and female spouse and who are the lower-(LI) and the higher-income (HI) spouse, 2017

Federal family-related PIT expenditures	The spouse who is expected to claim based on the presence of rules on who must claim in the couple	Claimants in couples			
		% who are the male spouse	% who are the female spouse	% who are the LI spouse	% who are the HI spouse
All filers in couples		50.2	49.8	48.7	51.3
Deductions					
1-Child care expense deduction	The spouse with lower income [R]	29.3	70.7	93.0	7.0
Non-refundable credits					
2-Adoption Expense Tax Credit	Either spouse *	66.1	33.9	27.8	72.2
3-Canada Caregiver Credit–Total	Either caring spouse *, except when the claim is for a spouse (in which case, the caring spouse has to claim)	64.6	35.4	15.5	84.5
4-Charitable Donation Tax Credit	Either spouse *	62.2	37.8	24.2	75.8
5-Disability Tax Credit–for a dependant	Either spouse *	67.1	32.9	17.1	82.9
6-Eligible Dependant Credit	Almost all claimants are sole filers	X	X	X	X
7-First-Time Home Buyers' Tax Credit	Either spouse *	63.2	36.8	26.4	73.6
8-Home Accessibility Tax Credit	Either spouse *	67.6	32.4	25.1	74.9
9-Medical Expense Tax Credit	Either spouse *	44.9	55.1	61.3	38.7
10-Political Contribution Tax Credit	Either spouse *	69.4	30.6	31.1	68.9
11-Tuition Tax Credit–transferred from a dep.	Either spouse	64.8	35.2	14.6	85.4
12-Spouse or Common-Law Partner Credit	The spouse with an income-dependent spouse [R]	75.9	24.1	2.5	97.5
13-Unused credits transferred from a spouse	The spouse of eligible individuals with unused credits	59.6	40.4	25.8	74.2
Refundable credits					
14-Canada Child Benefit (CCB)	The female parent	1.9	98.1	72.3	27.7
15-GST/HST Credit	Either spouse can receive the credit but the first-assessed eligible filer will receive the amount	57.2	42.8	40.4	59.7
16-RMES	Either working spouse*, except when the claim is tied to the disability supports deduction expenses (in which case, the spouse with a disability has to claim)	56.7	43.3	23.8	76.2
18-Working Income Tax Benefit	Either spouse, except when a spouse has received advanced payments (in which case, this spouse has to claim)	67.1	32.9	17.4	82.6
Other measures					
18-Pension income splitting–Total	Both spouses are required to claim	50.0	50.0	49.9	50.1
18a-Pension income splitting–Receiver	Either spouse	24.2	75.8	85.6	14.4
18b-Pension income splitting–Transferor	Either spouse with private pension income	75.8	24.2	14.3	85.7

Note: "X" statistics not produced due to insufficient number of observations. It is important to note that claiming patterns by spouses' gender or income position are similar among the subset of taxfilers who are part of two-filer couples in which spouses have a $1,000 or more difference in personal pre-tax income.

[R] Identifies the tax expenditures with formal claiming requirements that are tied to the spouse's income position in the couple.

* Both spouses in a same couple can claim because amounts can be split.

Sources: T1 return data, CCB and GST/HST Credit payment data.

Contrary to other non-refundable credits, the METC is claimed more often by lower-income spouses. This is aligned with expectations given that, in certain circumstances, *"it may be better for the spouse with the lower net income to claim the allowable medical expenses."* Indeed, the METC can only be claimed for the portion of medical and disability-related expenses in excess of a given deductible amount. As this deductible increases with personal income (up to a certain level), there can be a fiscal advantage to having a lower-income spouse with sufficient tax liability claim the expenses.

While the person in a couple permitted to claim the RMES is generally tied to who in the couple claimed the METC, lower-income spouses do not represent the majority of RMES claimants, as is the case for the METC. The RMES eligibility condition, requiring that taxfilers report net individual income from employment or self-employment greater than or equal to a minimum earnings threshold, likely explains this pattern. The overrepresentation of higher-income spouses among RMES claimants may be driven by the fact that, in modest-income couples, working spouses typically have higher income than non-working spouses.

Despite the fact that the WITB's eligibility and amounts are independent of who, in the couple, earns labour income, the vast majority of WITB claimants in couples (82.6%) are also the higher-income spouses. This suggests that, even in absence of requirements on who must claim, most spouses tend to agree that the higher-income spouse (i.e., potentially the one working) should be the one claiming.

Further, as pension income splitting extends or modifies the unit of taxation from the individual to family, both spouses (i.e., the higher and lower-income spouses) are expected to claim the measure. However, a maximization of family benefits from this measure generally requires that the higher-income spouse transfer income to the lower-income spouse. In 2017, 86% of filers who elected to transfer pension income to their spouse were, indeed, the higher-income spouse. The 14% of lower-income spouses who transferred pension income was split equally between men and women.

Overall, the comparison of results in Table 6 suggests that for measures that either spouse can claim, claiming patterns are more greatly influenced by the spouses' relative income position within the couple, rather than gender. Notably, for most credits, the share of claimants who are higher- or lower-income spouses is generally larger than the share of claimants who are men or women. The relatively high share of higher- or lower-income claiming spouses tend to support the assumption that most spouses make choices to minimize income tax liability for the couples (whether consciously or unconsciously via tax software or professionals). The Political Contribution Tax Credit is the only non-refundable credit for which claiming patterns among couples are not more closely tied to the spouses' income position than to the spouses' gender. This is likely partly due to the specific rate structure of the credit, which incentivizes spouses with large amounts of political contributions and sufficient tax payable to split contributions. The Political Contribution Tax Credit is also one of the few family-related tax credits for which claiming decisions among couples do not appear to be independent from gender. Indeed, at equivalent income position in the couple (i.e., when men and women are the higher-/lower-income spouse), male spouses are still more likely than female spouses to claim this credit. This is also true for the Adoption Expense Tax Credit, the Home Accessibility Tax Credit and the WITB (results not reported). Again, these trends may depend on when each spouse files (through a third party or a software), or on who is more likely to file for the family or show up as spouse 1 and 2 in the case of simultaneous tax filing. However, this information is not available in the data.

5. Impacts of the benefit-sharing assumption among couples on GBA+ results

When filers are in a couple, both spouses are required at the time of filing to make decisions on how to claim family-related PIT expenditures. As discussed in the previous sections, when the design specifies who must claim, spouses follow existing rules. In the absence of requirements, claiming choices tend to be mostly driven by economic incentives (namely, a maximization–conscious or not–of tax benefits/savings for the couple).

The 2019 GBA+ study assumed that individual claimants were the sole potential beneficiaries of tax expenditures because the tax law does not contain requirements with respect to the allocation of after-assessment benefits within couples. However, it is possible that, in practice, many spouses decide to share these benefits, regardless of who made the claim. Multiple scenarios exist regarding the actual sharing of family-related PIT expenditures' benefits within couples, and available information is insufficient to determine which assumption reflects the reality of taxfilers. The existing literature suggests that gender-based analysis of the impacts of tax measures is sensitive to the assumption used regarding the distribution of benefits within couples.[15] In the absence of survey information on how Canadian filers actually share the benefits of federal family-related PIT expenditures, it is reasonable to test the sensitivity of the results under different scenarios. This section presents the distribution of PIT expenditures' benefits between genders based on two contrasting benefit-sharing assumptions:

1. the first assumes, as for the 2019 study, that claimants are the sole beneficiaries of tax expenditures; and,
2. the second assumes that the after-assessment benefits are shared equally (i.e., 50/50) between spouses, regardless of who claimed.[16]

A PIT expenditure is considered to mostly benefit women (men)[17] when the ratio of the share of total benefits[18] received by women (men) filers relative to their share of total pre-tax income[19] is significantly above 1 (i.e., more than 1.05).[20] Using such a ratio allows a distinction between the impact of the tax system's provisions and the impact of pre-existing differences in income earned by men and women (i.e., differences that are independent from the application of the tax system such as employment and earnings).

When no sharing of benefits between spouses is assumed (Assumption 1), women and men are found to benefit relatively more from almost the same number of family-related PIT expenditures (Table 7). In 2017, women benefited relatively more from the CCED, all refundable credits and a few non-refundable credits (i.e., the EDC and the METC). On the other hand, men benefited relatively more from most non-refundable credits and pension income splitting.

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15 Cottet, Sophie, Marion Monnet and Lucile Romanello. *Assessing the Gender Impact of Tax and Benefit Reforms*, Institut des Politiques Publiques, IPP Report No. 14, March 2016.

16 To minimize the complexity of the current analysis, the methodology used to test the robustness of the GBA+ results to a change in the benefit-sharing assumption ignores the fact that some taxfilers who are in a couple live with a same-sex spouse. According to the 2016 Census from Statistics Canada, an equal proportion of men and women in a couple (0.9 per cent-Catalogue No. 98-400-X2016027) were living with a same-sex partner. This proportion was quite similar according to 2017 T1 data (0.8% among both male and female filers in two-filer couples). It can therefore be assumed that a methodology that does not consider the reality of same-sex partners nonetheless provides an accurate picture of the distribution of beneficiaries and benefits by gender.

17 In other words to "advantage women (men)".

18 The "total benefits" refers to the amount of net federal tax saved by tax filers due to the tax expenditure, all else being equal.

19 As Table 2 indicates, women's (men's) share of total pre-tax income in 2017 was 41.5% (58.5%). This compares to 41.6% (58.4%) in 2016.

20 Same ratio and thresholds as in the previous GBA+ study: Department of Finance Canada, *Report on Federal Tax Expenditures: Concepts, Estimates and Evaluations 2019*, "Gender-Based Analysis Plus of Existing Federal Personal Income Tax Measures," Section 3.2.

However, the conclusions change when an equal sharing of benefits between spouses is assumed (Assumption 2). Notably, some family-related PIT expenditures that are found to be to the advantage of women under Assumption 1 (ratios in bold) appear to be more so under Assumption 2 (all refundable credits but the CCB). Further, all the expenditures that are, under Assumption 1, to the benefit of men (ratio in italics) or to the equal benefit of men and women (ratios in regular font) become to the advantage of women under Assumption 2. Therefore, for all these family-related expenditures, applying an assumption of equal sharing of benefits within couples has the effect of reallocating part of the benefits towards women. This is because male spouses are more likely to claim these measures at filing.

Conversely, because the CCB and the CCED are mainly claimed by female spouses, the proportions of benefits attributed to women are reduced when it is assumed that spouses equally share the benefits from these measures (the ratios fall to 1.53 and 1.29 from 2.30 and 1.68 respectively).[21] For the same reason, the relative share of METC benefits going to women is also slightly reduced under Assumption 2 (the ratio slightly decreases to 1.36 from 1.39). Despite these decreases, the three expenditures globally remain to the advantage of women.

In sum, conducting sensitivity tests regarding the allocation of benefits from tax expenditures within couples confirms that, most of the time, GBA+ results (i.e., the gender allocation of PIT expenditures' benefits) change depending on the benefit-sharing assumption used. All tax expenditures considered appear to mostly benefit women under Assumption 2 compared to less than half of them under Assumption 1. Accordingly, if the equal-sharing assumption had been selected for conducting the first GBA+ instead of the no-sharing assumption, more of the PIT expenditures examined would have been found to improve the allocation of income between men and women.

[21] Although female parents tend to be the primary direct recipients of the CCB, the intent of this benefit is to provide support for children regardless of the parent receiving the payment. Given that the gender split among children is close to even, the distribution of CCB benefits can be considered more gender-balanced overall when taking into account the flow-through of support to the children in the family.

Table 7

Allocation by gender of after-assessment benefits of family-related PIT expenditures and ratio of the share of total benefits received by women relative to their share of total pre-tax income, based on two benefit-sharing assumptions between spouses, 2017

Federal family-related PIT expenditure	Distribution (%) of benefits based on Assumption 1 (i.e., no sharing of benefits between spouses)			Distribution (%) of benefits based on Assumption 2 (i.e., equal sharing of benefits between spouses)		
	MEN	**WOMEN**	**Ratio**	**MEN**	**WOMEN**	**Ratio**
Deductions						
1-Child care expense deduction	30.3	69.7	**1.68**	46.4	53.6	**1.29**
Non-refundable credits						
2-Adoption Expense Tax Credit	63.6	36.4	*0.88*	46.7	53.3	**1.29**
3-Canada Caregiver Credit–Total	59.8	40.2	0.97	46.4	53.6	**1.29**
4-Charitable Donation Tax Credit	64.5	35.5	*0.86*	47.4	52.6	**1.27**
5-Disability Tax Credit–for a dependant	61.8	38.2	*0.92*	45.0	55.0	**1.33**
6-Eligible Dependant Credit (EDC)*	21.6	78.4	**1.89**	21.6	78.4	**1.89**
7-First-Time Home Buyers' Tax Credit	61.6	38.4	*0.93*	52.8	47.2	**1.14**
8-Home Accessibility Tax Credit	56.4	43.6	1.05	43.8	56.2	**1.36**
9-Medical Expense Tax Credit	42.3	57.7	**1.39**	43.8	56.2	**1.36**
10-Political Contribution Tax Credit	64.9	35.1	*0.85*	49.7	50.3	**1.21**
11-Tuition Tax Credit–transferred from	59.4	40.6	0.98	46.1	53.9	**1.30**
12-Spouse or Common-Law Partner	80.7	19.3	*0.46*	50.2	49.8	**1.20**
13-Unused credits transferred from a	66.8	33.2	*0.80*	50.0	50.0	**1.21**
Refundable credits						
14-Canada Child Benefit (CCB)	4.3	95.7	**2.30**	36.4	63.6	**1.53**
15-GST/HST Credit	43.7	56.3	**1.35**	42.0	58.0	**1.40**
16-Refundable Medical Expense	38.6	61.4	**1.48**	36.6	63.4	**1.53**
17-Working Income Tax Benefit	49.7	50.3	**1.21**	45.0	55.0	**1.33**
Other measures						
18-Pension income splitting–Total	69.5	30.5	*0.74*	50.0	50.0	**1.21**

Notes: The **bold** ratios identify tax expenditures for which the share of benefits attributed to women was at least 5% 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% lower than the share of total pre-tax income reported by women. Pension income splitting–Total: considers 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.

*Almost all EDC beneficiaries are sole filers, which explains that the distribution of after-tax treatment EDC benefits are the same under Assumption 1 and 2.

Sources: T1 return data, CCB and GST/HST Credit payment data, 2017.

6. Conclusion

Pursuant to the new reporting requirements of the *Canadian Gender Budgeting Act*, a first GBA+ study was published in 2019. The preparation of this first GBA+ highlighted the limitations presented by existing tax data and the need to make sound methodological choices. For instance, decisions had to be made regarding the attribution of tax expenditures' benefits between family members. Because the Canadian PIT system uses the individual as the main unit of taxation, it was assumed that individual claimants were the sole beneficiaries of tax expenditures. However, this assumption is questionable, especially in the presence of expenditures with family components, i.e., those for which spouses need to determine at filing who is going to claim and decide thereafter on the allocation of the benefits.

For a better understanding of such decision-making processes within families, the current GBA+ study examines how filers actually used a list of 18 PIT expenditures with a family component in 2017. The analysis of claiming patterns shows that, among sole filers, women were more likely to claim most family-related PIT expenditures. This is mainly because they are more likely than sole men to possess the characteristics required to claim these benefits. The opposite pattern is observed among couples. For couples, male spouses claimed family-related expenditures more often than female spouses. Individual responses to taxation are complex, and an analysis based on tax data does not allow drawing firm conclusions on whether spouses make rational and conscious choices about the allocation of tax measures. However, the analysis pointed out that formal claiming requirements and the spouses' earning position in couples (i.e., whether they are the higher- or lower-income spouses) are important decision-making factors among couples. The results suggest that existing rules and economic incentives (i.e., the possibility of savings tax when the higher- or lower-income spouses claim) tend to weigh more than the spouses' gender in the way couples claim family-related PIT expenditures. Due to the inherent characteristics of men and women taxfilers—men are more likely to be the higher-income spouses—these factors may explain some of the observed imbalances in the allocation of claims between genders.

Furthermore, sensitivity analysis indicates that the allocation of after-assessment benefits between men and women may change significantly depending on the selected benefit-sharing assumption among couples. The results of this analysis suggested that if an equal-sharing assumption had been selected for conducting the 2019 GBA+ study, instead of assuming that claimants are the sole beneficiaries, a larger share of the 60 PIT expenditures examined would have been found to improve the distribution of income between men and women.

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