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Report on Federal Tax Expenditures

Concepts, Estimates and Evaluations

2024

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Preface

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

This report is intended to facilitate analysis of 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 2018 to 2025 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 a 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 Gender-based Analysis Plus (GBA Plus) of tax expenditures related to pension and retirement savings plans, an evaluation of the rollovers of investments in small businesses, as well as a profile of claimants of the Medical Expense Tax Credit.

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

Disclaimer

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

Introduction

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

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

This report adopts a broad definition of the concept of tax expenditures and provides information on a wide range of federal tax measures that are considered to depart from a “benchmark” tax structure that is characterized only by the most fundamental aspects of a tax system—for instance, the application of a general tax rate to a broadly defined tax base. This broad approach provides greater transparency by ensuring that information is being disclosed on a wide range of tax measures, including measures that may not be considered tax preferences. In addition to providing information on tax expenditures, this report provides information on a number of measures that may be considered part of the benchmark tax system and that are of particular interest from a tax policy perspective. Overall, this report provides information on over 200 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 2018 to 2025 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 Gender-based Analysis Plus of tax expenditures related to pension and retirement savings plans, an evaluation of the rollovers of investments in small businesses as well as a profile of claimants of the Medical Expense Tax Credit.

[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.

[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.

Other Features

- Provisions exist to prevent certain forms of tax planning, such as the use of a holding corporation to defer tax on income from portfolio investment. These provisions are considered to be part of the benchmark as they are intended to improve the functioning of the tax system rather than to achieve other non-tax objectives.
- Non-resident withholding tax is imposed on payments to non-residents at the statutory rate of 25% or at the general rate provided for the particular type of payments under the applicable treaty.[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 non-commercial 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.

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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.

Tax Rate

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

Taxation of Governments and Governmental Entities

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

Main Types of Tax Expenditures

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

Type of Tax Expenditures	Examples
The exemption from tax of certain taxpayers.	Registered charities and non-profit organizations are exempt from income tax. Transportation, communications and iron ore mining corporations are exempt from branch tax.
The exemption from income tax of certain items of income or gains.	Capital gains realized on certain donated assets are not subject to income tax.
The exemption from GST or zero-rating of certain supplies of goods or services.[9]	GST is not charged on basic groceries, health services and financial services. Vendors of zero-rated goods and services, such as suppliers of groceries, are entitled to claim input tax credits to recover the full amount of GST they paid on inputs used to produce or market zero-rated products. In contrast, vendors of exempt goods and services, such as financial institutions, are not entitled to claim input tax credits to recover the GST they paid on their inputs.
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, or expenses not incurred to earn income.	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 2025; 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 (the T1 model). The micro data used in the T1 model is based on initial assessment data available a year and a half 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 year and a half 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 2021. 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 *2023 Fall Economic Statement*.

In addition, the projected costs of personal income tax expenditures account for future changes to tax parameters, such as legislated changes and the indexation of tax parameters. Assumptions related to indexation are consistent with the observed Consumer Price Index and forecasts used in the *Fall Economic Statement*. In many cases, projections derived using the T1 model are also complemented by comprehensive aggregate statistics for the most recent taxation year available.

Due to the COVID-19 pandemic, most T1 model projections will continue to be based on the 2019 base year. Although data for the 2020 and 2021 tax years are available, the department's view was that projections for the 2022 tax year and beyond would be better represented by the 2019 taxpayer population, as was done in last year's publication. The 2020 and 2021 tax years were at the height of the pandemic, which saw significant employment disruptions and government interventions in the labour market. In the 2022 tax year, the labour market returned to a state that more closely resembled the pre-pandemic period. We also anticipate other important income streams to return to levels closer to their pre-pandemic trends. As a result, tax expenditure projections using the T1 model were again primarily completed using the 2019 base year data and updated tax parameters based on federal and provincial announcements, as well as revised projections of income and certain deductions consistent with the *2023 Fall Economic Statement*.

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 model 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 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 2021. 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 *2023 Fall Economic Statement* and on legislated changes to corporate tax parameters. In many cases, preliminary data from the most recent income tax returns are also used to inform the projections. Projections for other corporate income tax expenditures are based on forecast changes in underlying economic variables (again relying on the *Fall Economic Statement*) or on historical trends. The years of the projections are indicated in the descriptions of the tax expenditures found in Part 3.

GST Expenditures

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

There is a one- to two-year lag in the availability of complete administrative data used to estimate the tax expenditures associated with most GST rebates and certain other measures. Projections for years beyond 2021 are derived from the most recent complete administrative data and forecasts of related economic variables provided in the Department of Finance Canada's *2023 Fall Economic Statement* or by third parties. As for GST expenditures estimated using the Goods and Services Tax Model, the values shown for 2018 and 2019 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 *2023 Fall Economic Statement* or by third parties. In many cases, preliminary aggregate data for 2020 and 2021 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 for the purpose of estimating its cost. 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.

Another 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 a particular exemption 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 the related rebates since the GST paid on their purchases would be relieved via input tax credits. 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, due to data limitations, the tax expenditure estimates for GST exemptions do not account for the savings that would occur given that rebates would no longer be provided. As such, this results in an overestimation of the tax expenditures related to GST exemptions.

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 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 Plus 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 Plus 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 of tax expenditures in terms of gender and diversity. In keeping with the requirement of the legislation, this edition of the report features a GBA Plus of personal income tax expenditures related to pension and retirement savings plans.

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**
Tax Policy: **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 2023*, Appendix I
https://www.gov.nl.ca/budget/2023/reports-and-publications/

Nova Scotia—*Budget 2023-24*, Estimates and Supplementary Detail
https://beta.novascotia.ca/documents/budget-documents-2023-2024

Quebec—*Tax Expenditures, 2022 edition* (available in French only)
http://www.budget.finances.gouv.qc.ca/budget/outils/depenses-fiscales/index.asp

Ontario—*Taxation Transparency Report, 2022*
https://budget.ontario.ca/2023/fallstatement/transparency.html

Manitoba—*Budget 2023*, Estimates of Expenditure
https://gov.mb.ca/budget2023/index.html

Saskatchewan—*2023-24 Provincial Budget*, Estimates
https://www.saskatchewan.ca/government/budget-planning-and-reporting/budget-2023-24/budget-documents

Alberta—*Budget 2023-24—2023-26 Fiscal Plan*
https://www.alberta.ca/budget-documents.aspx#23-24

British Columbia—*Budget and Fiscal Plan 2023/24 - 2025/26*, Appendix A1, Tax Expenditures
https://www.bcbudget.gov.bc.ca/2023/downloads.htm#gotoAllMaterials

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, Registered Retirement Savings Plans and the Saskatchewan Pension Plan

The cost of Registered Pension Plans, Pooled Registered Pension Plans, Registered Retirement Savings Plans and the Saskatchewan Pension Plan 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, the 2019 edition of the 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.

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.

[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 2018 to 2025. 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. To increase transparency in government reporting on support to the fossil fuel sector, a second table grouping tax expenditures that provide such support is also presented. These estimates are followed by a third set of tables that present background statistics on total tax revenues by tax base, as well as some other useful statistics, such as the number of filers and tax paid by income tax bracket. Finally, key changes that have been made to tax expenditures since the last edition are described.

Notes:

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

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

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

Symbols:

n.a.	No data available to support a meaningful estimate or projection
–	Tax expenditure not in effect
X	Not published for confidentiality reasons
PIT	Personal income tax (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			
		2018	2019	2020	2021	2022	2023	2024	2025
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.
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	-2	S	S	S	3	n.a.	n.a.	n.a.
	CIT	S	1	1	S	4	n.a.	n.a.	n.a.
Deferral of income from sale of livestock in a region of drought, flood or excessive moisture	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Non-structural									
Deferral of capital gains through intergenerational rollovers of family farms or fishing businesses	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Deferral of income from grain sold through cash purchase tickets	PIT	-10	-20	15	3	60	n.a.	n.a.	n.a.
	CIT	-15	-20	25	4	80	n.a.	n.a.	n.a.
Exemption for insurers of farming and fishing property (repealed)	CIT	20	–	–	–	–	–	–	–
Patronage dividends paid as shares by agricultural cooperatives	PIT	2	S	1	1	S	1	1	1
	CIT	4	S	3	1	1	2	2	2
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 2024)	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	X	X	X	X	X	X	X	X
Accelerated capital cost allowance for mining and oil sands assets (phased 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 (phased 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	80	4	45	15	35	30	30	30
Critical Mineral Exploration Tax Credit for Flow-Through Share Investors	PIT	–	–	–	–	45	35	35	35

Table
Estimates and Projections
millions of dollars

		Estimates				Projections			
		2018	2019	2020	2021	2022	2023	2024	2025
BUSINESS – NATURAL RESOURCES *(cont'd)*									
Earned depletion (phased out)	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	S	S	1	S	S	S	S	S
Flow-through share deductions	PIT	120	115	175	265	210	195	190	185
	CIT	20	15	25	50	35	30	25	30
Mineral Exploration Tax Credit for Flow-Through Share Investors (sunset in 2024)	PIT	50	60	100	145	25	50	-10	-3
Reclassification of expenses under flow-through shares (phased out)	PIT	-4	-3	-2	-2	-1	-1	-1	S
	CIT	-1	S	S	S	S	S	S	S
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	1	1	1	1	1	1
	CIT	1,425	1,430	1,445	1,910	1,775	1,810	1,855	1,935
BUSINESS – SMALL BUSINESSES									
Structural									
Small suppliers' threshold	GST	240	275	185	215	265	270	270	270
Non-structural									
Deduction of allowable business investment losses	PIT	35	50	40	40	25	35	35	35
	TRU	S	S	S	S	S	S	S	S
	CIT	10	10	10	15	5	10	10	10
Non-taxation of provincial assistance for venture investments in small businesses	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Preferential tax rate for small businesses	CIT	4,160	4,930	5,450	6,085	6,615	5,910	6,155	6,200
Rollovers of investments in small businesses	PIT	15	10	10	15	15	10	10	10
BUSINESS – OTHER									
Structural									
Deductibility of costs of capital assets and eligibility for investment tax credits before asset is put in use	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Deductibility of earthquake reserves	CIT	S	S	S	-1	S	S	S	S
Deferral through five-year capital gain reserve	PIT	20	15	20	35	10	10	15	15
	TRU	5	-2	S	2	S	1	1	1
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Table
Estimates and Projections
millions of dollars

		Estimates				Projections			
		2018	2019	2020	2021	2022	2023	2024	2025
BUSINESS – OTHER *(cont'd)*									
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	10	25	40	70	45	45	50	50
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.	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	55	40	40	80	115	115	120	125
Tax status of certain federal Crown corporations	CIT	X	X	X	X	X	X	X	X
Non-structural									
Accelerated capital cost allowance for manufacturing or processing machinery and 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 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 2027)	PIT/ CIT	280	3,510	2,815	2,330	2,315	2,055	-740	-90
Additional Tax on Banks and Life Insurers	CIT	–	–	–	–	-260	-540	-555	-575
Canada Recovery Dividend	CIT	–	–	–	–	-695	-695	-695	-695
Atlantic Investment Tax Credit (non-refundable portion for CIT)	PIT	10	10	10	10	10	10	10	10
	CIT	225	210	135	200	345	305	320	320
Tax on Repurchases of Equity	CIT	–	–	–	–	–	–	425	600
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 ten-year capital gain reserve	PIT	40	45	35	95	60	45	45	50
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.

Table
Estimates and Projections
millions of dollars

		Estimates				Projections			
		2018	2019	2020	2021	2022	2023	2024	2025
BUSINESS – OTHER *(cont'd)*									
Foreign Convention and Tour Incentive Program	GST	5	5	1	S	2	5	5	5
Immediate expensing for small businesses	PIT	–	–	–	–	305	240	195	-200
	CIT	–	–	–	665	1,175	975	-400	-720
Lifetime Capital Gains Exemption	PIT	1,855	1,805	1,725	2,550	2,525	2,155	1,995	2,080
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
DONATIONS, GIFTS, CHARITIES AND NON-PROFIT ORGANIZATIONS									
Non-structural									
Additional deduction for gifts of medicine (repealed)	CIT	X	X	X	X	X	–	–	–
Charitable Donation Tax Credit	PIT	2,980	3,060	3,290	3,615	3,620	3,625	3,705	3,805
	TRU	30	30	45	45	45	50	50	50
Deductibility of charitable donations	CIT	690	890	715	1,030	990	835	865	870
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	1,345	1,405	1,455	1,510	1,640	1,740	1,815	1,885
Non-taxation of capital gains on donations of cultural property	PIT	5	3	5	5	4	4	4	4
	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	3	2	2	3	4	3	3	3
	TRU	S	S	S	S	S	S	S	S
	CIT	1	1	S	1	2	1	2	2
Non-taxation of capital gains on donations of publicly listed securities	PIT	75	125	100	130	95	100	105	110
	TRU	2	1	S	2	1	1	2	2
	CIT	85	220	120	180	85	145	150	155
Non-taxation of non-profit organizations	PIT/ CIT	135	90	50	95	210	255	255	255
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	80	80	75	80	85	90	95	95
Rebate for registered charities	GST	320	335	300	330	375	390	405	420
EDUCATION									
Structural									
Deduction for tuition assistance for adult basic education	PIT	2	2	3	3	5	4	3	3
Education Tax Credit (phasing out)	PIT	325	230	190	115	45	S	S	S
Textbook Tax Credit (phasing out)	PIT	55	35	30	20	5	S	S	S
Tuition Tax Credit	PIT	1,630	1,735	2,100	2,065	2,100	2,220	2,270	2,270

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Estimates and Projections
millions of dollars

		Estimates				Projections			
		2018	2019	2020	2021	2022	2023	2024	2025
EDUCATION *(cont'd)*									
Non-structural									
Exemption from GST for tuition and educational services	GST	895	945	910	940	965	985	1,005	1,025
Exemption of scholarship, fellowship and bursary income	PIT	565	585	705	690	655	560	510	515
Rebate for book purchases made by certain organizations	GST	15	15	10	10	10	10	15	15
Rebate for schools, colleges and universities	GST	885	860	795	875	1,005	1,065	1,100	1,135
Registered Education Savings Plans	PIT	35	35	15	20	60	105	195	310
Student Loan Interest Credit	PIT	50	55	25	20	20	25	20	20
EMPLOYMENT									
Structural									
Apprentice vehicle mechanics' tools deduction	PIT	3	3	4	5	5	4	4	4
Canada Employment Credit	PIT	2,495	2,595	2,750	2,755	2,795	3,005	3,145	3,235
Child Care Expense Deduction	PIT	1,270	1,325	975	1,210	1,260	1,100	1,000	950
Deductibility of certain costs incurred by musicians	PIT	1	1	1	1	1	1	1	1
Deductibility of expenses by employed artists	PIT	S	S	S	S	S	S	S	S
Deduction for tradespeople's tool expenses	PIT	2	2	2	2	2	4	4	4
Deduction of other employment expenses	PIT	910	920	1,145	1,270	1,285	1,155	1,180	1,210
Deduction of union and professional dues	PIT	1,030	1,075	1,075	1,160	1,205	1,270	1,270	1,275
Labour Mobility Deduction for Tradespeople	PIT	–	–	–	–	2	3	3	3
Moving expense deduction	PIT	110	110	105	150	160	150	130	130
Non-taxation of allowances for diplomats and other government employees posted abroad	PIT	35	35	35	35	35	35	n.a.	n.a.
Non-taxation of allowances for members of legislative assemblies and certain municipal officers (repealed)	PIT	20	–	–	–	–	–	–	–
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	50	50	40	40	45	50	50	55
Non-structural									
Apprenticeship Job Creation	PIT	2	1	1	1	1	1	1	1
Tax Credit	CIT	85	85	95	95	95	95	100	100
Employee benefit plans	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Employee stock option deduction	PIT	770	920	920	1,645	1,170	1,190	1,220	1,270

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Estimates and Projections
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		Estimates				Projections			
		2018	2019	2020	2021	2022	2023	2024	2025
EMPLOYMENT *(cont'd)*									
Non-taxation of income earned by military and police deployed to international operational missions	PIT	40	40	30	35	35	40	n.a.	n.a.
Northern Residents Deductions	PIT	230	230	220	230	240	250	250	250
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	60	50	50	45	50	50	50	50
Non-structural									
Accelerated capital cost allowance for clean energy generation equipment (Class 43.2 sunset in 2024)	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 automotive equipment and vehicles (sunset in 2027)	PIT/ CIT	–	3	5	5	10	5	-5	-5
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.
Rate reduction for zero-emission technology manufacturers	CIT	–	–	–	–	10	20	40	45
FAMILIES AND HOUSEHOLDS									
Structural									
Adoption Expense Tax Credit	PIT	2	2	1	2	2	2	2	2
Canada Caregiver Credit	PIT	220	235	240	245	250	260	270	275
Eligible Dependant Credit	PIT	940	1,025	1,265	1,355	1,245	1,315	1,375	1,420
Goods and Services Tax/Harmonized Sales Tax Credit	GST	4,650	4,935	10,450	5,030	7,335	7,790	5,725	6,045
Spouse or Common-Law Partner Credit	PIT	1,740	1,740	1,680	1,935	2,135	2,255	2,375	2,455
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	210	220	110	150	165	175	180	195
Exemption from GST for personal care services	GST	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Investment Tax Credit for Child Care Spaces (phased out)	PIT	S	S	S	S	S	S	S	S
	CIT	X	X	X	X	X	X	X	X
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	95	120	100	105	115	125	135	140
Zero-rating of feminine hygiene products	GST	45	45	50	50	55	55	60	60

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		Estimates				Projections			
		2018	2019	2020	2021	2022	2023	2024	2025
HEALTH									
Structural									
Disability supports deduction	PIT	3	3	3	3	3	3	3	3
Disability Tax Credit	PIT	1,150	1,200	1,250	1,450	1,600	1,650	1,700	1,750
Medical Expense Tax Credit	PIT	1,645	1,700	1,600	1,850	1,950	2,050	2,150	2,250
Non-structural									
Exemption from GST for health care services	GST	950	1,065	880	955	1,080	1,145	1,190	1,265
Exemption from GST for hospital parking	GST	15	15	10	10	15	15	15	15
Home Accessibility Tax Credit	PIT	15	15	15	25	35	40	40	40
Non-taxation of benefits from private health and dental plans	PIT	3,050	3,170	3,150	3,530	3,650	3,845	3,910	4,015
Rebate for hospitals, facility operators and external suppliers	GST	695	745	980	965	1,055	1,115	1,155	1,185
Rebate for specially equipped motor vehicles	GST	S	S	S	S	S	S	S	S
Registered Disability Savings Plans	PIT	65	70	70	90	90	95	110	125
Zero-rating of face masks and face shields	GST	–	–	5	85	70	50	45	50
Zero-rating of medical and assistive devices	GST	465	520	530	585	620	645	665	685
Zero-rating of prescription drugs	GST	880	920	955	1,005	1,045	1,090	1,135	1,185
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									
Enhanced rebate for new residential rental property	GST	–	–	–	–	–	S	20	520
Exemption from GST for certain residential rent	GST	1,915	2,075	2,240	2,315	2,440	2,695	2,815	2,925
Exemption from GST for short-term accommodation	GST	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
First-Time Home Buyers' Tax Credit	PIT	105	110	130	150	240	205	190	205
Non-taxation of capital gains on principal residences	PIT	5,585	5,645	7,810	13,355	9,370	4,790	5,470	6,455
Rebate for new housing	GST	495	420	425	460	400	425	415	410
Rebate for new residential rental property	GST	170	215	215	225	230	230	270	315
Tax-Free First Home Savings Account	PIT	–	–	–	–	–	125	465	595

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Estimates and Projections
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		Estimates				Projections			
		2018	2019	2020	2021	2022	2023	2024	2025
INCOME SUPPORT									
Non-structural									
Non-taxation of certain veterans' benefits	PIT	200	200	185	190	180	180	180	180
Non-taxation of Guaranteed Income Supplement and Allowance benefits	PIT	225	235	245	210	230	380	385	400
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	40	50	55	70	80	80	85	90
Non-taxation of social assistance benefits	PIT	300	340	425	370	340	320	300	300
Non-taxation of workers' compensation benefits	PIT	720	755	830	855	865	880	880	895
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	2,670	2,765	2,765	2,910	3,120	3,235	3,335	3,435
Refunds for Indigenous self-governments	GST	10	10	10	10	10	10	10	15
Non-structural									
Logging Tax Credit	PIT	2	1	1	2	1	1	1	1
	TRU	X	X	X	X	X	X	X	X
	CIT	80	25	60	275	190	70	75	80
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	310	330	80	100	265	315	335	350
Non-structural									
Exemptions from non-resident withholding tax	PIT/ CIT	8,530	8,840	8,930	11,465	11,305	11,530	11,810	12,310
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.

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Estimates and Projections
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		Estimates				Projections			
		2018	2019	2020	2021	2022	2023	2024	2025
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	1,235	1,255	1,270	1,300	1,310	1,400	1,430	1,470
Pension income splitting	PIT	1,380	1,415	1,470	1,515	1,725	1,890	2,045	2,195
Pooled Registered Pension Plans	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Registered Pension Plans	PIT	22,995	26,155	22,755	27,740	19,675	32,855	32,600	31,365
Registered Retirement Savings Plans	PIT	14,050	16,210	15,505	19,480	13,355	22,290	21,810	20,950
Saskatchewan Pension Plan	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
SAVINGS AND INVESTMENT									
Structural									
$200 capital gains exemption on foreign exchange transactions	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Capital gains exemption on personal-use property	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Tax treatment of investment income from life insurance policies	PIT	215	230	235	230	245	245	285	300
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	155	160	180	175	185	190	190	195
Partial inclusion of capital gains	PIT	8,700	8,560	10,780	19,440	13,515	11,425	10,420	10,830
	TRU	750	915	1,180	2,015	1,465	1,250	1,155	1,205
	CIT	11,915	11,175	10,405	16,835	18,025	15,390	14,235	14,835
Tax-Free Savings Account	PIT	1,375	1,895	1,700	3,220	2,015	3,200	3,680	4,050
SOCIAL									
Non-structural									
Age Credit	PIT	3,625	3,820	3,945	4,110	4,160	4,770	5,180	5,505
Credit for subscriptions to Canadian digital news media	PIT	–	–	10	15	15	20	20	S
Deduction for clergy residence	PIT	95	95	95	100	100	105	105	105
Exemption from GST and rebate for legal aid services	GST	50	50	45	45	55	60	60	65
Exemption from GST for ferry, road and bridge tolls	GST	15	15	10	10	15	15	15	15
Exemption from GST for municipal transit	GST	225	235	105	100	145	170	180	190
Exemption from GST for water, sewage and basic garbage collection services	GST	325	335	350	375	400	430	445	460
Political Contribution Tax Credit	PIT	30	45	30	40	30	35	35	45
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	15	15	20	20	20	20	20

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Estimates and Projections
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		Estimates				Projections			
		2018	2019	2020	2021	2022	2023	2024	2025
SOCIAL *(cont'd)*									
Zero-rating of basic groceries	GST	4,705	4,885	5,385	5,480	5,800	6,195	6,360	6,595
OTHER									
Non-structural									
Non-taxation of personal property of status Indians and Indian bands situated on reserve	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	GST	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
TAX MEASURES OTHER THAN TAX EXPENDITURES									
BUSINESS – OTHER									
Structural									
Non-capital loss carry-overs	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	TRU	145	245	140	195	235	210	215	220
	CIT	7,790	8,720	8,760	11,290	14,475	12,755	13,055	13,005
Partial deduction of and partial input tax credits for meals and entertainment	PIT	200	200	135	170	200	175	180	185
	CIT	330	345	225	190	335	295	305	310
	GST	185	190	130	115	175	155	160	165
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	10,615	11,540	11,845	13,860	15,700	17,300	18,425	19,425
Tax treatment of Employment Insurance and Quebec Parental Insurance Plan premiums and benefits	PIT	4,240	4,330	4,180	4,615	4,990	5,380	5,570	5,890
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	5,130	5,415	5,515	6,275	6,605	6,895	7,175	7,155
	TRU	70	90	135	210	120	145	150	150
Transfer of income tax points to provinces	PIT	24,410	25,270	26,125	29,160	30,780	32,185	33,500	33,725
	TRU	535	875	1,050	1,465	805	1,115	1,160	1,165
	CIT	3,650	3,435	3,680	5,250	5,640	4,695	5,395	5,190
INTERNATIONAL									
Structural									
Foreign tax credit for individuals	PIT	1,825	1,975	2,055	2,070	2,055	2,090	2,120	2,145
	TRU	50	30	35	50	45	50	50	50

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		Estimates				Projections			
		2018	2019	2020	2021	2022	2023	2024	2025
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	750	900	710	1,810	1,310	1,120	1,035	1,080
	CIT	745	555	980	825	915	940	975	1,005
Deduction of interest and carrying charges incurred to earn investment income	PIT	1,855	1,945	1,890	2,215	2,430	2,545	2,570	2,635
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Dividend gross-up and tax credit	PIT	4,925	4,895	4,660	5,170	5,640	5,800	5,995	6,260
	TRU	285	255	250	315	320	325	335	350
Investment corporation deduction	CIT	S	S	S	S	S	S	S	S
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.
Refundable capital gains tax for investment corporations, mutual fund corporations and mutual fund trusts	TRU	2,400	4,910	5,915	7,980	5,785	4,945	4,575	4,765
	CIT	1,030	1,085	1,115	1,995	1,355	1,155	1,070	1,115
OTHER									
Structural									
Credit for the Basic Personal Amount	PIT	36,440	38,780	44,490	49,570	47,775	50,845	53,625	55,685
Non-taxation of payments to Canadian Armed Forces members and veterans in respect of pain and suffering	PIT	345	295	300	395	400	440	355	330
Refundable taxes on investment income of private corporations	CIT	-2,540	-2,690	-3,115	-5,320	-6,735	-7,255	-7,515	-7,445
Special tax computation for certain retroactive lump-sum payments	PIT	1	2	S	1	1	1	1	1
REFUNDABLE TAX CREDITS CLASSIFIED AS TRANSFER PAYMENTS									
10% Temporary Wage Subsidy for Employers	PIT/ CIT	–	–	1,770	–	–	–	–	–
Atlantic Investment Tax Credit (refundable portion)	CIT	25	25	30	25	30	30	30	30
Canada Child Benefit	PIT	23,900	24,300	26,800	24,500	24,600	25,600	27,300	28,900
Quarterly payments for families with young children entitled to the Canada Child Benefit (2021) – Children's Benefits	PIT	–	–	560	1,680	–	–	–	–
Carbon Capture, Utilization, and Storage Investment Tax Credit	CIT	–	–	–	–	25	100	300	720
Canada Emergency Rent Subsidy and Lockdown Support	PIT/ CIT	–	–	2,080	5,575	–	–	–	–

Table
Estimates and Projections
millions of dollars

		Estimates				Projections			
		2018	2019	2020	2021	2022	2023	2024	2025
REFUNDABLE TAX CREDITS CLASSIFIED AS TRANSFER PAYMENTS *(cont'd)*									
Canada Emergency Wage Subsidy	PIT/ CIT	–	–	70,605	29,625	–	–	–	–
Canada Recovery Hiring Program	PIT/ CIT	–	–	–	955	480	–	–	–
Canada Training Credit	PIT	S	S	100	180	220	240	255	275
Canadian Film or Video Production Tax Credit	CIT	270	300	255	290	330	335	345	360
Canadian Journalism Labour Tax Credit	PIT	–	n.a.	1	S	S	S	S	S
	CIT	–	35	35	35	40	65	65	70
Clean Hydrogen Investment Tax Credit	CIT	–	–	–	–	–	75	150	835
Clean Technology Investment Tax Credit	CIT	–	–	–	–	–	1,100	970	1,035
Clean Technology Manufacturing Investment Tax Credit	PIT	–	–	–	–	–	–	3	3
	CIT	–	–	–	–	–	–	790	870
Film or Video Production Services Tax Credit	CIT	310	325	350	405	360	365	375	390
Hardest-Hit Business Recovery Program	PIT/ CIT	–	–	–	310	350	–	–	–
Local Lockdown Program	PIT/ CIT	–	–	–	n.a.	n.a.	–	–	–
Multigenerational Home Renovation Tax Credit	PIT	–	–	–	–	–	25	25	25
Refundable Medical Expense Supplement	PIT	165	170	120	150	175	190	210	230
Scientific Research and Experimental Development Investment Tax Credit (refundable portion)	CIT	1,410	1,835	1,840	1,975	1,965	2,005	2,050	2,140
Small Businesses Air Quality Improvement Tax Credit	PIT	–	–	–	–	S	–	–	–
	CIT	–	–	–	–	1	S	–	–
Teacher and Early Childhood Educator School Supply Tax Credit	PIT	5	5	5	10	10	10	10	10
Tourism and Hospitality Recovery Program	PIT/ CIT	–	–	–	1,055	1,655	–	–	–
Working Income Tax Benefit (replaced)	PIT	1,105	–	–	–	–	–	–	–
Canada Workers Benefit	PIT	–	2,005	900	2,400	3,300	4,285	4,500	4,605

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 July of 2023, the Government of Canada released the *Inefficient Fossil Fuel Subsidies Government of Canada Self-Review Assessment Framework* (the "Framework) and the *Inefficient Fossil Fuel Subsidies Government of Canada Guidelines* (the "Guidelines"). The purpose of the Inefficient Fossil Fuel Subsidies Assessment Framework is to provide a transparent methodology for assessing whether federal measures, including tax expenditures, constitute inefficient fossil fuel subsidies, and ensuring that new measures do not constitute inefficient fossil fuel subsidies as outlined in the Guidelines.

Consistent with the Framework and Guidelines, Canada has been phasing out tax measures that are inefficient fossil fuel subsidies. Nine tax measures supporting the fossil fuel sector have been phased out or rationalized.

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 are available to corporations in the mining and renewable energy sectors and were previously available to companies in the oil and gas sector. 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.

The measures in the table below relate to the nine measures supporting the fossil fuel sector that have been phased out or rationalized in line with the Government's commitment on inefficient fossil fuel subsidies. Some of the nine measures are combined[14] and the table does not include the Budget 2011 reduction in the deduction rates for intangible capital expenses in oil sands projects, to align with rates in the conventional oil and gas sector, which is part of the benchmark tax system (and therefore not a tax expenditure). In addition, the table includes the earned depletion for oil and gas and coal mining which was phased out in 1990.

[14] The phase-out of the accelerated capital cost allowance for oil sands and for mining are combined under "accelerated capital cost allowance for coal mining and oil sand assets", and the reduction in the deduction rate for pre-production intangible mine development expenses and the rationalization of the tax treatment of expenses for successful oil and gas exploratory drilling are combined under "Accelerated deductibility of some pre-production development expenses of oil sands mines, pre-production development expenses of coal mines, and for oil and gas discovery wells"

Table
Estimates and Projections
millions of dollars

		Estimates				Projections			
		2018	2019	2020	2021	2022	2023	2024	2025
TAX EXPENDITURES									
FOSSIL FUEL SECTOR									
Non-structural									
Accelerated capital cost allowance for liquefied natural gas facilities (sunset in 2024)[1]	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	X	X	X	X	X	X	X	X
Accelerated capital cost allowance for coal mining and oil sands assets (phased out)[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, pre-production development expenses of coal mines, and for oil and gas discovery wells (all phased out)[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 (phased out)[2]	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	S	S	1	S	S	S	S	S
Flow-through share deductions for oil and gas and coal mining (phased out)[3]	PIT	15	5	3	3	3	3	2	1
	CIT	10	10	5	5	5	10	5	4
Reclassification of expenses under flow-through shares (phased out)[4]	PIT	-4	-3	-2	-2	-1	-1	-1	S
	CIT	-1	S	S	S	S	S	S	S
Atlantic Investment Tax Credit for oil and gas and coal mining (non-refundable portion for CIT, phased out)[5]	PIT	S	S	S	S	S	S	S	S
	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, 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] Budget 2022 announced the elimination of the flow-through share regime for fossil fuel sector activities. This will be done by no longer allowing expenditures related to oil, gas, and coal exploration and development to be renounced to flow-through share investors for flow-through share agreements entered into after March 31, 2023.
[4] 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, see the annex to Part 1.
[5] Unused credits accumulated prior to the complete phase-out of the measure in 2017 can be carried forward indefinitely.

Background Statistics

Federal Revenues, Fiscal Year 2023–2024

	Revenues (billions of dollars)	Share of total revenues (%)	Share of gross domestic product (%)
Personal income taxes	218.0	47.8	7.6
Corporate income taxes	79.8	17.5	2.8
Non-resident withholding taxes	13.4	2.9	0.5
Goods and Services Tax	52.1	11.4	1.8
Other excise duties and taxes and customs import duties	18.8	4.1	0.7
Total tax revenues	382.1	83.8	13.3
Non-tax revenues	74.1	16.2	2.6
Total revenues	456.2	100.0	15.9

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

Source: Department of Finance Canada, *2023 Fall Economic Statement*.

Federal Personal Income Tax Brackets and Rates, Taxfilers and Taxes Paid, 2021

	Tax Brackets		Taxfilers		Taxes Paid	
	Income range	Rate	Number (millions)	Share (%)	Amount (billions of dollars)	Share (%)
First bracket	Under $49,020	15%	9.2	30	18.3	10
Second bracket	$49,020 - $98,040	20.5%	7.8	26	58.9	33
Third bracket	$98,040 - $151,978	26%	1.8	6	32.5	18
Fourth bracket	$151,978 - $216,511	29%	0.5	2	16.8	9
Fifth bracket	Over $216,511	33%	0.5	2	53.9	30
Taxable filers			19.8	66	180.4	100
Non-taxable filers			9.6	34		
All taxfilers			29.4	100		

Notes: These statistics are presented on a public accounts basis and calculated using the T1 microdata from individual tax returns for the 2021 taxation year provided by the Canada Revenue Agency. Taxes paid reflect the total amount of net federal tax reported on line 42000 of the Income Tax and Benefit Return less the 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), 2021

	Taxable Income		Corporations Reporting Income		Taxes Paid	
	Amount (billions of dollars)	Share (%)	Number (thousands)	Share (%)	Amount (billions of dollars)	Share (%)
Canadian-controlled private corporations	**278.9**	**53**	**1,114.1**	**98**	**38.5**	**53**
Business income taxed at the preferential tax rate for small businesses	103.1	19	887.6	78		
Other business income taxed at the general rate	131.4	25	165.1	15		
Other income	44.4	8	394.2	35		
Other corporations	**251.2**	**47**	**22.8**	**2**	**34.5**	**47**
Business income taxed at the general rate	244.2	46	22.7	2		
Other income	6.9	1	11.3	1		
Total	**530.1**	**100**	**1,137.2**	**100**	**73.0**	**100**

Notes: 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 2023 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, 2023, changes announced in Budget 2024 are not listed below or taken into account in the estimates and projections.

Personal Income Tax

Goods and Services Tax/Harmonized Sales Tax Credit

Budget 2023 introduced the Grocery Rebate, which provided temporary support to low- and modest-income Canadians equivalent to twice the amount they received for January 2023 under the Goods and Services Tax/Harmonized Sales Tax Credit. The extra amount was paid out as a one-time, lump-sum payment starting on July 5, 2023, through the Goods and Services Tax/Harmonized Sales Tax Credit system.

Registered Disability Savings Plans—Qualifying Family Members

Budget 2023 extended by three years (i.e., until the end of 2026), the temporary federal measure that allows a qualifying family member to become the plan holder of a Registered Disability Savings Plan (RDSP) for an adult individual whose ability to enter into an RDSP contract is in doubt and who does not have a legal representative.

Budget 2023 also broadened the definition of a "qualifying family member" to include a brother or sister of the beneficiary who is 18 years of age or older. This will enable a sibling, in addition to parents and spouses and common-law partners, to use the temporary federal measure to establish an RDSP for an eligible beneficiary.

Critical Mineral Exploration Tax Credit for Flow-Through Share Investors

Budget 2023 proposed to expand the eligibility of the Critical Mineral Exploration Tax Credit (CMETC) and access to flow-through shares to lithium from brines. Individual flow-through share investors will be able to use the CMETC to reduce federal tax otherwise payable and to apply Canadian Exploration Expenses and Canadian Development Expenses renounced as part of flow-through share agreements against their taxable income.

The expansion of the eligibility for the CMETC would apply to flow-through share agreements entered into, and eligible expenses made, after March 28, 2023.

Deduction for Tradespeople's Tool Expenses

Budget 2023 doubled the maximum employment deduction for tradespeople's tool expenses from $500 to $1,000, effective for the 2023 and subsequent taxation years. As a consequence, the threshold for recognition of apprentice vehicle mechanics' tool expenses has changed. Apprentice vehicle mechanics may deduct extraordinary tool costs that exceed either the combined value of the deduction for tradespeople's tool expenses (which has increased from $500 to $1,000) and the Canada Employment Credit ($1,368 in 2023) or 5% of their income from employment as an apprentice mechanic, whichever is greater.

Registered Education Savings Plan Educational Assistance Payments

Budget 2023 raised the limits on certain withdrawals of Educational Assistance Payments (EAPs) from Registered Education Savings Plans (RESPs). EAPs consist of government grants and bonds as well as income earned in the RESP account. For students enrolled in a qualifying educational program (i.e., in a program of at least three consecutive weeks' duration requiring at least 10 hours per week of courses or work in the program), the limit on withdrawals of EAPs in the first 13 weeks of study was raised to $8,000 from $5,000. For students enrolled in a specified educational program (i.e., in a program of at least three consecutive weeks' duration requiring at least 12 hours per month of courses or work in the program), the limit on withdrawals of EAPs was raised to $4,000 from $2,500 per 13-week period of study.

Corporate Income Tax

Flow-through Share Deductions

Budget 2023 proposed to expand the access to flow-through shares to lithium from brines. Corporate flow-through share investors will be able to apply Canadian Exploration Expenses and Canadian Development Expenses renounced as part of flow-through share agreements against their taxable income.

The ability to issue flow-through shares would apply to eligible expenses made after March 28, 2023.

Clean Technology Investment Tax Credit

The *2022 Fall Economic Statement* proposed a refundable tax credit for the capital cost of investments in certain clean technologies. A 30-per-cent refundable credit will be available to businesses investing in eligible technologies.

As outlined in Budget 2023, businesses will have to adhere to certain labour requirements, including ensuring that workers are paid prevailing wages and that apprenticeship opportunities are being created, in order to qualify for the 30-per-cent rate. If the labour requirements are not met, investments would receive a 20-per-cent tax credit rate.

Budget 2023 proposed to expand the list of eligible technologies to include geothermal energy systems that generate electrical energy or heat energy, or both electrical and heat energy, that are eligible for Class 43.1 of Schedule II of the *Income Tax Regulations*. The labour requirements apply to covered work that is performed on or after November 28, 2023, the date that a Notice of Ways and Means Motion for the enabling legislation of these labour requirements was first tabled in the House of Commons.

The credit would be available for investments made on or after March 28, 2023. Budget 2023 also proposed to modify the phase-out schedule of the Clean Technology Investment Tax Credit announced in the *2022 Fall Economic Statement*. Rather than starting the phase-out in 2032, the full credit rate will remain at 30% for property that becomes available for use in 2032 and 2033 and will be reduced to 15% in 2034. The credit will be unavailable after 2034.

The *2023 Fall Economic Statement* proposed to expand eligibility for the Clean Technology Investment Tax Credit to include certain systems that generate electricity, heat or both electricity and heat from waste biomass that are acquired and become available for use on or after November 21st, 2023.

Carbon Capture, Utilization, and Storage (CCUS) Investment Tax Credit.

Budget 2023 introduced enhancements to the CCUS Investment Tax Credit, which expand the list of eligible CCUS equipment and approved jurisdictions for dedicated geological storage.

Specifically, it is proposed that the CCUS Investment Tax Credit announced in Budget 2022 include the following design features:

- Eligible equipment be expanded to include dual use heat and/or power equipment and water use equipment. Dual use power or heat production equipment would be eligible only if the energy balance is expected to be primarily used (i.e., more than 50%) to support the CCUS process or hydrogen production that is eligible for the proposed Clean Hydrogen Investment Tax Credit and on a pro-rated basis in proportion to the expected energy balance or material balance supporting the CCUS process over the first 20 years of the project.
- Approved jurisdictions for dedicated geological storage be expanded to include British Columbia.
- Projects storing CO_2 in concrete would be required to have their concrete storage process validated by a third-party, based on an International Organization for Standardization (ISO) standard, prior to claiming the investment tax credit.
- A recovery calculation for the investment tax credit in respect of refurbishment property would be included. Total eligible refurbishment costs over the first 20 years of the project would be limited to a maximum of 10% of the total pre-operational costs that were eligible for the CCUS Investment Tax Credit. Projects would not be eligible for Refurbishment ITCs on costs incurred after the end of the 20-year period.

Labour requirements, including ensuring that workers are paid prevailing wages and that apprenticeship opportunities are being created, would apply to the tax credit, which if not met, would reduce the credit rate by 10 percentage points. The labour requirements apply to covered work that is performed on or after November 28, 2023, the date that a Notice of Ways and Means Motion for the enabling legislation of these labour requirements was first tabled in the House of Commons.

Tax on Repurchases of Equity

The *2022 Fall Economic Statement* announced the government's intention to introduce a 2% tax on share buybacks by public corporations in Canada. Budget 2023 announced that the tax would apply as of January 1, 2024 to the annual net value of repurchases of equity by public corporations and certain publicly traded trusts and partnerships in Canada. A business would not be subject to the tax in a year if its gross repurchases of equity were less than $1 million.

Rate Reduction for Zero-Emission Technology Manufacturers

Budget 2023 proposed an extension to the availability of the 50% reduction in the general corporate and small business income tax rates for zero-emission technology manufacturers by an additional three years. Hence, the reduced rates will be gradually phased out starting in taxation years that begin in 2032 and fully phased out for taxation years that begin after 2034.

Budget 2023 also proposes to extend eligibility for the reduced rates to include the manufacturing of nuclear energy equipment and the processing and recycling of nuclear fuels and heavy water, effective for taxation years beginning after 2023.

Clean Technology Manufacturing Investment Tax Credit

Budget 2023 proposed a refundable tax credit equal to 30% of the cost of investments in new machinery and equipment used to manufacture or process key clean technologies, and extract, process, or recycle key critical minerals, including:

- Extraction, processing, or recycling of critical minerals essential for clean technology supply chains, specifically: lithium, cobalt, nickel, graphite, copper, and rare earth elements;
- Manufacturing of renewable or nuclear energy equipment;
- Processing or recycling of nuclear fuels and heavy water;
- Manufacturing of grid-scale electrical energy storage equipment;
- Manufacturing of zero-emission vehicles; and,
- Manufacturing or processing of certain upstream components and materials for the above activities, such as cathode materials and batteries used in electric vehicles.

This credit would apply to property that is acquired and becomes available for use on or after January 1, 2024, and would no longer be in effect after 2034, subject to a phase-out starting in 2032.

Clean Hydrogen Investment Tax Credit

Budget 2023 announced the design features of the Clean Hydrogen Investment Tax Credit:

- Refundable investment tax credit on eligible property based on the estimated carbon intensity (CI) of the hydrogen produced (i.e., kilogram (kg) of carbon dioxide equivalent (CO_2e) per kg of hydrogen), as measured by Environment and Climate Change Canada's Fuel Life Cycle Assessment (LCA) Model:
  - 40% for a CI < 0.75 kg;
  - 25% for a CI of 0.75 kg to < 2 kg;
  - 15% for a CI of 2 kg to < 4 kg; and,
  - 15% to convert clean hydrogen to ammonia.
- Projects that produce hydrogen from electrolysis or from natural gas, so long as emissions are abated using carbon capture, utilization, and storage, are eligible.

Labour requirements, including ensuring that workers are paid prevailing wages and that apprenticeship opportunities are being created, would apply to the tax credit, which if not met, would reduce the credit rate by 10 percentage points. The labour requirements apply to covered work that is performed on or after November 28, 2023, the date that a Notice of Ways and Means Motion for the enabling legislation of these labour requirements was first tabled in the House of Commons.

The credit would apply to property that is acquired and becomes available for use on or after March 28, 2023, with the credit rate reduced by one half in 2034, before being fully phased out by 2035.

Tax Treatment of Active Business Income of Foreign Affiliates of Canadian Corporations and Deductibility of Expenses Incurred to Invest in Foreign Affiliates

Budget 2023 reaffirmed Canada's intention, announced in Budget 2022, to introduce legislation implementing the Pillar Two global minimum tax. This will ensure that large multinational corporations are subject to a minimum effective tax rate of 15% on their profits wherever they do business. The primary charging rules of the Global Minimum Tax and Domestic Minimum Top-up Tax are effective for fiscal years of multinational corporations that begin on or after December 31, 2023. The Global Minimum Tax imposes a top-up tax on certain Canadian multinational groups in respect of income earned abroad that is taxed at an effective rate of less than 15%. This new tax relates to the measure “Tax treatment of active business income of foreign affiliates of Canadian corporations and deductibility of expenses incurred to invest in foreign affiliates”. Similarly, the Domestic Minimum Top-up Tax imposes a top-up tax on income earned in Canada that is taxed at an effective rate of less than 15%. This other tax is considered to be part of the benchmark income tax system.

Canadian Journalism Labour Tax Credit

The *2023 Fall Economic Statement* proposed two enhancements to the Canadian journalism labour tax credit. First, to increase the cap on labour expenditures per eligible newsroom employee to $85,000 from $55,000. Second, to temporarily increase the Canadian journalism labour tax credit rate to 35 per cent from 25 per cent for a period of four years. These changes would apply to qualifying labour expenditures incurred on or after January 1, 2023. The credit rate would return to 25 per cent for expenditures incurred on or after January 1, 2027.

Goods and Services Tax

Enhanced Rebate for New Residential Rental Properties

As announced on September 14, 2023, the government is temporarily enhancing the GST Rental Rebate from 36% to 100% and removing the existing rebate phase-out thresholds, for purpose-built rental housing projects. This measure will apply to projects that begin construction after September 13, 2023 and before 2031, and complete construction before 2036.

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 appearing at the end of the report. The following information is provided for each tax expenditure:

Description

A short description is provided of the key design features of the tax expenditure, as applicable on December 31, 2023 (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 or market 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.

Deemed remittance: A measure that deems a certain amount to be tax already remitted by the taxpayer.

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 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
- General revenue raising

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 Results Reports of the relevant departments and agencies.[15]

Source of data

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

[15] These documents can be accessed on the Government of Canada website (www.canada.ca) under "Government-wide reporting on spending and operations". Departmental Plans were entitled "Reports on Plans and Priorities" prior to the 2017–18 release. Departmental Results Reports were entitled "Departmental Performance Reports" prior to the 2016–17 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

10% Temporary Wage Subsidy for Employers

Description	The 10% Temporary Wage Subsidy for Employers was a 3-month measure providing a subsidy equal to 10% of the remuneration paid from March 18 to June 19, 2020, up to $1,375 for each eligible employee. The maximum total was $25,000 per eligible employer, which included corporations eligible for the small business deduction, individuals (excluding trusts), partnerships, non-profit organizations and charities. Eligible employers were able to directly access the subsidy by reducing their remittances of income tax withheld on their employees' remuneration.
Tax	Personal and corporate income tax
Beneficiaries	Businesses, individuals and other organizations
Type of measure	Deemed remittance
Legal reference	*Income Tax Act*, section 153
Implementation and recent history	• As part of Canada's COVID-19 Economic Response Plan, this measure was implemented as of March 18, 2020 and expired on June 19, 2020.
Objective – category	To encourage employment To support business activity
Objective	This measure was intended to support businesses and other organizations that are affected by the pandemic through a subsidy on wages and salaries.
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 Business – other
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs relevant to supporting individuals and businesses during the COVID-19 crisis, as part of the Canada's COVID-19 Economic Response Plan. The Canada Emergency Business Account and programs within the mandate of Innovation, Science and Economic Development Canada also support businesses and other organizations that are affected by the COVID-19 pandemic. Additional information on the relevant government programs is provided in the table at the end of Part 3.
Source of data	Administrative data provided by the Canada Revenue Agency.
Estimation method	The cost of this measure reflects administrative data provided by the Canada Revenue Agency.
Projection method	n/a
Number of beneficiaries	As of November 2023, about 326,950 employers had benefited from this subsidy, of which 24,060 had multiple payroll accounts.

Cost Information:

Millions of dollars	**2018**	**2019**	**2020**	**2021**	**2022 (P)**	**2023 (P)**	**2024 (P)**	**2025 (P)**
Personal and corporate income tax	–	–	1,770	–	–	–	–	–

Note: The figures in the table correspond to the gross fiscal impact of the measure and the number of beneficiary employers as provided by the Canada Revenue Agency. Beneficiary counts are rounded to the nearest ten and are subject to change on the basis of further processing.

$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 and energy efficient equipment, such as equipment used to generate electricity and/or heat from renewable energy sources (e.g., wind, solar, small hydro) or from waste (e.g., wood waste, landfill gas) or that makes efficient use of fossil fuels (e.g., high efficiency cogeneration), 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 and electric vehicle charging stations must meet a higher power threshold for Class 43.2 than for Class 43.1, 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 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. Budget 2018 extended the eligibility for Class 43.2 to property acquired before 2025. • The *2018 Fall Economic Statement* announced the accelerated investment incentive for specified clean energy equipment included in Classes 43.1 and 43.2 acquired after November 20, 2018 and put in use before 2024. This measure would be gradually phased out starting in 2024, and would no longer be in effect for investments put in use after 2027. • The range of assets covered by these CCA classes has been expanded several times. Most recently, Budget 2022 expanded eligibility to include air-source heat pumps used for space and water heating. Budget 2021 expanded eligibility to include equipment used in pumped hydroelectric energy storage, renewable fuel production, hydrogen production by electrolysis of water, and hydrogen refuelling. Certain existing restrictions related to investments in water current, wave and tidal energy, active solar heating, and geothermal energy technologies were also proposed to be removed. • Budget 2021 also updated the eligibility criteria for Classes 43.1 and 43.2 such that certain fossil-fuelled and low efficiency waste-fuelled electrical generation equipment would no longer be eligible. This would apply in respect of property that becomes available for use after 2024.
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 Resources Canada, 2013).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure may permit the depreciation of a capital asset faster than its useful life.

Subject	Environment Business – other
CCOFOG 2014 code	70435 - Economic affairs - Fuel and energy - Electricity 70439 - Economic affairs - Fuel and energy - Fuel and energy not elsewhere classified
Other relevant government programs	Programs within the 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 2021. 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	A small number of corporations (fewer than 20) made additions to the relevant CCA classes each year. No data is available for unincorporated businesses.

Cost Information:

Millions of dollars	2018	2019	2020	2021	2022 (P)	2023 (P)	2024 (P)	2025 (P)
Personal income tax	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Corporate income tax	X	X	X	X	X	X	X	X
Total	X	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 17,200 corporations made additions to the relevant CCA class in 2021. 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 has been phased out such that new additions to this class cannot benefit from the additional allowance.
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 phasing out by 2015 of the accelerated CCA for oil sands projects. • Budget 2013 announced the phasing out by 2021 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	In 2020 the additional allowance was only available for mining assets under Class 41.2. About 60 corporations made additions to Class 41.2 in 2021. 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 50 corporations made additions to the relevant CCA class in 2021. No data is available for unincorporated businesses.

Accelerated capital cost allowance for zero-emission automotive equipment and vehicles

Description	Zero-emission automotive equipment and vehicles purchased by businesses are deductible at a rate of 100% in the year they are put in use. Eligible on-road zero-emission vehicles include battery electric, plug-in hybrid (with a battery capacity of at least 7 kWh) or hydrogen fuel cell vehicles, including light-, medium- and heavy-duty vehicles. Other types of eligible zero-emission automotive equipment and vehicles include off-road, rail, aerial and marine automotive equipment and vehicles that are fully electric or powered by hydrogen. For new on-road zero-emission vehicles this measure applies to eligible vehicles acquired on or after March 19, 2019 and that become available for use before 2028. In the case of used on-road zero-emission vehicles, and non-road zero-emission automotive equipment and vehicles, this measure applies to eligible equipment or vehicles acquired on or after March 2, 2020 and that become available for use before 2028. The measure is subject to a phase-out for equipment and 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, 55, and 56 of Schedule II
Implementation and recent history	• Classes 54 and 55 were 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. • On March 2, 2020, Classes 54 and 55 were expanded to include used on-road zero-emission vehicles acquired on or after March 2, 2020 and that become available for use before 2028. • On March 2, 2020, Class 56 was introduced, applicable to non-road zero-emission automotive equipment and vehicles acquired on or after March 2, 2020 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). The measure was expanded to encourage businesses, including in sectors like mining, transportation, and agriculture, to take advantage of opportunities to upgrade to newer, cleaner technologies (Prime Minister of Canada news release, March 2, 2020).
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	Corporate income tax: T2 Corporation Income Tax Return External data
Estimation method	Micro-simulation model
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 towards zero-emission vehicles.

Number of beneficiaries	In 2021, about 1,745 corporations made additions to Class 54, about 1,715 corporations made additions to Class 55, and about 115 corporations made additions to Class 56. No data is available for unincorporated businesses.

Cost Information:

Millions of dollars	2018	2019	2020	2021	2022 (P)	2023 (P)	2024 (P)	2025 (P)
Personal and corporate income tax								
On-road zero-emission vehicles	–	3	5	5	10	5	-10	-5
Other types of zero-emission automotive equipment and vehicles	–	–	S	S	1	1	S	1
Total – personal and corporate income tax	–	3	5	5	10	5	-5	-5

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 include 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. • Most recently, Budget 2021 proposed to expand eligibility to include equipment used in pumped hydroelectric energy storage, renewable fuel production, hydrogen production by electrolysis of water, and hydrogen refuelling. Certain existing restrictions related to investments in water current, wave and tidal energy, active solar heating, and geothermal energy technologies were also proposed to be removed. • Budget 2021 also proposed to update the eligibility criteria for Classes 43.1 and 43.2, such that certain fossil-fuelled and low efficiency waste-fuelled electrical generation equipment would no longer be eligible after 2024. This would apply in respect of property that becomes available for use after 2024.
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 130 corporations incurred Canadian Renewable and Conservation Expenses in 2021. 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 include 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 was 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 the phasing out by 2021 of the eligibility for CEE for expenses associated with oil and gas discovery wells, 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 1,950 corporations incurred Canadian Exploration Expenses in 2021. 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)I, 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, and aggregate investment data from T1 Income Tax and Benefit Return using the nominal cash-flow method of estimation. 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	About 597,000 corporations made new additions under the accelerated investment incentive in 2021. No data is available for unincorporated businesses.

Cost Information:

Millions of dollars	**2018**	**2019**	**2020**	**2021**	**2022 (P)**	**2023 (P)**	**2024 (P)**	**2025 (P)**
Personal and corporate income tax	280	3,510	2,815	2,330	2,315	2,055	-740	-90

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	The number of corporations affected by this measure is not published in order to preserve taxpayer confidentiality.

Cost Information:

Millions of dollars	2018	2019	2020	2021	2022 (P)	2023 (P)	2024 (P)	2025 (P)
Corporate income tax	X	X	X	X	X	–	–	–

Additional Tax on Banks and Life Insurers

Description	Bank and life insurance groups are subject to an additional 1.5% tax on their taxable income. Bank and life insurer group members are permitted to allocate a $100 million taxable income exemption by agreement amongst group members.
Tax	Corporate income tax
Beneficiaries	Bank and life insurance groups
Type of measure	Surtax
Legal reference	*Income Tax Act*, section 123.6
Implementation and recent history	• Introduced in Budget 2022, effective for taxation years that end after April 7, 2022.
Objective – category	General revenue raising
Objective	To raise additional revenues.
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	n/a
Other relevant government programs	n/a
Source of data	T2 Corporation Income Tax Return
Estimation method	Micro-simulation model based on administrative data
Projection method	The cost of this measure is expected to grow in line with nominal gross domestic product.
Number of beneficiaries	About 65 corporations paid the additional tax in 2022.

Cost Information:

Millions of dollars	2018	2019	2020	2021	2022 (P)	2023 (P)	2024 (P)	2025 (P)
Corporate income tax	–	–	–	–	-260	-540	-555	-575

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 $18,210 per child (2023, 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 1,400 individuals claimed this credit in 2021.

Cost Information:

Millions of dollars	2018	2019	2020	2021	2022 (P)	2023 (P)	2024 (P)	2025 (P)
Personal income tax	2	2	1	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 ($8,396 for 2023). The credit is income-tested—the credit amount is reduced by 15% of net income in excess of an annually indexed threshold amount ($42,335 for 2023). The credit is completely phased out at an income level of $98,308 in 2023. 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 6.7 million individuals claimed this credit in 2021.

Cost Information:

Millions of dollars	2018	2019	2020	2021	2022 (P)	2023 (P)	2024 (P)	2025 (P)
Personal income tax	3,625	3,820	3,945	4,110	4,160	4,770	5,180	5,505

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 1) the combined value of the deduction for tradespeople's tool expenses ($1,000) and the Canada Employment Credit ($1,368 in 2023) or 2) 5% of the combined value of the taxpayer's net employment income as an eligible apprentice mechanic (calculated without regard to the apprentice vehicle mechanics' tools deduction) and the net amount received under the Apprenticeship Incentive and Completion Grant programs, whichever is greater.
Tax	Personal income tax
Beneficiaries	Apprentice vehicle mechanics
Type of measure	Deduction
Legal reference	*Income Tax Act*, paragraph 8(1)I 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 5,600 individuals claimed this deduction in 2021.

Cost Information:

Millions of dollars	**2018**	**2019**	**2020**	**2021**	**2022 (P)**	**2023 (P)**	**2024 (P)**	**2025 (P)**
Personal income tax	3	3	4	5	5	4	4	4

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 500 individuals and 12,600 corporations claimed this credit in 2021. The number of trusts having claimed this credit in 2021 is not disclosed due to confidentiality restrictions.

Cost Information:

Millions of dollars	**2018**	**2019**	**2020**	**2021**	**2022 (P)**	**2023 (P)**	**2024 (P)**	**2025 (P)**
Personal income tax	2	1	1	1	1	1	1	1
Corporate income tax								
Earned and claimed in current year	60	60	60	60	65	65	70	70
Claimed in current year but earned in prior years	20	20	30	35	25	25	25	25
Earned in current year but carried back to prior years	3	5	2	2	4	4	4	4
Total – corporate income tax	85	85	95	95	95	95	100	100
Total	85	85	95	100	95	95	100	100

Atlantic Investment Tax Credit

Description	A 10% credit is available for qualifying acquisitions of new buildings, machinery and equipment and prescribed energy and conservation property used primarily in qualified activities in the Atlantic provinces, the Gaspé Peninsula and their associated offshore regions. Qualified activities include farming, fishing, logging, manufacturing and processing, the storing of grain, the harvesting of peat, and the production or processing of electrical energy or steam. Unused credits can be carried back 3 years or forward 20 years to reduce taxes payable in those years. Where the credit exceeds the amount of tax payable in a year, 40% of the credit is refundable for small Canadian-controlled private corporations and individuals.
Tax	Personal (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 ceased 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.
Number of beneficiaries	About 4,400 individuals and 6,950 corporations claimed this credit in 2021. The number of trusts having claimed this credit in 2021 is not disclosed due to confidentiality restrictions.

Cost Information:

Millions of dollars	2018	2019	2020	2021	2022 (P)	2023 (P)	2024 (P)	2025 (P)
Personal income tax	10	10	10	10	10	10	10	10
Corporate income tax								
Non-refundable portion								
Earned and claimed in current year	50	35	55	75	110	100	100	100
Claimed in current year but earned in prior years	170	160	70	120	215	190	200	200
Earned in current year but carried back to prior years	5	15	10	4	15	15	20	20
Total – non-refundable portion	225	210	135	200	345	305	320	320
Refundable portion	25	25	30	25	30	30	30	30
Total – corporate income tax	245	235	160	225	375	335	345	350
Total	260	245	170	235	385	345	360	365

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 2023, the amount of the credit is: • $7,999 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; • $2,499 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 ($2,499). Where this results in less tax relief than would be available if the higher amount ($7,999) 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 $18,783 (in 2023) and is fully phased out when the dependant's income reaches $26,782 (in 2023). 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
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model

Number of beneficiaries	In total, about 550,000 were entitled to an amount for the Canada Caregiver Credit for 2021. This includes about 200,000 who were caring for an infirm spouse or common-law partner, 48,000 who were caring for an eligible dependant, 160,000 individuals who claimed the credit in respect of an infirm dependant age 18 or older, and 144,000 individuals 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	**2018**	**2019**	**2020**	**2021**	**2022 (P)**	**2023 (P)**	**2024 (P)**	**2025 (P)**
Personal income tax	220	235	240	245	250	260	270	275

Canada Child Benefit

Description	For the 2023-24 benefit year, the Canada Child Benefit provides a maximum benefit of $7,437 per child under the age of 6 and $6,275 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 2022 adjusted family net income between $34,863 and $75,537, 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 2022 adjusted family net income exceeds $75,537, 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 $75,537. 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 2023-24 benefit year, the Child Disability Benefit provides up to $3,173 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 2022 adjusted family net income in excess of $75,537. 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 (including the Child Disability Benefit) as of the 2018-19 benefit year. • Budget 2018 granted retroactive eligibility for child benefits 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. • As part of the Government of Canada's COVID-19 Economic Response Plan, an additional Canada Child Benefit payment of up to $300 per child was provided to eligible families on May 20, 2020. • As part of the Government of Canada's COVID-19 Economic Response Plan, the government introduced temporary support to be delivered in quarterly payments in 2021, to families entitled to the Canada Child Benefit with children under the age of 6. Payments total up to $1,200 per child under the age of 6 for those with adjusted family net income equal to or less than $120,000, and up to $600 per child under the age of 6 for those with adjusted family net income above $120,000. • Budget 2022 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 an Indigenous governing body.
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 3.5 million families will receive the Canada Child Benefit in 2023.

Cost Information:

Millions of dollars	**2018**	**2019**	**2020**	**2021**	**2022 (P)**	**2023 (P)**	**2024 (P)**	**2025 (P)**
Canada Child Benefit – Children's Benefits	23,900	24,300	26,800	24,500	24,600	25,600	27,300	28,900
Quarterly payments for families with young children entitled to the Canada Child Benefit (2021) – Children's Benefits	–	–	560	1,680	–	–	–	–

Note: The COVID-19 Special Payment (May 2020) is included in the estimates for the Canada Child Benefit – Children's Benefits.

Canada Emergency Rent Subsidy and Lockdown Support

Description	The Canada Emergency Rent Subsidy (CERS) provided eligible employers with a subsidy on certain rent- and mortgage-related costs. Eligible entities were individuals, taxable corporations and trusts, partnerships consisting of eligible entities, non-profit organizations, registered charities and other prescribed entities that met the minimum revenue decline. The measure came into effect on September 27, 2020 and ended on October 23, 2021. At its most generous, the CERS provided a subsidy of up to 65% of eligible costs, with the amount varying, depending on the scale of revenue decline. Eligible costs were capped at $75,000 per location and a maximum of $300,000 among affiliated entities. Additionally, entities with locations that had been significantly affected by a public health order were eligible for the Lockdown Support equal to 25% of eligible costs. The Lockdown Support was subject to a $75,000 cap on eligible costs per location, but not the cap of $300,000 among affiliated entities.
Tax	Personal (including trusts) and corporate income tax
Beneficiaries	Businesses, individuals and other organizations
Type of measure	Credit, refundable
Legal reference	*Income Tax Act*, sections 125.7 and 164
Implementation and recent history	• As part of Canada's COVID-19 Economic Response Plan, this measure was implemented as of September 27, 2020. On November 5, 2020, details for September 27, 2020 to December 19, 2020 were announced. • In the *2020 Fall Economic Statement*, on November 30, 2020, the government announced details for the CERS program for December 20, 2020 to March 13, 2021. • On March 3, 2021, the government extended the CERS and Lockdown Support and announced program parameters for the period from March 14 to June 5, 2021. • In Budget 2021, the government announced that the CERS and Lockdown Support would be further extended until September 25, 2021, with gradually declining CERS rates, beginning July 4, 2021. • On July 30, 2021, the Government extended the CERS and Lockdown Support until October 23, 2021 and increased the maximum CERS rate for the period between August 29 and September 25, 2021. Technical changes were also announced to provide increased flexibility to organizations not operating on March 1, 2019.
Objective – category	To encourage employment To support business activity
Objective	This measure was intended to support businesses and other organizations that were affected by the COVID-19 pandemic through a subsidy on certain rent- and mortgage-related costs. The top-up was intended to provide direct financial support to businesses that were significantly affected by local public health restrictions.
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	Business – other
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs relevant to supporting individuals and businesses during the COVID-19 crisis, as part of the Canada's COVID-19 Economic Response Plan. Specifically, the Canada Emergency Rent Subsidy was introduced as a successor to the Canada Emergency Commercial Rent Assistance program administered by the Canada Mortgage and Housing Agency. The Canada Emergency Business Account and programs within the mandate of Innovation, Science and Economic Development Canada also support businesses and other organizations that are affected by the COVID-19 pandemic. Additional information on the relevant government programs is provided in the table at the end of Part 3.
Source of data	Administrative data provided by the Canada Revenue Agency
Estimation method	The cost of this measure reflects administrative data provided by the Canada Revenue Agency.
Projection method	n/a

Number of beneficiaries	The number of unique applicants with approved claims is 223,540 for the CERS and 94,030 for Lockdown Support (data as of September 3, 2023).

Cost Information:

Millions of dollars	**2018**	**2019**	**2020**	**2021**	**2022 (P)**	**2023 (P)**	**2024 (P)**	**2025 (P)**
Personal and corporate income tax	–	–	2,080	5,575	–	–	–	–

Note: The figures in the table correspond to the gross fiscal impact of the measures and they are subject to change as claims are reviewed and adjusted. The distribution across years reflects the benefit periods for the programs. Figures reflect microdata provided by the Canada Revenue Agency dating to September 3, 2023.

Canada Emergency Wage Subsidy

Description	The Canada Emergency Wage Subsidy (CEWS) provided eligible employers whose revenues had decreased due to COVID-19 with a wage subsidy for eligible remuneration paid to employees in respect of a claim period. The measure came into effect on March 15, 2020 and ended on October 23, 2021. Eligible entities were individuals, taxable corporations and trusts, partnerships consisting of eligible entities, non-profit organizations, registered charities and other prescribed entities that met the minimum revenue decline. At its most generous, the CEWS for active employees provided a total subsidy of up to 85% of wages for eligible employers, with the amount varying depending on the scale of revenue decline. As of July 4, 2021, eligiblity had been restricted to employers with current-month revenue losses above 10% and subsidy rates had also been gradually reduced in order to ensure an orderly phase-out of the program by October 23, 2021. A separate rate structure applied to furloughed employees, which was aligned with the benefits provided under the Canada Emergency Response Benefit and/or Employment Insurance system. The CEWS for furloughed employees expired on August 28, 2021.
Tax	Personal (including trusts) and corporate income tax
Beneficiaries	Businesses, individuals and other organizations
Type of measure	Credit, refundable
Legal reference	*Income Tax Act*, sections 125.7 and 164
Implementation and recent history	• As part of Canada's COVID-19 Economic Response Plan, the CEWS was introduced on March 27, 2020, for an initial 12-week period from March 15 to June 6, 2020. • On May 15, 2020, the government extended the CEWS by an additional 12 weeks to August 29, 2020 and extended eligibility to the CEWS to certain types of organizations. • On July 17, 2020, the government announced the extension and redesign of the CEWS until December 19, 2020, providing details of the program until November 21, 2020. • On October 9, 2020, the government confirmed that the CEWS would be extended until June 2021, and announced the details of the program until December 19, 2020 and other enhancements. • In the *2020 Fall Economic Statement*, on November 30, 2020, the government announced the details of the program until March 13, 2021, including an increase to the maximum top-up rate. • In March 2021, the government announced the program parameters from March 14 to June 5, 2021 and amendements to provide increased flexibility for furloughed and non-arms's length employees. • In April 2021, Budget 2021 announced a further extension of the CEWS for active employees until September 24, 2021. Program parameters, including changes to the subsidy rate structure and eligibility, were also announced. The wage subsidy for furloughed employees was also extended until August 28, 2021. In addition, Budget 2021 introduced new requirements to prevent publicly listed corporations receiving the wage subsidy from paying its top executives more in 2021 than in 2019. • On July 30, 2021, the government extended the CEWS for active employees until October 23, 2021 and increased the maximum subsidy rate for the period between August 29 and September 25, 2021. Technical changes were also announced to provide increased flexibility to organizations not operating on March 1, 2019.
Objective – category	To encourage employment To support business activity
Objective	This measure was put in place to help prevent job losses and encourage employers to quickly rehire workers previously laid off as a result of COVID-19.
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 Business – other
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified 71059 - Social Protection - Unemployment

Other relevant government programs	Programs relevant to supporting individuals and businesses during the COVID-19 crisis, as part of the Canada's COVID-19 Economic Response Plan. The Canada Emergency Business Account and programs within the mandate of Innovation, Science and Economic Development Canada also support businesses and other organizations that are affected by the COVID-19 pandemic. Additional information on the relevant government programs is provided in the table at the end of Part 3.
Source of data	Administrative data provided by the Canada Revenue Agency
Estimation method	The cost of this measure reflects administrative data provided by the Canada Revenue Agency.
Projection method	n/a
Number of beneficiaries	The number of unique applicants with approved claims is 460,070 (data as of September 3, 2023).

Cost Information:

Millions of dollars	**2018**	**2019**	**2020**	**2021**	**2022 (P)**	**2023 (P)**	**2024 (P)**	**2025 (P)**
Personal and corporate income tax	–	–	70,605	29,625	–	–	–	–

Note: The figures in the table correspond to the gross fiscal impact of the measure and they are subject to change as claims are reviewed and adjusted. The distribution across years reflects the benefit periods for the program. Figures reflect microdata provided by the Canada Revenue Agency dating to September 3, 2023.

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 $1,368 (in 2023) 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 18.7 million individuals claimed this credit in 2021.

Cost Information:

Millions of dollars	**2018**	**2019**	**2020**	**2021**	**2022 (P)**	**2023 (P)**	**2024 (P)**	**2025 (P)**
Personal income tax	2,495	2,595	2,750	2,755	2,795	3,005	3,145	3,235

Canada Recovery Dividend

Description	The Canada Recovery Dividend (CRD) is a one-time tax on bank and life insurer groups. For the purpose of this measure, groups are defined as a bank or life insurer and any other financial institution (for the purposes of Part VI of the *Income Tax Act*) that is related to the bank or life insurer. The CRD applies at a rate of 15% on the average of 2020 and 2021 taxable income. Bank and life insurer groups subject to the CRD are permitted to allocate a $1 billion taxable income exemption by agreement amongst group members. The CRD liability is imposed for the 2022 taxation year and is payable in equal amounts over five years.
Tax	Corporate income tax
Beneficiaries	Bank and life insurance groups
Type of measure	Surtax
Legal reference	*Income Tax Act*, section 191.5
Implementation and recent history	• Introduced in Budget 2022, effective for the 2022 taxation year.
Objective – category	General revenue raising
Objective	The Canada Recovery Dividend was introduced to ensure large financial institutions help support Canada's broader recovery from the COVID-19 pandemic.
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	n/a
Other relevant government programs	n/a
Source of data	T2 Corporation Income Tax Return
Estimation method	Micro-simulation model based on administrative data
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	**2018**	**2019**	**2020**	**2021**	**2022 (P)**	**2023 (P)**	**2024 (P)**	**2025 (P)**
Corporate income tax	–	–	–	–	-695	-695	-695	-695

Canada Recovery Hiring Program

Description	Eligible employers received a subsidy of up to 50% on the incremental remuneration paid to eligible active employees between June 6, 2021 and May 7, 2022. Employers eligible for any of the COVID-19 wage subsidy programs (i.e., under the Canada Emergency Wage Subsidy, the Tourism and Hospitality Recovery Program, the Hardest-Hit Business Recovery Program or the Local Lockdown Program) were generally eligible for the Canada Recovery Hiring Program. However, a for-profit corporation was eligible for the hiring subsidy only if it was a Canadian-controlled private corporation (including a cooperative corporation that was eligible for the small business deduction). Other eligible employers included individuals, non profit organizations, registered charities, and certain partnerships. Eligible employers claimed the higher of a COVID-19 wage subsidy or the Canada Recovery Hiring Program.
Tax	Personal (including trusts) and corporate income tax
Beneficiaries	Businesses, individuals and other organizations
Type of measure	Credit, refundable
Legal reference	*Income Tax Act*, sections 125.7 and 164
Implementation and recent history	• Budget 2021 introduced this program for the period between June 6, 2021 and November 20, 2021. The subsidy rate was initially scheduled to gradually decline from a maximum of 50% (from July 4 to July 31, 2021) to 20% (from October 24 to November 20, 2021), after which the program was expected to end. • On October 21, 2021, the government announced its intention to extend the program until May 7, 2022. The subsidy rate was also increased back to 50% starting October 24, 2021.
Objective – category	To encourage employment To support business activity
Objective	This measure was put in place to help organizations affected by the pandemic hire more workers as the economy reopens.
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 Business – other
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified 71059 - Social protection - Unemployment
Other relevant government programs	Programs relevant to supporting individuals and businesses during the COVID-19 crisis, as part of Canada's COVID-19 Economic Response Plan. The Canada Emergency Business Account and programs within the mandate of Innovation, Science and Economic Development Canada also support businesses and other organizations that are affected by the COVID-19 pandemic. Additional information on the relevant government programs is provided in the table at the end of Part 3.
Source of data	Administrative data provided by the Canada Revenue Agency
Estimation method	The cost of this measure reflects administrative data provided by the Canada Revenue Agency.
Projection method	n/a
Number of beneficiaries	The number of unique applicants with approved claims is 59,050 (data as of September 3, 2023).

Cost Information:

Millions of dollars	**2018**	**2019**	**2020**	**2021**	**2022 (P)**	**2023 (P)**	**2024 (P)**	**2025 (P)**
Personal and corporate income tax	–	–	–	955	480	–	–	–

Note: The figures in the table correspond to the gross fiscal impact of the measure and they are subject to change as claims are reviewed and adjusted. The distribution across years reflects the benefit periods for the programs. Figures reflect microdata provided by the Canada Revenue Agency dating to September 3, 2023.

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 a Canada Training Credit balance for 2023, a worker must have earnings of $10,994 or more (including maternity or parental leave benefits) and must have net income below the upper limit of the third federal tax bracket ($155,625 in 2022).
Tax	Personal income tax
Beneficiaries	Individuals 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 was first 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 labor affairs - General labor 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	About 580,000 individuals claimed this credit in 2021.

Cost Information:

Millions of dollars	2018	2019	2020	2021	2022 (P)	2023 (P)	2024 (P)	2025 (P)
Personal income tax	S	S	100	180	220	240	255	275

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 27% of each dollar of earned income in excess of $3,000 to a maximum credit of $1,518 for single individuals without dependants and $2,616 for families (couples and single parents) in 2023. The CWB is phased out at a rate of 15% of each dollar of adjusted net income above thresholds of $24,975 for single individuals without dependants and $28,494 for families in 2023. An additional CWB supplement of up to $784 in 2023 is provided to persons eligible for both the CWB and the Disability Tax Credit. The CWB supplement is phased out at a rate of 15% of each dollar of adjusted net income above a threshold of $35,098 for single individuals without dependants and $45,932 for families in 2023. Maximum benefit amounts and phase-out thresholds are indexed annually for inflation. Starting in 2023, individuals who received a CWB entitlement for the previous year automatically receive advance payment of the CWB for the year. These advance payment entitlements total half of the previous year's CWB and are generally issued in July and October of the year, as well as January of the subsequent year. Any remaining entitlement for the year is issued through the tax return for the year. 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 2023.
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. • Budget 2021 enhanced the CWB for the 2021 and subsequent taxation years. • The *2022 Fall Economic Statement* introduced automatic advance payment of the Canada Workers Benefit for people who qualified for the benefit in the previous year, starting in July 2023 for the 2023 taxation year.
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- and modest-income working Canadians. (Budget 2007; Budget 2009; Budget 2018; Budget 2021)
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 2.5 million individuals are projected to have received the CWB for the 2022 tax year. These individuals received automatic advance payment of the CWB for the 2023 taxation year, as introduced in the 2022 Fall Economic Statement.

Cost Information:

Millions of dollars	**2018**	**2019**	**2020**	**2021**	**2022 (P)**	**2023 (P)**	**2024 (P)**	**2025 (P)**
Working Income Tax Benefit – personal income tax	1,105	–	–	–	–	–	–	–
Canada Workers Benefit – personal income tax	–	2,005	900	2,400	3,300	4,285	4,500	4,605

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, net of any assistance, with the result that the credit can cover up to 15% of the total production costs. 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. • In 2018, a Memorandum of Understanding (MOU) was signed between the Government of Canada and the Belgian linguistic communities to allow joint projects of producers from Canada and Belgium. This MOU was added to the list of instruments under which a production may qualify for the Canadian Film or Video Production Tax Credit starting as of March 12, 2018. • Budget 2021 extended by 12 months certain timelines with respect to the credit for taxation years ending in 2020 or 2021, including: the 24 month period to incur qualifying expenditures before the date that a principal photography begins; the timeline to submit a certificate of completion to the Canadian Audio-Visual Certification Office; and, the requirement that there be a written agreement with a Canadian distributor or with a licensed broadcaster to show the production in Canada within 24 months of its completion.
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 1,310 corporations received this benefit in 2021.

Cost Information:

Millions of dollars	2018	2019	2020	2021	2022 (P)	2023 (P)	2024 (P)	2025 (P)
Corporate income tax	270	300	255	290	330	335	345	360

Canadian Journalism Labour Tax Credit

Description	A refundable tax credit in respect of salary or wages paid to eligible newsroom employees of qualified Canadian journalism organizations. This incentive currently allows qualifying journalism organizations to claim a 25% credit on up to $55,000 in labour costs per eligible newsroom employee per year, for a maximum credit of $13,750 per employee. The *2023 Fall Economic Statement* proposed to increase the cap on labour costs per eligible newsroom employee to $85,000, and temporarily increase the tax credit rate to 35% for a period of four years. These changes would apply to qualifying labour expenditures incurred on or after January 1, 2023. The credit rate would return to 25% for expenditures incurred on or after January 1, 2027.
Tax	Personal (including trusts) and corporate income tax
Beneficiaries	Eligible qualified Canadian journalism organizations
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. • On April 17, 2020, the government announced adjustments to the Canadian journalism labour tax credit to help ensure that the journalism tax measures introduced in Budget 2019 achieve their initial objectives. These changes applied retroactively to January 1, 2019. • The *2023 Fall Economic Statement* proposed to enhance the Canadian journalism labour tax credit by increasing the cap on labour expenditures per eligible newsroom employee to $85,000 from $55,000 and temporarily increasing the tax credit rate to 35% from 25% for a period of four years, after which it would return to 25%. These changes would apply to qualifying labour expenditures incurred on or after January 1, 2023. As of December 31, 2023, these changes are not yet legislated.
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	T1 Income Tax and Benefit Return T2 Corporation Income Tax Return
Estimation method	Personal income tax: The estimates are based on actual amounts earned and claimed by individuals (other than trusts). Corporate income tax: The estimates are based on actual amounts earned and claimed by corporations.
Projection method	The cost of this measure is projected to grow in line with salaries and wages.
Number of beneficiaries	About 290 individuals and 116 corporations claimed this tax credit in 2021. Information on the number of trusts claiming this tax credit is not available.

Cost Information:

Millions of dollars	2018	2019	2020	2021	2022 (P)	2023 (P)	2024 (P)	2025 (P)
Personal income tax	–	n.a.	1	S	S	S	S	S
Corporate income tax	–	35	35	35	40	65	65	70
Total	–	n.a.	35	35	40	65	65	70

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. As a result, if the proceeds of disposition and adjusted cost base are each greater than $1,000, this measure does not apply and capital gains and losses are calculated in the usual manner. If the proceeds of disposition are greater than $1,000 and the adjusted cost base is less than $1,000, the capital gain is limited to the amount by which the proceeds of disposition exceed $1,000. If the proceeds of disposition are less than $1,000 and the adjusted cost base is greater than $1,000, the net capital loss is the amount by which the adjusted cost base exceeds $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. Personal-use property of a trust is property owned mainly for the personal use or enjoyment of a beneficiary under the trust or any individual related to a beneficiary.
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 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 712,000 individuals, 6,900 trusts and 71,150 corporations made use of this measure in 2021 (not counting individuals that carried back losses only).

Cost Information:

Millions of dollars	**2018**	**2019**	**2020**	**2021**	**2022 (P)**	**2023 (P)**	**2024 (P)**	**2025 (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	445	435	550	940	490	515	540	585
Trusts	750	900	710	1,810	1,310	1,120	1,035	1,080
Total – personal income tax	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Corporate income tax								
Carried back	305	210	395	245	420	380	400	420
Applied to current year	440	345	585	580	495	560	580	585
Total – corporate income tax	745	555	980	825	915	940	975	1,005
Total	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Carbon Capture, Utilization, and Storage Investment Tax Credit

Description	Budget 2022 proposed a refundable investment tax credit for businesses that incur eligible carbon capture, utilization, and storage (CCUS) expenses, starting in 2022. The investment tax credit would be available to CCUS projects to the extent that they permanently store captured CO_2 through an eligible use. Eligible CO_2 uses include dedicated geological storage and storage of CO_2 in concrete, but does not include enhanced oil recovery. Eligible jurisdictions for dedicated geological storage include Alberta, British Columbia, and Saskatchewan.
Tax	Corporate income tax
Beneficiaries	Businesses investing in eligible CCUS equipment
Type of measure	Credit, refundable
Legal reference	Not yet legislated (as of December 31, 2023)
Implementation and recent history	• First announced in Budget 2021. • Budget 2022 announced design details of a refundable tax credit with rates, from 2022 through 2030, set at 60% for investment in equipment to capture CO_2 in direct air capture projects; 50% for investment in equipment to capture CO_2 in all other CCUS projects; and 37.5% for investment in equipment for transportation and storage. These rates will be reduced by 50% for the period from 2031 through 2040. • Budget 2023 introduced enhancements to the investment tax credit, expanding the list of eligible CCUS equipment and approved jurisdictions for dedicated geological storage. Labour requirements were also announced, which if not met, would reduce the credit rate by 10 percentage points.
Objective – category	To encourage or attract investment To achieve a social objective
Objective	This measure was proposed to encourage businesses to invest in carbon capture, utilization, and storage equipment with the goal of reducing emissions by at least 15 megatonnes of CO_2 annually. The measure is an important element in the government's plan to achieve net-zero emissions by 2050 while also accelerating the growth of new businesses and jobs related to carbon capture.
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	Environment Business – other
CCOFOG 2014 code	70539 - Environmental protection - Pollution abatement
Other relevant government programs	Programs within the mandates of Natural Resources Canada or Environment and Climate Change Canada, such as the R&D funding for CCUS, or regulatory instruments such as carbon pricing and the *Clean Fuel Regulations*, also support investment in CCUS technologies. Other government assistance may also be available through the Canada Growth Fund and Canada Infrastructure Bank. 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	n/a
Projection method	The projected cost of this measure is based on available information regarding CCUS project proposals.
Number of beneficiaries	No data is available.

Cost Information:

Millions of dollars	**2018**	**2019**	**2020**	**2021**	**2022 (P)**	**2023 (P)**	**2024 (P)**	**2025 (P)**
Corporate income tax	–	–	–	–	25	100	300	720

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 2023, 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 $235,675 who may claim a 33% tax credit on the portion of total annual donations over $200 made from taxable income greater than $235,675. 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 donee" 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 million individuals and 3,600 trusts claimed this credit in 2021.

Cost Information:

Millions of dollars	**2018**	**2019**	**2020**	**2021**	**2022 (P)**	**2023 (P)**	**2024 (P)**	**2025 (P)**
Donations by individuals by type of donations								
Publicly listed securities	270	410	340	430	320	340	355	370
Ecologically sensitive land	10	5	10	10	15	10	10	10
Cultural property	15	10	15	15	10	15	15	15
Other	2,685	2,630	2,925	3,155	3,270	3,260	3,330	3,410
Subtotal – donations by individuals	2,980	3,060	3,290	3,615	3,620	3,625	3,705	3,805
Donations by trusts	30	30	45	45	45	50	50	50
Total – personal income tax	3,010	3,090	3,335	3,660	3,665	3,670	3,755	3,855

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). • As part of the Government of Canada's COVID-19 Economic Response Plan, the government temporarily expanded the definition of income for this deduction to include Employment Insurance (EI) benefits (including EI special benefits) and Quebec Parental Insurance Plan benefits. The requirement that eligible expenses be incurred to earn employment or business income, pursue education, or perform research was also waived. These changes were effective for the 2020 and 2021 taxation years.
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 1.3 million individuals claimed this deduction in 2021.

Cost Information:

Millions of dollars	**2018**	**2019**	**2020**	**2021**	**2022 (P)**	**2023 (P)**	**2024 (P)**	**2025 (P)**
Personal income tax	1,270	1,325	975	1,210	1,260	1,100	1,000	950

Clean Hydrogen Investment Tax Credit

Description	As proposed, the Clean Hydrogen Investment Tax Credit is a refundable investment tax credit with varying levels of support between 15 and 40 per cent of eligible project costs based on the carbon intensity of the hydrogen produced. Carbon intensity is measured using Canada's Fuel Life Cycle Assessment Model. The tax credit would be available in respect of the cost of purchasing and installing eligible equipment for projects that produce hydrogen from electrolysis, or natural gas, so long as emissions are abated using carbon capture, utilization, and storage. Clean ammonia production equipment is also eligible at a 15 per cent credit rate, subject to certain conditions. Businesses must adhere to labour requirements, which if not met, would reduce the credit rate by 10 percentage points. The credit would apply to property that is acquired and becomes available for use on or after March 28, 2023, with the credit rate reduced by one half in 2034, and the credit fully phased out by 2035.
Tax	Corporate income tax
Beneficiaries	Businesses investing in eligible clean hydrogen equipment
Type of measure	Credit, refundable
Legal reference	Not yet legislated (as of December 31, 2023)
Implementation and recent history	• The *2022 Fall Economic Statement* indicated the government would consult on a refundable investment tax credit based on the lifecycle carbon intensity of hydrogen. • Budget 2023 announced key design features, with levels of support varying between 15% and 40% of eligible projects costs, with the projects that produce the cleanest hydrogen receiving the highest levels of support, and a 15% tax credit for equipment needed to convert clean hydrogen into clean ammonia. Labour conditions were also announced, which if not met, reduce the maximum tax credit rate by 10 percentage points. • The 2023 *Fall Economic Statement* provided design details on eligible clean ammonia equipment, the use of Power Purchase Agreements and other instruments, details on a required 5-year compliance period, and further clarification in respect of administration.
Objective – category	To encourage or attract investment To achieve a social objective
Objective	This measure was proposed to encourage businesses to invest in hydrogen production equipment to create good middle class careers, ensure that Canadian companies can remain globally competitive, and encourage the use of clean energy to reduce pollution.
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	Environment Business – other
CCOFOG 2014 code	70539 - Environmental protection - Pollution abatement
Other relevant government programs	Programs within the mandates of Natural Resources Canada or Environment and Climate Change Canada, such as the Clean Fuels Fund, or regulatory instruments such as carbon pricing and the *Clean Fuel Regulations*, also support investment in clean hydrogen technologies. Other government assistance may also be available through the Canada Growth Fund and Canada Infrastructure Bank. 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	n/a
Projection method	The projected cost of this measure is based on available information regarding expected hydrogen projects.
Number of beneficiaries	No data is available.

Cost Information:

Millions of dollars	2018	2019	2020	2021	2022 (P)	2023 (P)	2024 (P)	2025 (P)
Corporate income tax	–	–	–	–	–	75	150	835

Clean Technology Investment Tax Credit

Description	As proposed, the Clean Technology Investment Tax Credit is a refundable tax credit for the capital cost of investments in certain clean technologies: • Certain Electricity Generation Systems, including small modular nuclear reactors, solar, wind, geothermal and water (small hydro, run-of-river, wave, and tidal); • Stationary Electricity Storage Systems that do not use fossil fuels in their operation; • Certain Low-Carbon Heat Equipment, including active solar heating, air-source heat pumps, and ground-source heat pumps; • Non-road zero-emission vehicles and related charging or refueling equipment; and • Systems that produce electricity, heat, or both electricity and heat from waste biomass. A 30% tax credit rate will be available to businesses investing in eligible technologies. As outlined in Budget 2023, businesses will have to adhere to certain labour requirements in order to qualify for the 30% rate. If the labour requirements are not met, investments would receive a 20% tax credit rate. The Clean Technology Investment Tax Credit could be claimed in addition to the Atlantic Investment Tax Credit, but generally not with any other investment tax credit. The credit would apply to property that is acquired and becomes available for use on or after March 28, 2023, with the credit rate reduced by one half in 2034, and the credit fully phased out by 2035.
Tax	Corporate income tax
Beneficiaries	Businesses investing in clean technologies
Type of measure	Credit, refundable
Legal reference	Not yet legislated (as of December 31, 2023)
Implementation and recent history	• Announced in Budget 2022 • Details on the design and eligible technologies were announced in the *2022 Fall Economic Statement* • Eligibility expansion to cover geothermal energy equipment and a modification to the phase-out schedule were announced in Budget 2023 • Eligibility expansion to cover certain waste biomass energy generation systems was announced in the *2023 Fall Economic Statement.* This property would be covered if it is acquired and becomes available for use on or after November 21st 2023.
Objective – category	To encourage or attract investment To support competitiveness To achieve a social objective
Objective	To help businesses to adopt clean technologies in order to create jobs, ensure that Canadian businesses remain competitive, and reduce Canada's emissions at the same time (Budget 2022 and *2022 Fall Economic Statement*).
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	Environment Business – other
CCOFOG 2014 code	70435 - Economic affairs - Fuel and energy - Electricity 70539 - Environmental protection - Pollution abatement
Other relevant government programs	Programs within the purview of Environment and Climate Change Canada and Natural Resources Canada also support environment-related objectives. Programs within 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	n/a
Projection method	Historic acquisitions are projected forward using technology-specific growth rates. These projections are combined with information on announced or expected major investments to project future acquisitions of clean technologies.
Number of beneficiaries	No data is available.

Cost Information:

Millions of dollars	**2018**	**2019**	**2020**	**2021**	**2022 (P)**	**2023 (P)**	**2024 (P)**	**2025 (P)**
Corporate income tax	–	–	–	–	–	1,100	970	1,035

Clean Technology Manufacturing Investment Tax Credit

Description	Budget 2023 proposed a refundable tax credit equal to 30% of the cost of investments in new machinery and equipment used to manufacture or process key clean technologies, and extract, process, or recycle key critical minerals, including: • Extraction, processing, or recycling of critical minerals essential for clean technology supply chains, specifically: lithium, cobalt, nickel, graphite, copper, and rare earth elements; • Manufacturing of renewable or nuclear energy equipment; • Processing or recycling of nuclear fuels and heavy water; • Manufacturing of grid-scale electrical energy storage equipment; • Manufacturing of zero-emission vehicles; and, • Manufacturing or processing of certain upstream components and materials for the above activities, such as cathode materials and batteries used in electric vehicles. The credit would apply to property that is acquired and becomes available for use on or after January 1, 2024, and would no longer be in effect after 2034, subject to a phase-out starting in 2032.
Tax	Corporate income tax
Beneficiaries	Canadian companies that manufacture or process clean technologies; or extract, process, or recycle key critical minerals
Type of measure	Credit, refundable
Legal reference	Not yet legislated (as of December 31, 2023)
Implementation and recent history	• Announced in Budget 2023. Available for property that is acquired and becomes available for use on or after January 1, 2024.
Objective – category	To encourage or attract investment To support competitiveness To support business activity
Objective	To support Canadian companies in the manufacturing and processing of clean technologies, and in the extraction and processing of critical minerals (Budget 2023).
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	Environment Business – other
CCOFOG 2014 code	70433 - Economic affairs - Fuel and energy - Nuclear fuel 70435 - Economic affairs - Fuel and energy - Electricity 70436 - Economic affairs - Fuel and energy - Non-electric energy 70441 - Economic affairs - Mining, manufacturing, and construction - Mining of mineral resources other than mineral fuels 70442 - Economic affairs - Mining, manufacturing, and construction - Manufacturing
Other relevant government programs	Programs within the purview of Environment and Climate Change Canada; Natural Resources Canada; and Innovation, Science and Economic Development Canada also support environment-related objectives. Programs within the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant government programs is provided in the table at the end of Part 3.
Source of data	T2 Corporation Income Tax Return
Estimation method	T2 micro-simulation model and information on expected major investments
Projection method	Historic acquisitions are projected forward using a combination of technology-specific growth rates, information on announced or expected major investments, and government mandates for zero-emission vehicles. The cost of this measure is projected to grow in line with the growth in zero-emission manufacturing and processing activities.

Number of beneficiaries	No data is available.

Cost Information:

Millions of dollars	**2018**	**2019**	**2020**	**2021**	**2022 (P)**	**2023 (P)**	**2024 (P)**	**2025 (P)**
Personal income tax	–	–	–	–	–	–	3	3
Corporate income tax	–	–	–	–	–	–	790	870
Total	–	–	–	–	–	–	795	875

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	A small number of corporations (fewer than 20) claim this credit each year.

Cost Information:

Millions of dollars	2018	2019	2020	2021	2022 (P)	2023 (P)	2024 (P)	2025 (P)
Corporate income tax	80	4	45	15	35	30	30	30

Credit for subscriptions to Canadian digital news media

Description	A temporary, non-refundable 15% tax credit is provided 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 the content of a Qualified Canadian Journalism Organization in a digital form, and that content is primarily original written news.
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	About 400,000 individuals claimed this credit in 2020.

Cost Information:

Millions of dollars	2018	2019	2020	2021	2022 (P)	2023 (P)	2024 (P)	2025 (P)
Personal income tax	–	–	10	15	15	20	20	S

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 which is calculated by applying the lowest personal income tax rate (15% in 2023) to the credit amount. The credit amount is indexed to inflation. As of 2020, a taxpayer may also claim an income-tested supplement to the Basic Personal Amount. This supplement was legislated to gradually increase in steps each year until 2023. The increased portion of the credit is subject to an income test beginning at a level of individual net income equal to the fourth federal tax bracket threshold ($165,430 in 2023), and is fully phased out by the fifth federal bracket threshold ($235,675 in 2023). The maximum credit amount (i.e., the base credit + supplement) for 2023 is $15,000, with the fully reduced amount being $13,520.
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 introduced a gradual increase to the Basic Personal Amount to $15,000 over the 2020 to 2023 period.
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 29.3 million individuals claimed this credit in 2021.

Cost Information:

Millions of dollars	**2018**	**2019**	**2020**	**2021**	**2022 (P)**	**2023 (P)**	**2024 (P)**	**2025 (P)**
Personal income tax	36,440	38,780	44,490	49,570	47,775	50,845	53,625	55,685

Critical 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, Budget 2022 announced that individuals (other than trusts) who invest in flow-through shares of a corporation be able to claim a 30% non-refundable tax credit in respect of specified critical 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 critical mineral resource in Canada. Eligible expenses may not benefit from both the Critical Mineral Exploration Tax Credit and the Mineral Exploration Tax Credit. 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 definitions of "critical mineral", "flow-through critical mineral mining expenditure" and "qualified professional engineer or professional geoscientist"
Implementation and recent history	• Introduced as part of Budget 2022. Effective in respect of expenditures incurred after April 7, 2022 and on or before March 31, 2027. • Budget 2023 proposes to expand eligibility to include eligible expenditures related to lithium from brines exploration.
Objective – category	To encourage or attract investment
Objective	This measure will make critical mineral projects a less risky undertaking for companies and help grow both Canada's critical mineral industry and secure good resource jobs of the future (Budget 2022).
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	Estimates are not yet available.
Projection method	Projections are based on current market conditions.
Number of beneficiaries	No data is available.

Cost Information:

Millions of dollars	2018	2019	2020	2021	2022 (P)	2023 (P)	2024 (P)	2025 (P)
Personal income tax	–	–	–	–	45	35	35	35

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 2,500 individuals claimed this deduction in 2021.

Cost Information:

Millions of dollars	2018	2019	2020	2021	2022 (P)	2023 (P)	2024 (P)	2025 (P)
Personal income tax	1	1	1	1	1	1	1	1

Deductibility of charitable donations

Description	Donations made by corporations to registered charities are deductible in computing taxable income within certain limits. In general, a deduction may be claimed on donations totalling up to 75% of a corporation's taxable income. The limit is increased by 25% of the amount of taxable capital gains arising from donations of appreciated capital property and 25% of any capital cost allowance recapture arising from donations of depreciable capital property. The net income restriction does not apply to certain gifts of cultural property or ecologically sensitive land. Donations in excess of the particular limit applied may be carried forward up to 5 years with the exception of gifts of ecologically sensitive land, which may be carried forward up to 10 years.
Tax	Corporate income tax
Beneficiaries	Corporate donors
Type of measure	Deduction
Legal reference	*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 100,400 corporations in 2021.

Cost Information:

Millions of dollars	2018	2019	2020	2021	2022 (P)	2023 (P)	2024 (P)	2025 (P)
By type of donations								
Ecologically sensitive land	10	2	1	1	5	2	2	2
Cultural property	3	4	1	1	2	1	1	1
Other	680	885	715	1,030	985	830	860	865
Total – corporate income tax	690	890	715	1,030	990	835	865	870

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 40) claimed this deduction in 2021. No data is available for unincorporated businesses.

Cost Information:

Millions of dollars	2018	2019	2020	2021	2022 (P)	2023 (P)	2024 (P)	2025 (P)
Personal income tax	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Corporate income tax	60	50	50	45	50	50	50	50
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 15 corporations claimed this deduction in 2021.

Cost Information:

Millions of dollars	**2018**	**2019**	**2020**	**2021**	**2022 (P)**	**2023 (P)**	**2024 (P)**	**2025 (P)**
Corporate income tax	S	S	S	-1	S	S	S	S

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 650 individuals claimed this deduction in 2021.

Cost Information:

Millions of dollars	2018	2019	2020	2021	2022 (P)	2023 (P)	2024 (P)	2025 (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 data is available.
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 in charge of or administers a diocese, parish or congregation, or is engaged exclusively in full-time administrative service by appointment of a religious order or denomination, can claim a deduction for clergy residence. The amount deducted cannot exceed the taxpayer's income from the office or employment. If the taxpayer is supplied living accommodation by their employer, or receives a housing allowance, they may claim an offsetting deduction equal to the total amount included in the taxpayer's income as a taxable benefit because of the housing accommodation or allowance. When no allowance is received nor living accommodation provided, a calculated deduction for rent and utilities is provided. In general, if the taxpayer owns or rents the accommodation, the amount that may be deducted cannot exceed 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 lesser of two amounts: one-third of their remuneration or $10,000, whichever is greater; and the fair rental value of the residence (reduced by other amounts deducted in connection with the same residence).
Objective – category	To achieve a social objective
Objective	This measure recognizes the special nature of the contributions and circumstances of members of the clergy (Budget, March 1949).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base.
Subject	Social
CCOFOG 2014 code	70849 - Recreation, culture, and religion - Religious and other community services
Other relevant government programs	Programs within the mandates of Canadian Heritage, Immigration, Refugees and Citizenship Canada, Transport Canada and Public Safety Canada (among other departments) also support various other social objectives. Additional information on the relevant government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 27,000 individuals claimed this deduction in 2021.

Cost Information:

Millions of dollars	**2018**	**2019**	**2020**	**2021**	**2022 (P)**	**2023 (P)**	**2024 (P)**	**2025 (P)**
Personal income tax	95	95	95	100	100	105	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 $1,000 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 ($1,368 in 2023). 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. • Budget 2023 doubled the maximum employment deduction for tradespeople's tool expenses from $500 to $1,000, effective for 2023 and subsequent taxation years.
Objective – category	To recognize expenses incurred to earn employment income
Objective	This measure provides tax recognition for the extraordinary cost of tools that tradespeople must provide as a condition of employment (Budget 2006).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure provides tax recognition for an expense that is incurred to earn employment income.
Subject	Employment
CCOFOG 2014 code	70412 - Economic affairs - General economic, commercial, and labor affairs - General labor affairs
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support employment. Additional information on the relevant government programs is provided in the table at the end of Part 3.
Source of data	T777 Statement of Employment Expenses
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 20,300 individuals claimed this deduction in 2021.

Cost Information:

Millions of dollars	**2018**	**2019**	**2020**	**2021**	**2022 (P)**	**2023 (P)**	**2024 (P)**	**2025 (P)**
Personal income tax	2	2	2	2	2	4	4	4

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 3,800 individuals received tuition assistance eligible for this deduction in 2021.

Cost Information:

Millions of dollars	**2018**	**2019**	**2020**	**2021**	**2022 (P)**	**2023 (P)**	**2024 (P)**	**2025 (P)**
Personal income tax	2	2	3	3	5	4	3	3

Deduction of allowable business investment losses

Description	Capital losses arising from the disposition of shares and debt instruments are generally deductible only against capital gains. However, one-half of the capital loss from a deemed disposition of bad debts or shares of a bankrupt small business corporation or from a disposition to an arm's length person of shares or debts of a small business corporation (known as an "allowable business investment loss") may be used to offset other income. Unused allowable business investment losses may be carried back three years and forward 10 years. After 10 years, the loss reverts to an ordinary capital loss and may be carried forward indefinitely. Allowable business investment losses can be reduced if the Lifetime Capital Gains Exemption has been claimed in prior years. 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: T1 and 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 6,000 individuals, 70 trusts and 1,360 corporations claimed this deduction in 2021.

Cost Information:

Millions of dollars	2018	2019	2020	2021	2022 (P)	2023 (P)	2024 (P)	2025 (P)
Personal income tax								
Individuals	35	50	40	40	25	35	35	35
Trusts	S	S	S	S	S	S	S	S
Total – personal income tax	35	50	40	40	25	35	35	35
Corporate income tax	10	10	10	15	5	10	10	10
Total	40	55	50	55	30	45	45	45

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 2021. No data is available for corporations.

Cost Information:

Millions of dollars	2018	2019	2020	2021	2022 (P)	2023 (P)	2024 (P)	2025 (P)
Personal income tax (excluding trusts)	1,855	1,945	1,890	2,215	2,430	2,545	2,570	2,635
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 3.9 million individuals claimed this deduction in 2021.

Cost Information:

Millions of dollars	2018	2019	2020	2021	2022 (P)	2023 (P)	2024 (P)	2025 (P)
Personal income tax	910	920	1,145	1,270	1,285	1,155	1,180	1,210

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 6.1 million individuals claimed this deduction in 2021.

Cost Information:

Millions of dollars	**2018**	**2019**	**2020**	**2021**	**2022 (P)**	**2023 (P)**	**2024 (P)**	**2025 (P)**
Personal income tax	1,030	1,075	1,075	1,160	1,205	1,270	1,270	1,275

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 2023 through 2025 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	**2018**	**2019**	**2020**	**2021**	**2022 (P)**	**2023 (P)**	**2024 (P)**	**2025 (P)**
Personal income tax	-2	S	S	S	3	n.a.	n.a.	n.a.
Corporate income tax	S	1	1	S	4	n.a.	n.a.	n.a.
Total	-2	1	1	S	5	n.a.	n.a.	n.a.

Deferral of income from grain sold through cash purchase tickets

Description	Farmers may make deliveries of grain to a grain elevator and receive payment in the form of a cash purchase ticket. If a cash purchase ticket is issued upon the delivery to an elevator of certain listed grains and the holder of the cash purchase ticket is entitled to payment after the end of the taxation year in which the grain is delivered, then the taxpayer may exclude the amount stated on the cash purchase ticket from income for the taxation year in which the grain was delivered, and instead include it in income for the immediately following taxation year.
Tax	Personal (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 2022 uses data available for the first two quarters of the calendar year. Projections for 2023 to 2025 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	2018	2019	2020	2021	2022 (P)	2023 (P)	2024 (P)	2025 (P)
Personal income tax	-10	-20	15	3	60	n.a.	n.a.	n.a.
Corporate income tax	-15	-20	25	4	80	n.a.	n.a.	n.a.
Total	-25	-40	40	5	140	n.a.	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 ten-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 ten-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 ten-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. • Budget 2023 extended the scope of the measure to include proceeds that arise when a qualifying business transfer to an Employee Ownership Trust has occurred.
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). This measure also facilitates the use of Employee Ownership Trusts to acquire shares of a business (Budget 2023).
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 8,100 individuals claimed a 10-year capital gain reserve in 2021.

Cost Information:

Millions of dollars	2018	2019	2020	2021	2022 (P)	2023 (P)	2024 (P)	2025 (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	40	45	35	95	60	45	45	50

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 9,200 individuals and 1,100 trusts claimed a five-year capital gain reserve in 2021. No data is available for corporations.

Cost Information:

Millions of dollars	2018	2019	2020	2021	2022 (P)	2023 (P)	2024 (P)	2025 (P)
Personal income tax								
Individuals	20	15	20	35	10	10	15	15
Trusts	5	-2	S	2	S	1	1	1
Total – personal income tax	30	15	20	35	10	10	15	15
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 ($15,780 for 2023). 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 ($31,560 for 2023).
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. • As part of the Government of Canada's COVID-19 Economic Response Plan, the government temporarily expanded the definition of income for this deduction to include Employment Insurance (EI) benefits (including EI special benefits) and Quebec Parental Insurance Plan benefits. The requirement that eligible expenses be incurred to earn employment or business income, pursue education, or perform research was also waived. These changes were effective for the 2020 and 2021 taxation years.
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 4,700 individuals claimed this deduction in 2021.

Cost Information:

Millions of dollars	2018	2019	2020	2021	2022 (P)	2023 (P)	2024 (P)	2025 (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 ($9,428 in 2023). 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 ($5,500 in 2023) and is reduced dollar-for-dollar by the amount of child care or attendant care expenses in excess of $3,221 (for 2023) 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. • Budget 2021 amended the criteria for qualifying for the Disability Tax Credit under the mental impairment and life-sustaining therapy categories for the 2021 and subsequent tax years. In addition, all individuals with type 1 diabetes are deemed to automatically meet the eligibility criteria under the life-sustaining therapy category for the 2021 and subsequent tax years.
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, over 1.5 million individuals claimed an amount for the Disability Tax Credit for 2021. This includes about 990,000 eligible persons who claimed all or some portion of the credit for themselves, 190,000 individuals who claimed all or some portion of the credit on behalf of an eligible spouse or common-law partner, 330,000 individuals who claimed all or some portion of the credit transferred from an eligible person (such as a parent for a minor child), and 40,000 individuals who claimed all or some portion of the credit for themselves and on behalf of another eligible person. These estimates are based on initial data for the 2021 tax year and has been grossed up by 15 per cent to take into account reassessments (individuals who later become eligible for the Disability Tax Credit and retroactively claim the credit).

Cost Information:

Millions of dollars	2018	2019	2020	2021	2022 (P)	2023 (P)	2024 (P)	2025 (P)
Personal income tax	1,150	1,200	1,250	1,450	1,600	1,650	1,700	1,750

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 2023) and gross-up (38% in 2023) 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 2023) and gross-up (15% in 2023) 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 4.2 million individuals claimed this credit in 2021, while about 38,000 trusts are projected to benefit from it.

Cost Information:

Millions of dollars	2018	2019	2020	2021	2022 (P)	2023 (P)	2024 (P)	2025 (P)
Personal income tax								
Individuals	4,925	4,895	4,660	5,170	5,640	5,800	5,995	6,260
Trusts	285	255	250	315	320	325	335	350
Total – personal income tax	5,210	5,150	4,910	5,480	5,960	6,125	6,330	6,610

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 in 1990 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 2021. No data is available for unincorporated businesses.

Cost Information:

Millions of dollars	2018	2019	2020	2021	2022 (P)	2023 (P)	2024 (P)	2025 (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	1	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 earned this credit in 2016.

Cost Information:

Millions of dollars	2018	2019	2020	2021	2022 (P)	2023 (P)	2024 (P)	2025 (P)
Personal income tax	325	230	190	115	45	S	S	S

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. 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. As of 2020, a taxpayer may also claim an income-tested supplement to the Eligible Dependant Credit. This supplement is legislated to gradually increase in steps each year until 2023, at which time the maximum credit amount will reach $15,000. The increased portion of the credit is subject to an income test beginning at a level of individual net income equal to the fourth federal tax bracket threshold ($165,430 in 2023), and is fully phased out by the fifth federal bracket threshold ($235,675 in 2023). The maximum credit amount (i.e., the base credit + supplement) for 2023 is $15,000, with the fully reduced amount being $13,520.
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 introduced a gradual increase to the Eligible Dependant Credit to $15,000 over the 2020 to 2023 period.
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 1 million individuals claimed this credit in 2021.

Cost Information:

Millions of dollars	**2018**	**2019**	**2020**	**2021**	**2022 (P)**	**2023 (P)**	**2024 (P)**	**2025 (P)**
Personal income tax	940	1,025	1,265	1,355	1,245	1,315	1,375	1,420

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. • The *2020 Fall Economic Statement* introduced a $200,000 annual limit (based on the fair market value of the shares underlying the options) on employee stock option grants that can qualify for the employee stock option deduction, effective for employee stock options granted after June 2021. Employee stock options granted by employers that are Canadian-controlled private corporations (CCPCs) and by non-CCPC employers with annual gross revenues of $500 million or less are generally not subject to the new limit.
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 42,000 individuals claimed this deduction in 2021.

Cost Information:

Millions of dollars	2018	2019	2020	2021	2022 (P)	2023 (P)	2024 (P)	2025 (P)
Personal income tax	770	920	920	1,645	1,170	1,190	1,220	1,270

Enhanced rebate for new residential rental property

Description	The enhanced GST rebate will apply to new purpose-built rental housing, such as apartment buildings, student housing, and senior residences built specifically for long-term rental accommodation. This enhancement increases the GST Rental Rebate from 36% to 100% and removes the existing GST Rental Rebate phase-out thresholds for purpose-built rental housing projects. The enhanced GST Rental Rebate will apply to projects that begin construction on or after September 14, 2023, and on or before December 31, 2030, and complete construction by December 31, 2035. For a two-bedroom rental unit valued at $500,000, the enhanced GST Rental Rebate would deliver $25,000 in tax relief. Qualifying new residential units would be those that qualify for the existing GST Rental Rebate and are in buildings with at least: • Four private apartment units (i.e., a unit with a private kitchen, bathroom, and living areas), or at least 10 private rooms or suites (e.g., a 10-unit residence for students, seniors, or people with disabilities); and, • 90% of residential units designated for long-term rental.
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	Not yet legislated (as of December 31, 2023)
Implementation and recent history	• Announced and effective September 14, 2023.
Objective – category	To achieve a social objective
Objective	This measure incentivizes construction of rental homes for Canadians.
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	2018	2019	2020	2021	2022 (P)	2023 (P)	2024 (P)	2025 (P)
Corporate income tax	–	–	–	–	–	S	20	520

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	n/a
Number of beneficiaries	This measure provided tax relief to about 25 corporations in 2018.

Cost Information:

Millions of dollars	2018	2019	2020	2021	2022 (P)	2023 (P)	2024 (P)	2025 (P)
Corporate income tax	20	–	–	–	–	–	–	–

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	**2018**	**2019**	**2020**	**2021**	**2022 (P)**	**2023 (P)**	**2024 (P)**	**2025 (P)**
Corporate income tax	10	25	40	70	45	45	50	50

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	2018	2019	2020	2021	2022 (P)	2023 (P)	2024 (P)	2025 (P)
Goods and Services Tax	50	50	45	45	55	60	60	65

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	**2018**	**2019**	**2020**	**2021**	**2022 (P)**	**2023 (P)**	**2024 (P)**	**2025 (P)**
Goods and Services Tax	1,915	2,075	2,240	2,315	2,440	2,695	2,815	2,925

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	2018	2019	2020	2021	2022 (P)	2023 (P)	2024 (P)	2025 (P)
Goods and Services Tax	1,345	1,405	1,455	1,510	1,640	1,740	1,815	1,885

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	**2018**	**2019**	**2020**	**2021**	**2022 (P)**	**2023 (P)**	**2024 (P)**	**2025 (P)**
Goods and Services Tax	210	220	110	150	165	175	180	195

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	2018	2019	2020	2021	2022 (P)	2023 (P)	2024 (P)	2025 (P)
Goods and Services Tax	15	15	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	2018	2019	2020	2021	2022 (P)	2023 (P)	2024 (P)	2025 (P)
Goods and Services Tax	950	1,065	880	955	1,080	1,145	1,190	1,265

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	**2018**	**2019**	**2020**	**2021**	**2022 (P)**	**2023 (P)**	**2024 (P)**	**2025 (P)**
Goods and Services Tax	15	15	10	10	15	15	15	15

Exemption from GST for municipal transit

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

Cost Information:

Millions of dollars	**2018**	**2019**	**2020**	**2021**	**2022 (P)**	**2023 (P)**	**2024 (P)**	**2025 (P)**
Goods and Services Tax	225	235	105	100	145	170	180	190

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	2018	2019	2020	2021	2022 (P)	2023 (P)	2024 (P)	2025 (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	**2018**	**2019**	**2020**	**2021**	**2022 (P)**	**2023 (P)**	**2024 (P)**	**2025 (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	**2018**	**2019**	**2020**	**2021**	**2022 (P)**	**2023 (P)**	**2024 (P)**	**2025 (P)**
Goods and Services Tax	895	945	910	940	965	985	1,005	1,025

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	**2018**	**2019**	**2020**	**2021**	**2022 (P)**	**2023 (P)**	**2024 (P)**	**2025 (P)**
Goods and Services Tax	325	335	350	375	400	430	445	460

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 1,300,000 individuals received a scholarship, fellowship or bursary in 2021.

Cost Information:

Millions of dollars	**2018**	**2019**	**2020**	**2021**	**2022 (P)**	**2023 (P)**	**2024 (P)**	**2025 (P)**
Personal income tax	565	585	705	690	655	560	510	515

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	2018	2019	2020	2021	2022 (P)	2023 (P)	2024 (P)	2025 (P)
By type of payments								
Dividends	5,425	5,390	5,565	7,495	7,240	7,380	7,560	7,885
Interest	1,475	1,545	1,410	1,695	1,720	1,755	1,800	1,875
Rents and royalties	750	890	890	975	1,035	1,055	1,080	1,125
Management fees	880	1,020	1,065	1,300	1,310	1,335	1,370	1,430
Total – personal and corporate income tax	8,530	8,840	8,930	11,465	11,305	11,530	11,810	12,310

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 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 17,100 corporations incurred eligible expenditures in 2021. 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.

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. • Budget 2021 extended by 12 months the 24-month timelines in respect of when aggregate expenditure thresholds must be met for film or video productions for the purposes of the Film or Video Production Services Tax Credit for taxation years ending in 2020 or 2021.
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 540 corporations received this benefit in 2021.

Cost Information:

Millions of dollars	2018	2019	2020	2021	2022 (P)	2023 (P)	2024 (P)	2025 (P)
Corporate income tax	310	325	350	405	360	365	375	390

First-Time Home Buyers' Tax Credit

Description	First-time home buyers who acquire a qualifying home can obtain up to $1,500 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 $10,000 by the lowest personal income tax rate (15% in 2023). 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 qualifying homes acquired after January 27, 2009. • Budget 2022 increased the credit amount to $10,000 from $5,000, effective for the 2022 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 262,000 individuals claimed this credit in 2021.

Cost Information:

Millions of dollars	**2018**	**2019**	**2020**	**2021**	**2022 (P)**	**2023 (P)**	**2024 (P)**	**2025 (P)**
Personal income tax	105	110	130	150	240	205	190	205

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. • In response to COVID-19, the government extended by 12 months the period to incur eligible flow-through share expenses under the general and look-back rules for agreements entered into during a specified and limited time period. The government also announced that Part XII.6 tax would apply as if expenditures were incurred up to one year prior to the date they were actually incurred. • Budget 2022 announced that expenditures related to oil, gas, and coal exploration and development will no longer be eligible to be renounced to flow-through share investors for flow-through share agreements entered into after March 31, 2023. • Budget 2023 proposed to expand eligibility to include eligible expenditures related to lithium from brines exploration and development.
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 44,600 individuals and 440 corporations in 2021.

Cost Information:

Millions of dollars	2018	2019	2020	2021	2022 (P)	2023 (P)	2024 (P)	2025 (P)
Personal income tax	120	115	175	265	210	195	190	185
Corporate income tax	20	15	25	50	35	30	25	30
Total	135	130	200	310	245	225	220	215

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	**2018**	**2019**	**2020**	**2021**	**2022 (P)**	**2023 (P)**	**2024 (P)**	**2025 (P)**
Goods and Services Tax	5	5	1	S	2	5	5	5

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 2.0 million individuals in 2021 and 12,500 trusts claimed this credit in 2021.

Cost Information:

Millions of dollars	**2018**	**2019**	**2020**	**2021**	**2022 (P)**	**2023 (P)**	**2024 (P)**	**2025 (P)**
Personal income tax								
Individuals	1,825	1,975	2,055	2,070	2,055	2,090	2,120	2,145
Trusts	50	30	35	50	45	50	50	50
Total – personal income tax	1,875	2,005	2,090	2,115	2,100	2,140	2,165	2,195

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 composition and income. Specifically, for the period from July 2023 to June 2024, based on net family income reported for the 2022 taxation year: • an adult receives a basic adult credit of $325 per year; • families with children aged 18 and under receive a basic child credit of $171 per year for each child; • single parents can claim, in lieu of the basic child credit, the full basic adult credit of $325 per year for one dependent child; • single parents are eligible for an additional credit of $171 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 $171 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 $42,335. 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. • As part of the Government of Canada's COVID-19 Economic Response Plan, a one-time special supplemental payment under the GST/HST Credit was made beginning April 9, 2020. This top-up payment doubled the 2019-20 GST/HST Credit amounts and paid out the resulting difference in an individual's benefit entitlement as a lump sum. • As announced on September 13, 2022, the government introduced a temporary measure to double the 2022-23 GST/HST Credit for six months and pay out the extra amount as a one-time, lump-sum payment, starting in November 2022, to existing credit beneficiaries. • Budget 2023 introduced the Grocery Rebate, which provided temporary support equivalent to twice the amount received for January 2023 under the GST/HST Credit. The extra amount was paid out as a one-time, lump-sum payment, starting on July 5, 2023, through the GST/HST Credit system.
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 11 million individuals receive this benefit each year.

Cost Information:

Millions of dollars	**2018**	**2019**	**2020**	**2021**	**2022 (P)**	**2023 (P)**	**2024 (P)**	**2025 (P)**
Goods and Services Tax	4,650	4,935	10,450	5,030	7,335	7,790	5,725	6,045

Hardest-Hit Business Recovery Program

Description	The Hardest-Hit Business Recovery Program (HHBRP) provided a wage and rent subsidy for hardest-hit businesses that did not otherwise qualify for the Tourism and Hospitality Recovery Program or the Local Lockdown Program, and that had an average revenue reduction for the first year of the CEWS of 50% or more and had a current period revenue reduction of at least 50%. For qualifying entities, the HHBRP paid a wage and rent subsidy of between 10% and 50% for claim periods between October 24, 2021 to March 13, 2022. From March 13 to May 7, 2022 the maximum wage and rent subsidy rate decreased by half. The program ended on May 7, 2022.
Tax	Personal (including trusts) and corporate income tax
Beneficiaries	Businesses, individuals and other organizations
Type of measure	Credit, refundable
Legal reference	*Income Tax Act*, sections 125.7 and 164
Implementation and recent history	• On October 21, 2021, the government announced a new wage and rent subsidy program for hardest-hit businesses (i.e., businesses that had an average revenue reduction for the first year of the CEWS of 50% or more and had a current period revenue reduction of at least 50%).
Objective – category	To encourage employment To support business activity
Objective	This measure was put in place to help prevent job losses and encourage employers to quickly rehire workers previously laid off as a result of COVID-19.
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 Business – other
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified 71059 - Social Protection - Unemployment
Other relevant government programs	Programs relevant to supporting individuals and businesses during the COVID-19 crisis, as part of the Canada's COVID-19 Economic Response Plan. Additional information on the relevant government programs is provided in the table at the end of Part 3.
Source of data	Administrative data provided by the Canada Revenue Agency
Estimation method	The cost of this measure reflects administrative data provided by the Canada Revenue Agency.
Projection method	n/a
Number of beneficiaries	The numbers of unique applicants with approved claims are 10,900 and 20,640 for the wage and rent portions of the program, respectively (data as of September 3, 2023).

Cost Information:

Millions of dollars	**2018**	**2019**	**2020**	**2021**	**2022 (P)**	**2023 (P)**	**2024 (P)**	**2025 (P)**
Personal and corporate income tax	–	–	–	310	350	–	–	–

Note: The figures in the table correspond to the gross fiscal impact of the measures and they are subject to change as claims are reviewed and adjusted. The distribution across years reflects the benefit periods for the programs. Figures reflect microdata provided by the Canada Revenue Agency dating to September 3, 2023.

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 6,800 corporations claimed this deduction in 2021. No data is available for unincorporated businesses.

Cost Information:

Millions of dollars	**2018**	**2019**	**2020**	**2021**	**2022 (P)**	**2023 (P)**	**2024 (P)**	**2025 (P)**
Personal income tax	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Corporate income tax	55	40	40	80	115	115	120	125
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 $20,000 of eligible home renovation or alteration expenses per calendar year in respect of a qualifying individual, to a maximum of $20,000 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. • The annual qualifying expense limit was doubled from $10,000 to $20,000 in Budget 2022, effective for the 2022 and subsequent taxation years.
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 45,000 individuals claimed this credit in 2021.

Cost Information:

Millions of dollars	**2018**	**2019**	**2020**	**2021**	**2022 (P)**	**2023 (P)**	**2024 (P)**	**2025 (P)**
Personal income tax	15	15	15	25	35	40	40	40

Immediate expensing for small businesses

Description	Immediate expensing is provided in respect of certain property acquired by Canadian-controlled private corporations (CCPCs), sole proprietors and certain partnerships. This immediate expensing is available for "eligible property" acquired by a CCPC on or after April 19, 2021, and that becomes available for use before January 1, 2024, up to a maximum amount of $1.5 million per taxation year. Immediate expensing is also available to unincorporated businesses carried on directly by Canadian resident individuals (other than trusts) and certain eligible partnerships for investments made on or after January 1, 2022 and that become available for use before 2025 (in the case of an individual or a partnership all the members of which are individuals) or before 2024 (for other partnerships). The immediate expensing is only available for the year in which the property becomes available for use. The $1.5 million limit is shared among associated members of a group of CCPCs. The half-year rule is suspended for property for which this measure is used. For businesses with less than $1.5 million of eligible capital costs, no carry-forward of excess capacity is allowed. Eligible property under the immediate expensing is capital property that is subject to the capital cost allowance (CCA) rules, other than property included in CCA classes 1 to 6, 14.1, 17, 47, 49 and 51, which are generally long lived assets.
Tax	Personal and corporate income tax
Beneficiaries	Canadian-controlled private corporations, unincorporated businesses, certain partnerships
Type of measure	Timing preference
Legal reference	*Income Tax Regulations*, section 1100 (0.1) to (0.3), subsection 1102(20.1), section 1104 (3.1) to (3.6)
Implementation and recent history	• Introduced in Budget 2021. • The government announced on February 4, 2022 the expansion of eligibility to a broader range of taxpayers.
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	T2 Corporation Income Tax Return T1 Personal Income Tax Return T5013 Statement of Partnership Income
Estimation method	T2 micro-simulation model and aggregate investment data from T1 Income Tax and Benefit Return using the nominal cash-flow method of estimation.
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	About 18,900 corporations made new additions under the immediate expensing measure in 2021. No data is available for unincorporated businesses.

Cost Information:

Millions of dollars	**2018**	**2019**	**2020**	**2021**	**2022 (P)**	**2023 (P)**	**2024 (P)**	**2025 (P)**
Corporate income tax	–	–	–	665	1,175	975	-400	-720
Personal income tax	–	–	–	–	305	240	195	-200
Total	–	–	–	665	1,480	1,215	-205	-925

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.

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 2021.

Cost Information:

Millions of dollars	**2018**	**2019**	**2020**	**2021**	**2022 (P)**	**2023 (P)**	**2024 (P)**	**2025 (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	No individuals claimed this credit in 2021. The number of corporations and trusts having claimed this credit in 2021 is not disclosed due to confidentiality restrictions.

Cost Information:

Millions of dollars	**2018**	**2019**	**2020**	**2021**	**2022 (P)**	**2023 (P)**	**2024 (P)**	**2025 (P)**
Personal income tax	S	S	S	S	S	S	S	S
Corporate income tax	X	X	X	X	X	X	X	X
Total	X	X	X	X	X	X	X	X

Labour Mobility Deduction for Tradespeople

Description	Eligible tradespeople and apprentices who make an eligible temporary relocation can deduct up to $4,000 in eligible expenses per year. Eligible expenses include temporary lodging near a temporary work location, transportation for one round trip from the ordinary residence to the temporary lodging, and meals in the course of travel. Among other things, an eligible temporary relocation requires that the temporary lodging be at least 150 kilometres closer than the ordinary residence to the temporary work location. The maximum amount of expenses that can be claimed in respect of a particular eligible temporary relocation is capped at 50% of the worker's employment income from construction activities at temporary work locations associated with that relocation in the year.
Tax	Personal income tax
Beneficiaries	Tradespeople and apprentices working in a construction activity
Type of measure	Deduction
Legal reference	*Income Tax Act*, paragraph 8(1)(t) and subsection 8(14)
Implementation and recent history	• Introduced in Budget 2022. Effective for the 2022 and subsequent taxation years.
Objective – category	To recognize expenses incurred to earn employment income
Objective	This measure assists in improving labour mobility for workers in the construction trades (Budget 2022).
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	External data, T1 Income Tax and Benefit Return and T4 Statement of Remuneration Paid
Estimation method	n/a
Projection method	The projected cost of this measure is calculated based on employment numbers in the construction industry, the assumed percentage of workers who are mobile, and the projected average annual eligible expenses. It is expected to grow in line with the growth in the population aged 15 and over.
Number of beneficiaries	About 3,200 individuals claimed this deduction in 2022.

Cost Information:

Millions of dollars	2018	2019	2020	2021	2022 (P)	2023 (P)	2024 (P)	2025 (P)
Personal income tax	–	–	–	–	2	3	3	3

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, if such a tax credit is provided at the provincial or territorial level.
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 399,000 individuals claimed this credit in 2021.

Cost Information:

Millions of dollars	2018	2019	2020	2021	2022 (P)	2023 (P)	2024 (P)	2025 (P)
Personal income tax	155	160	180	175	185	190	190	195

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 $971,190 in 2023 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 65,000 individuals claimed this deduction in 2021.

Cost Information:

Millions of dollars	2018	2019	2020	2021	2022 (P)	2023 (P)	2024 (P)	2025 (P)
Individuals, by type of property								
Small business shares	1,075	1,080	1,020	1,650	1,615	1,380	1,275	1,330
Farm and fishing property	780	725	705	900	910	775	720	750
Total – personal income tax	1,855	1,805	1,725	2,550	2,525	2,155	1,995	2,080

Local Lockdown Program

Description	The Local Lockdown Program (LLP), available from October 24, 2021 to May 7, 2022, provided wage and rent subsidies to employers that had one or more locations subject to a public health restriction (lasting for at least seven days in the current claim period) that required them to cease activities that accounted for at least approximately 25% of total revenues of the employer during the prior reference period. Eligible organizations were not required to show a 12-month revenue decline over a certain threshold, but were required to show a current-month revenue loss of at least 40% to qualify for this new LLP. For qualifying entities, the LLP paid a wage and rent subsidy of between 40% and 75% until March 13, 2022. From March 13 to May 7, 2022 the maximum wage and rent subsidy rate decreased by half. The program ended on May 7, 2022. From December 19, 2021 until March 12, 2022, employers subject to capacity-limiting restrictions of 50% or more and with current-month revenue declines greater than 25% were also eligible for the program, with a subsidy rate from 25% to 75%, depending on their degree of revenue decline.
Tax	Personal (including trusts) and corporate income tax
Beneficiaries	Businesses, individuals and other organizations
Type of measure	Credit, refundable
Legal reference	*Income Tax Act*, sections 125.7 and 164
Implementation and recent history	• On October 21, 2021, the government announced a new Local Lockdown Program, that provided businesses that faced new local lockdowns with up to the maximum amount of support available under the wage and rent subsidy programs. To qualify, businesses had to be subject to a qualifying public health restriction (lasting for at least seven days in the current claim period) that required them to cease activities that accounted for at least approximately 25% of total revenues of the employer during the prior reference period and had a current period revenue reduction of at least 40%. • On December 22, 2021, the government proposed to temporarily expand this program to include employers subject to capacity-limiting restrictions of 50% or more; and reduce the current-month revenue decline threshold requirement to 25%. This expansion was initially in effect from December 19, 2021 until February 12, 2022. • On February 9, 2022, the government announced an extension of this temporary expansion of the program to March 12, 2022. The maximum LLP rate was then decreased by half, until the program fully phased out on May 7, 2022.
Objective – category	To encourage employment To support business activity
Objective	This measure was put in place to help prevent job losses and encourage employers to quickly rehire workers previously laid off as a result of COVID-19.
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 Business – other
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified 71059 - Social Protection - Unemployment
Other relevant government programs	Programs relevant to supporting individuals and businesses during the COVID-19 crisis, as part of the Canada's COVID-19 Economic Response Plan. 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.

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 lumber production and lumber prices.
Number of beneficiaries	About 650 individuals and 830 corporations claimed this credit in 2021. The number of trusts having claimed this credit in 2021 is not disclosed due to confidentiality restrictions.

Cost Information:

Millions of dollars	**2018**	**2019**	**2020**	**2021**	**2022 (P)**	**2023 (P)**	**2024 (P)**	**2025 (P)**
Personal income tax								
Individuals	2	1	1	2	1	1	1	1
Trusts	X	X	X	X	X	X	X	X
Total – personal income tax	X	X	X	X	X	X	X	X
Corporate income tax	80	25	60	275	190	70	75	80
Total	X	X	X	X	X	X	X	X

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 $2,635 (in 2023). 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 $2,635 (in 2023). 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*, sections 5700 and 5701
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. • Budget 2022 amended the *Income Tax Act* to allow medical expenses incurred in Canada related to a surrogate mother or a sperm, ova, or embryo donor, as well as fees paid to fertility clinics and donor banks in Canada in order to obtain donor sperm and ova, to be eligible under the Medical Expense Tax Credit for the 2022 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 5.4 million individuals claimed this credit in 2021.

Cost Information:

Millions of dollars	2018	2019	2020	2021	2022 (P)	2023 (P)	2024 (P)	2025 (P)
Personal income tax	1,645	1,700	1,600	1,850	1,950	2,050	2,150	2,250

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 extended the credit for an additional 5 years, until March 31, 2024. • Budget 2023 proposed to expand eligibility to include eligible expenditures related to lithium from brines exploration.
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	About 320 companies issued flow-through shares and over 12,400 individuals claimed the credit in 2021.

Cost Information:

Millions of dollars	2018	2019	2020	2021	2022 (P)	2023 (P)	2024 (P)	2025 (P)
Personal income tax	50	60	100	145	25	50	-10	-3

Moving expense deduction

Description	If a move is an "eligible relocation", the related "eligible moving expenses" are deductible in computing employment or self-employment income earned at the new location. Eligible moving expenses include travel costs, the costs of transporting or storing household effects, meals and temporary accommodation and the cost of selling a former residence. Eligible moving expenses may also be deducted from a student's taxable income from scholarships, bursaries and research grants if the expenses are incurred to begin full-time attendance at a post-secondary educational institution. Among other things, to be an "eligible relocation" requires that a taxpayer move at least 40 kilometres closer to the new place of employment or study. Most moving expense reimbursements provided by employers are not included in income; however, to the extent that certain employer-provided reimbursements are included in income, the moving expense deduction is allowed to the same extent as permitted for self-paid expenses.
Tax	Personal income tax
Beneficiaries	Employees and self-employed individuals, students
Type of measure	Deduction
Legal reference	*Income Tax Act*, section 62 and the definition "eligible relocation" in subsection 248(1)
Implementation and recent history	• Introduced in Budget 1971. Effective for the 1972 and subsequent taxation years.
Objective – category	To recognize expenses incurred to earn employment income 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 103,000 individuals claimed this deduction in 2021.

Cost Information:

Millions of dollars	2018	2019	2020	2021	2022 (P)	2023 (P)	2024 (P)	2025 (P)
Personal income tax	110	110	105	150	160	150	130	130

Multigenerational Home Renovation Tax Credit

Description	The Multigenerational Home Renovation Tax Credit provides a refundable tax credit of 15% on up to $50,000 of eligible expenses to establish a secondary dwelling unit to permit an eligible person to live with a qualifying relation. Eligible persons are adults with disabilities who qualify for the Disability Tax Credit (18 years of age or older) and seniors (65 years of age or older). Qualifying relations are the parent, grandparent, child, grandchild, brother, sister, aunt, uncle, nephew, or niece of the eligible person, which includes the spouse or common-law partner of one of those individuals. The eligible person, their spouse or common-law partner, and a qualifying relation who owns the eligible dwelling can claim eligible renovation expenses. One qualifying renovation is permitted to be claimed in respect of an eligible person over their lifetime.
Tax	Personal income tax
Beneficiaries	Seniors and persons with disabilities
Type of measure	Credit, refundable
Legal reference	*Income Tax Act*, section 122.92
Implementation and recent history	• Introduced in Budget 2022. This measure applies for the 2023 and subsequent taxation years, in respect of work performed and paid for and/or goods acquired on or after January 1, 2023.
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 constructing a secondary dwelling unit can have for seniors and persons with disabilities and their families, and the additional benefits of multigenerational living (Budget 2022).
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	Housing
CCOFOG 2014 code	71069 - Social protection - Housing
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	Information from Statistics Canada's Building Permits Survey, Canadian Survey on Disability, Census of Canada and Survey of Household Spending.
Estimation method	The tax expenditure is estimated by multiplying the estimated number of single dwellings converted to eligible dual-unit dwellings by the maximum credit value. The tax expenditure also includes an estimate of illegal secondary dwellings that would be converted into legal dwellings.
Projection method	Projections reflect the estimates presented in Budget 2022. The tax expenditure is projected to grow in line with the growth rate for the formation of multigenerational households.
Number of beneficiaries	No data is available.

Cost Information:

Millions of dollars	2018	2019	2020	2021	2022 (P)	2023 (P)	2024 (P)	2025 (P)
Personal income tax	–	–	–	–	–	25	25	25

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. 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 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 56,000 individuals, 4,400 trusts and 490,000 corporations made use of this measure in 2021 (not counting individuals that carried back losses only).

Cost Information:

Millions of dollars	2018	2019	2020	2021	2022 (P)	2023 (P)	2024 (P)	2025 (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	20	15	20	25	25	25	30	35
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	25	35	30	20	35	30	30	30
Applied to current year	40	45	55	85	85	85	90	90
Total – corporate income tax	70	80	85	110	120	115	115	120
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	90	90	75	85	95	110
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	2,010	2,275	3,205	1,875	2,995	2,605	2,565	2,430
Applied to current year	5,710	6,365	5,470	9,310	11,365	10,040	10,380	10,455
Total – corporate income tax	7,720	8,640	8,675	11,185	14,355	12,640	12,940	12,885
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	110	115	100	115	125	140
Trusts	145	245	140	195	235	210	215	220
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	2,035	2,310	3,235	1,895	3,030	2,630	2,590	2,460
Applied to current year	5,750	6,410	5,525	9,395	11,450	10,125	10,465	10,545
Total – corporate income tax	7,790	8,720	8,760	11,290	14,475	12,755	13,055	13,005
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 300 corporations reported non-deductible advertising expenses in 2021. No data is available for unincorporated businesses.

Cost Information:

Millions of dollars	2018	2019	2020	2021	2022 (P)	2023 (P)	2024 (P)	2025 (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 2023 is based on partial year data and historical growth. Projections for 2024 and 2025 are not provided as the value of this measure cannot be reliably forecast for these years.
Number of beneficiaries	More than 8,800 individuals received non-taxable allowances in 2021.

Cost Information:

Millions of dollars	**2018**	**2019**	**2020**	**2021**	**2022 (P)**	**2023 (P)**	**2024 (P)**	**2025 (P)**
Personal income tax	35	35	35	35	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 were not included in income so long as they did 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 26,000 individuals received non-taxable allowances in 2018.

Cost Information:

Millions of dollars	2018	2019	2020	2021	2022 (P)	2023 (P)	2024 (P)	2025 (P)
Personal income tax	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 14.0 million individuals received employer-paid health or dental benefits in 2020.

Cost Information:

Millions of dollars	**2018**	**2019**	**2020**	**2021**	**2022 (P)**	**2023 (P)**	**2024 (P)**	**2025 (P)**
Personal income tax	3,050	3,170	3,150	3,530	3,650	3,845	3,910	4,015

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 prevent double taxation
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	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	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 months 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 enhanced 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 376 certificates in respect of donations of cultural property to individuals and 27 to corporations in 2020-21.

Cost Information:

Millions of dollars	2018	2019	2020	2021	2022 (P)	2023 (P)	2024 (P)	2025 (P)
Personal income tax								
Individuals	5	3	5	5	4	4	4	4
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	2018	2019	2020	2021	2022 (P)	2023 (P)	2024 (P)	2025 (P)
Charitable Donation Tax Credit	15	10	15	15	10	15	15	15
Deductibility of charitable donations	3	4	1	1	2	1	1	1
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 2021. 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	2018	2019	2020	2021	2022 (P)	2023 (P)	2024 (P)	2025 (P)
Personal income tax								
Individuals	3	2	2	3	4	3	3	3
Trusts	S	S	S	S	S	S	S	S
Total – personal income tax	3	2	2	3	4	3	3	3
Corporate income tax	1	1	S	1	2	1	2	2
Total	4	3	2	5	5	5	5	5

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	2018	2019	2020	2021	2022 (P)	2023 (P)	2024 (P)	2025 (P)
Charitable Donation Tax Credit	10	5	10	10	15	10	10	10
Deductibility of charitable donations	10	2	1	1	5	2	2	2
Non-taxation of capital gains – personal income tax	3	2	2	3	4	3	3	3
Non-taxation of capital gains – corporate income tax	1	1	S	1	2	1	2	2
Total	20	15	10	15	25	15	15	20

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 2,075 corporations in 2021. The number of individuals and trusts who obtained tax relief is unknown; however, about 9,200 individuals made donations of publicly listed shares in that year.

Cost Information:

Millions of dollars	2018	2019	2020	2021	2022 (P)	2023 (P)	2024 (P)	2025 (P)
Personal income tax								
Individuals	75	125	100	130	95	100	105	110
Trusts	2	1	S	2	1	1	2	2
Total – personal income tax	75	125	100	130	95	100	110	115
Corporate income tax	85	220	120	180	85	145	150	155
Total	160	340	220	310	180	245	255	270

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	2018	2019	2020	2021	2022 (P)	2023 (P)	2024 (P)	2025 (P)
Charitable Donation Tax Credit	270	410	340	430	320	340	355	370
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	75	125	100	130	95	100	110	115
Non-taxation of capital gains – corporate income tax	85	220	120	180	85	145	150	155
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 eligible trust. In general, certain property of an individual or eligible 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 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 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 trust while resident in Canada is divided by the number of years after 1971 that the property was owned by the individual or 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 *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	T1 Income Tax and Benefit Return and data from the Multiple Listing Service
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 using administrative data on claims (proceeds of disposition, year of acquisition). In determining net capital gains, adjustments are made to account for capital improvements (e.g., additions and renovations), acquisition costs (e.g., land transfer taxes, legal fees), and disposition costs (sales commissions). The breakdown of the estimates between individuals and trusts is not available.
Projection method	Projections are based on data for residential resales and average selling prices provided by the Canada Mortgage and Housing Corporation/Multiple Listing Service.
Number of beneficiaries	About 540,000 individuals claimed this exemption in 2021.

Cost Information:

Millions of dollars	2018	2019	2020	2021	2022 (P)	2023 (P)	2024 (P)	2025 (P)
Personal income tax	5,585	5,645	7,810	13,355	9,370	4,790	5,470	6,455

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 prescribed goods (e.g., alcohol and tobacco products, certain books and periodicals), valued at not more than $20 and sent from other countries by mail or courier (other than by courier from Mexico or the United States) to residents of Canada; • goods, other than prescribed goods, valued at not more than $40 and imported by courier from Mexico or the United States; • 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; • goods for emergency use, such as personal protective equipment (PPE) e.g. masks and gloves.
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* *Goods for Emergency Use Remission Order*
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: o In accordance with the Canada—United States—Mexico Agreement (CUSMA), GST relief is provided for goods, other than prescribed goods, valued at not more than $40 and imported by courier from Mexico or the United States, applicable on or after July 1, 2020; o Budget 2012 announced a measure to provide GST relief on foreign-based rental vehicles temporarily imported by Canadian residents, applicable on or after June 1, 2012; and o 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, Rehabilitation Services and Vocational Assistance, certain benefits payable under the Compensation and Benefits Instructions, education expense reimbursement for ill and injured members, 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. • Amendments introduced in Budget 2023 clarified the treatment of Rehabilitation Services and Vocational Assistance, certain benefits payable under the Compensation and Benefits Instructions, and education expense reimbursement for ill and injured members.
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	About 91,000 individuals did not include these amounts in income in 2022-23.

Cost Information:

Millions of dollars	2018	2019	2020	2021	2022 (P)	2023 (P)	2024 (P)	2025 (P)
Personal income tax	200	200	185	190	180	180	180	180

Non-taxation of Guaranteed Income Supplement and Allowance benefits

Description	The Guaranteed Income Supplement is an income-tested benefit payable to low-income seniors as part of the Old Age Security program. There is also an income-tested Allowance that is provided to an eligible spouse, common-law partner, widow or widower aged 60 to 64. The Guaranteed Income Supplement and Allowance benefits are effectively non-taxable. Although these benefits must be included in income, an offsetting deduction from net income is provided. This approach ensures that such payments are taken into account in determining other income-tested credits and benefits.
Tax	Personal income tax
Beneficiaries	Low-income seniors
Type of measure	Exemption
Legal reference	*Income Tax Act*, paragraph 110(1)(f)
Implementation and recent history	• Introduced in Budget 1971. Effective for the 1971 and subsequent taxation years.
Objective – category	To provide income support or tax relief
Objective	This measure recognizes that these income-tested payments provide a basic level of support to elderly Canadians with little income other than the Old Age Security pension (Budget 1971).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base.
Subject	Income support Retirement
CCOFOG 2014 code	71029 - Social protection - Old age
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada and Veterans Affairs Canada also support income security. Programs within the mandate of Employment and Social Development Canada also support retirement income security. Additional information on the relevant government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	Of the approximately 2.5 million beneficiaries of the Guaranteed Income Supplement and Allowance benefits in 2021, it is estimated that about 655,000 additional individuals would have been in a taxable position in the absence of this measure.

Cost Information:

Millions of dollars	2018	2019	2020	2021	2022 (P)	2023 (P)	2024 (P)	2025 (P)
Personal income tax	225	235	245	210	230	380	385	400

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 7,800 individuals received tax-deductible income in respect of international operational missions in 2021.

Cost Information:

Millions of dollars	**2018**	**2019**	**2020**	**2021**	**2022 (P)**	**2023 (P)**	**2024 (P)**	**2025 (P)**
Personal income tax	40	40	30	35	35	40	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 31,800 non-profit organizations with positive net assets filed a non-profit organization information return in 2020.

Cost Information:

Millions of dollars	**2018**	**2019**	**2020**	**2021**	**2022 (P)**	**2023 (P)**	**2024 (P)**	**2025 (P)**
Total – personal and corporate income tax	135	90	50	95	210	255	255	255

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	In 2022-23, there were about 38,000 Pain & Suffering beneficiaries and 26,000 Additional Pain & Suffering beneficiaries.

Cost Information:

Millions of dollars	2018	2019	2020	2021	2022 (P)	2023 (P)	2024 (P)	2025 (P)
Personal income tax	345	295	300	395	400	440	355	330

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 22,000 individuals did not include these amounts in income in 2022-23.

Cost Information:

Millions of dollars	**2018**	**2019**	**2020**	**2021**	**2022 (P)**	**2023 (P)**	**2024 (P)**	**2025 (P)**
Personal income tax	40	50	55	70	80	80	85	90

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 1.6 million individuals who reported having received social assistance payments in 2021, it is estimated that 410,000 individuals would have had an increase in net tax owing in the absence of this measure.

Cost Information:

Millions of dollars	**2018**	**2019**	**2020**	**2021**	**2022 (P)**	**2023 (P)**	**2024 (P)**	**2025 (P)**
Personal income tax	300	340	425	370	340	320	300	300

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 8,100 death benefits were paid in 2021. 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	**2018**	**2019**	**2020**	**2021**	**2022 (P)**	**2023 (P)**	**2024 (P)**	**2025 (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 616,000 individuals reported having received workers' compensation benefits in 2021.

Cost Information:

Millions of dollars	**2018**	**2019**	**2020**	**2021**	**2022 (P)**	**2023 (P)**	**2024 (P)**	**2025 (P)**
Personal income tax	720	755	830	855	865	880	880	895

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 vacation trips per year and unlimited 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. • Budget 2021 allowed northerners without employer-provided travel benefits to claim up to $1,200 in eligible travel expenses.
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 269,000 individuals claimed these deductions in 2021.

Cost Information:

Millions of dollars	2018	2019	2020	2021	2022 (P)	2023 (P)	2024 (P)	2025 (P)
Personal income tax	230	230	220	230	240	250	250	250

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 772,000 individuals and 906,000 corporations in 2021.

Cost Information:

Millions of dollars	2018	2019	2020	2021	2022 (P)	2023 (P)	2024 (P)	2025 (P)
Personal income tax	200	200	135	170	200	175	180	185
Corporate income tax	330	345	225	190	335	295	305	310
Goods and Services Tax	185	190	130	115	175	155	160	165
Total	715	735	490	480	710	630	650	655

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 and T3 micro-simulation models. 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 capital gains.
Number of beneficiaries	About 3.6 million individuals and 311,100 corporations reported capital gains in 2021. In addition, about 42,000 trusts are estimated to have benefited from this measure in 2021.

Cost Information:

Millions of dollars	**2018**	**2019**	**2020**	**2021**	**2022 (P)**	**2023 (P)**	**2024 (P)**	**2025 (P)**
Personal income tax								
Individuals	8,700	8,560	10,780	19,440	13,515	11,425	10,420	10,830
Trusts	750	915	1,180	2,015	1,465	1,250	1,155	1,205
Total – personal income tax	9,445	9,475	11,960	21,460	14,980	12,675	11,580	12,035
Corporate income tax	11,915	11,175	10,405	16,835	18,025	15,390	14,235	14,835
Total	21,360	20,650	22,360	38,295	33,000	28,070	25,815	26,870

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 data is available.
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 2026, 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. • The *2020 Fall Economic Statement* extended this measure to apply to eligible shares issued before 2026.
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 2021. No data is available for unincorporated agricultural cooperatives.

Cost Information:

Millions of dollars	2018	2019	2020	2021	2022 (P)	2023 (P)	2024 (P)	2025 (P)
Personal income tax	2	S	1	1	S	1	1	1
Corporate income tax	4	S	3	1	1	2	2	2
Total	5	1	4	2	1	2	2	2

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 5.7 million individuals claimed this credit in 2021.

Cost Information:

Millions of dollars	2018	2019	2020	2021	2022 (P)	2023 (P)	2024 (P)	2025 (P)
Personal income tax	1,235	1,255	1,270	1,300	1,310	1,400	1,430	1,470

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 1.4 million couples split pension income in 2021.

Cost Information:

Millions of dollars	2018	2019	2020	2021	2022 (P)	2023 (P)	2024 (P)	2025 (P)
Personal income tax	1,380	1,415	1,470	1,515	1,725	1,890	2,045	2,195

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	This measure provided tax relief to about 186,000 individuals in 2021. The number of trusts having claimed this credit in 2021 is not disclosed due to confidentiality restrictions.

Cost Information:

Millions of dollars	2018	2019	2020	2021	2022 (P)	2023 (P)	2024 (P)	2025 (P)
Personal income tax	30	45	30	40	30	35	35	45

Pooled Registered Pension Plans

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

Cost Information:

Millions of dollars	**2018**	**2019**	**2020**	**2021**	**2022 (P)**	**2023 (P)**	**2024 (P)**	**2025 (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").

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 combined taxable capital employed in Canada of the CCPC and its associated corporations is between $10 million and $50 million, and is zero if it is $50 million or greater, for taxation years that end on or after April 7, 2022. • 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. • Budget 2022 extended the range over which the annual small business limit is reduced based on the combined taxable capital employed in Canada of the CCPC and its associated corporations. The new range is $10 million to $50 million (rather than $10 million to $15 million), for taxation years that end on or after April 7, 2022.
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 891,300 corporations in 2021.

Cost Information:

Millions of dollars	2018	2019	2020	2021	2022 (P)	2023 (P)	2024 (P)	2025 (P)
Corporate income tax	4,160	4,930	5,450	6,085	6,615	5,910	6,155	6,200

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	**2018**	**2019**	**2020**	**2021**	**2022 (P)**	**2023 (P)**	**2024 (P)**	**2025 (P)**
Personal income tax								
Individuals	5,130	5,415	5,515	6,275	6,605	6,895	7,175	7,155
Trusts	70	90	135	210	120	145	150	150
Total – personal income tax	5,195	5,505	5,650	6,485	6,725	7,040	7,325	7,310

Rate reduction for zero-emission technology manufacturers

Description	Zero-emission technology manufacturers may apply reduced tax rates on eligible zero-emission technology manufacturing and processing income of: • 7.5%, where that income would otherwise be taxed at the 15% general corporate tax rate; and • 4.5%, where that income would otherwise be taxed at the 9% small business tax rate. This measure applies in respect of income from specified zero-emission technology manufacturing or processing activities, such as the manufacturing of certain renewable energy equipment (solar, wind, water, or geothermal), nuclear energy equipment, electrical energy storage equipment, or zero-emission vehicles; and the production of nuclear fuels, heavy water, hydrogen by electrolysis of water, or solid, liquid, and gaseous biofuels from specified waste material. The reduced tax rates apply to taxation years that begin after 2021. The reduced rates will be gradually phased out starting in taxation years that begin in 2032 and fully phased out for taxation years that begin after 2034.
Tax	Corporate income tax
Beneficiaries	Businesses that undertake eligible zero-emission manufacturing and processing activities
Type of measure	Preferential tax rate
Legal reference	*Income Tax Act*, section 125.2
Implementation and recent history	• Announced in Budget 2021. Effective for taxation years that begin after 2021. • Budget 2022 announced the inclusion of manufacturing of air-source heat pumps used for space or water heating as an eligible zero-emission technology manufacturing or processing activity. • Budget 2023 announced an extension to the availability of the reduced rates by another three years, such that the reduced tax rates would no longer be in effect for taxation years starting after 2034, subject to a phase-out starting in 2032. • Budget 2023 also announced an extension to the eligibility for the reduced rates to include the manufacturing of nuclear energy equipment and the processing and recycling of nuclear fuels and heavy water, effective for taxation years beginning after 2023.
Objective – category	To encourage or attract investment To support competitiveness To support business activity
Objective	These proposed tax rate reductions will enhance Canada's competitiveness in attracting investment in zero-emission technology manufacturing, while also supporting existing businesses in the sector (Budget 2021).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure applies tax rates that depart from the benchmark tax rates.
Subject	Environment Business – other
CCOFOG 2014 code	70433 - Economic affairs - Fuel and energy - Nuclear fuel 70434 - Economic affairs - Fuel and energy - Other fuels 70435 - Economic affairs - Fuel and energy - Electricity 70436 - Economic affairs - Fuel and energy - Non-electric energy 70439 - Economic affairs - Fuel and energy - Fuel and energy not elsewhere classified 70442 - Economic affairs - Mining, manufacturing, and construction - Manufacturing
Other relevant government programs	Programs within the purview of Environment and Climate Change Canada; Natural Resources Canada; and Innovation, Science and Economic Development Canada also support environment-related objectives. Programs within the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant government programs is provided in the table at the end of Part 3.
Source of data	T2 Corporation Income Tax Return
Estimation method	T2 micro-simulation model and information on expected major investments

Projection method	The cost of this measure is projected to grow in line with the growth in zero-emission manufacturing and processing activities.
Number of beneficiaries	No data is available.

Cost Information:

Millions of dollars	**2018**	**2019**	**2020**	**2021**	**2022 (P)**	**2023 (P)**	**2024 (P)**	**2025 (P)**
Corporate income tax	–	–	–	–	10	20	40	45

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 1,700 entities claim this rebate each year.

Cost Information:

Millions of dollars	**2018**	**2019**	**2020**	**2021**	**2022 (P)**	**2023 (P)**	**2024 (P)**	**2025 (P)**
Goods and Services Tax	15	15	10	10	10	10	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. • Budget 2022 amended the expanded GST/HST hospital rebate eligibility rules to include health care services delivered with the active involvement of, or on the recommendation of, either a physician or a nurse practitioner, irrespective of their geographical location.
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	2018	2019	2020	2021	2022 (P)	2023 (P)	2024 (P)	2025 (P)
Goods and Services Tax	695	745	980	965	1,055	1,115	1,155	1,185

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	**2018**	**2019**	**2020**	**2021**	**2022 (P)**	**2023 (P)**	**2024 (P)**	**2025 (P)**
Goods and Services Tax	2,670	2,765	2,765	2,910	3,120	3,235	3,335	3,435

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	2018	2019	2020	2021	2022 (P)	2023 (P)	2024 (P)	2025 (P)
Goods and Services Tax	495	420	425	460	400	425	415	410

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	**2018**	**2019**	**2020**	**2021**	**2022 (P)**	**2023 (P)**	**2024 (P)**	**2025 (P)**
Goods and Services Tax	170	215	215	225	230	230	270	315

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	2018	2019	2020	2021	2022 (P)	2023 (P)	2024 (P)	2025 (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	**2018**	**2019**	**2020**	**2021**	**2022 (P)**	**2023 (P)**	**2024 (P)**	**2025 (P)**
Goods and Services Tax	80	80	75	80	85	90	95	95

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	2018	2019	2020	2021	2022 (P)	2023 (P)	2024 (P)	2025 (P)
Goods and Services Tax	320	335	300	330	375	390	405	420

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	**2018**	**2019**	**2020**	**2021**	**2022 (P)**	**2023 (P)**	**2024 (P)**	**2025 (P)**
Rebate for schools	470	470	450	505	580	615	640	655
Rebate for colleges	125	110	95	105	130	135	140	145
Rebate for universities	295	275	245	270	295	315	325	335
Total – Goods and Services Tax	885	860	795	875	1,005	1,065	1,100	1,135

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	2018	2019	2020	2021	2022 (P)	2023 (P)	2024 (P)	2025 (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	**2018**	**2019**	**2020**	**2021**	**2022 (P)**	**2023 (P)**	**2024 (P)**	**2025 (P)**
Goods and Services Tax	50	50	40	40	45	50	50	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 by April 2019.
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 are based on current market conditions.
Number of beneficiaries	Information on the number of flow-through share investors who benefitted from the measure is not available. No corporations reclassified expenses under this provision in 2021.

Cost Information:

Millions of dollars	**2018**	**2019**	**2020**	**2021**	**2022 (P)**	**2023 (P)**	**2024 (P)**	**2025 (P)**
Personal income tax	-4	-3	-2	-2	-1	-1	-1	S
Corporate income tax	-1	S	S	S	S	S	S	S
Total	-4	-3	-2	-2	-1	-1	-1	S

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	Corporate income tax: Projections are based on the Department of Finance Canada's forecast for the growth of capital gains.
Number of beneficiaries	About 45 investment and mutual fund corporations and 2,500 mutual fund trusts claimed a capital gain refund in 2021.

Cost Information:

Millions of dollars	**2018**	**2019**	**2020**	**2021**	**2022 (P)**	**2023 (P)**	**2024 (P)**	**2025 (P)**
Investment and mutual fund corporations – corporate income tax	1,030	1,085	1,115	1,995	1,355	1,155	1,070	1,115
Mutual fund trusts – personal income tax	2,400	4,910	5,915	7,980	5,785	4,945	4,575	4,765
Total	3,430	5,995	7,035	9,975	7,140	6,100	5,645	5,880

Refundable Medical Expense Supplement

Description	The Refundable Medical Expense Supplement is a refundable credit that provides low-income working Canadians with assistance for medical and disability-related expenses. For 2023, the supplement is available to individuals whose earnings from employment or self-employment meet or exceed a minimum threshold of $4,083. 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 $1,399 (for 2023) 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 $30,964. 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 444,000 individuals received this benefit in 2021.

Cost Information:

Millions of dollars	**2018**	**2019**	**2020**	**2021**	**2022 (P)**	**2023 (P)**	**2024 (P)**	**2025 (P)**
Personal income tax	165	170	120	150	175	190	210	230

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 339,500 and 283,600 corporations were respectively subject to the additional Part I tax and Part IV tax in 2021, while 298,500 corporations claimed the dividend refund in that year.

Cost Information:

Millions of dollars	2018	2019	2020	2021	2022 (P)	2023 (P)	2024 (P)	2025 (P)
Additional Part I tax	-7,730	-7,580	-7,485	-10,420	-12,570	-13,540	-14,020	-13,895
Part IV tax	-8,020	-7,700	-6,995	-8,360	-9,975	-10,745	-11,125	-11,025
Dividend refund	13,205	12,590	11,365	13,460	15,810	17,030	17,635	17,475
Total – corporate income tax	-2,540	-2,690	-3,115	-5,320	-6,735	-7,255	-7,515	-7,445

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	2018	2019	2020	2021	2022 (P)	2023 (P)	2024 (P)	2025 (P)
Goods and Services Tax	10	10	10	10	10	10	10	15

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 eliminated the requirement to close an RDSP when a beneficiary no longer qualifies for the Disability Tax Credit. • Budget 2023 extended until the end of 2026, a temporary measure that allows certain family members to become the plan holder of an RDSP for certain adult beneficiaries. It also broadened this measure by including the sibling of a beneficiary in the definition of a qualifying family member.
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. Estimates and projections vary from those in last year's report due primarily to a revision in the reporting of actual and projected levels of bond payments.
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 272,000 RDSPs were registered and remained open as of October 2023.

Cost Information:

Millions of dollars	2018	2019	2020	2021	2022 (P)	2023 (P)	2024 (P)	2025 (P)
Personal income tax	65	70	70	90	90	95	110	125

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). • Budget 2023 raised the limits on certain withdrawals of Educational Assistance Payments (EAPs). For students enrolled in a qualifying educational program the limit on EAPs in the first 13 weeks of study was raised to $8,000 from $5,000. For students enrolled in a specified educational program the limit on EAPs was raised to $4,000 from $2,500 per 13-week period of study.
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 7.1 million individuals with an RESP have received a Canada Education Savings Grant between 1998 and 2021.

Cost Information:

Millions of dollars	**2018**	**2019**	**2020**	**2021**	**2022 (P)**	**2023 (P)**	**2024 (P)**	**2025 (P)**
Personal income tax	35	35	15	20	60	105	195	310

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 ($31,560 for 2023). For defined benefit RPP members, pension benefits are limited to 2% of employment earnings per year of service up to a specified dollar amount ($3,506.67 for 2023).
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	T1 Income Tax and Benefit Return Statistics Canada, Registered pension plans, Trusteed pension funds and Pension satellite account (Tables 11-10-0122-01, 11-10-0086-01 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 8 million households had individuals that had accrued benefits under RPPs in 2019.

Cost Information:

Millions of dollars	2018	2019	2020	2021	2022 (P)	2023 (P)	2024 (P)	2025 (P)
Deduction for contributions	16,460	16,270	16,550	16,700	17,830	18,865	19,025	19,225
Non-taxation of investment income	18,345	21,915	18,600	24,660	15,795	29,680	30,195	29,775
Taxation of withdrawals	-11,815	-12,030	-12,395	-13,625	-13,950	-15,685	-16,620	-17,635
Total – personal income tax	22,995	26,155	22,755	27,740	19,675	32,855	32,600	31,365

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 ($30,780 for 2023), 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	T1 Income Tax and Benefit Return 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 9.3 million households had individuals that had RRSPs or Registered Retirement Income Funds in 2019.

Cost Information:

Millions of dollars	2018	2019	2020	2021	2022 (P)	2023 (P)	2024 (P)	2025 (P)
Deduction for contributions	9,750	10,110	11,240	12,900	12,470	12,810	12,460	12,415
Non-taxation of investment income	11,965	14,030	12,090	15,575	9,715	19,265	19,655	19,470
Taxation of withdrawals	-7,665	-7,930	-7,825	-9,000	-8,830	-9,785	-10,300	-10,935
Total – personal income tax	14,050	16,210	15,505	19,480	13,355	22,290	21,810	20,950

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

Rollovers of investments in small businesses

Description	Individuals are permitted to defer the tax on a capital gain arising from the disposition of shares in a qualified small business investment, to the extent the proceeds are reinvested in shares of another qualified small business. An eligible small business investment consists of shares issued from treasury in an active Canadian-controlled private corporation with assets not exceeding $50 million, excluding professional corporations, specified financial institutions, rental or leasing corporations, and real estate corporations. The reinvestment must be made at any time in the year of disposition or within 120 days after the end of that year.
Tax	Personal income tax
Beneficiaries	Individual investors
Type of measure	Timing preference
Legal reference	*Income Tax Act*, section 44.1
Implementation and recent history	• Introduced in Budget 2000. Effective for dispositions after February 27, 2000. • The October 2000 Economic Statement and Budget Update increased the size of an eligible investment from $500,000 to $2 million and the size of business eligible for the rollover from $10 million to $50 million. • Budget 2003 eliminated the individual investor limits on the amount of the original investment and reinvestment eligible for the deferral and allowed a reinvestment to be eligible for the rollover when made at any time in the year of disposition or within 120 days after the end of the year.
Objective – category	To encourage or attract investment
Objective	This measure was implemented to improve access to capital for small business corporations (Economic Statement and Budget Update, October 2000; Budget 2003).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure permits the deferral of the recognition of income or gains for income tax purposes.
Subject	Business - small businesses
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandate of Innovation, Science and Economic Development Canada also support small businesses. Additional information on the relevant government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 800 individuals reported capital gains eligible for this measure in 2021.

Cost Information:

Millions of dollars	**2018**	**2019**	**2020**	**2021**	**2022 (P)**	**2023 (P)**	**2024 (P)**	**2025 (P)**
Personal income tax	15	10	10	15	15	10	10	10

Saskatchewan Pension Plan

Description	A deferral of tax is provided on contributions to the Saskatchewan Pension Plan (SPP) in order to encourage and assist Canadians to save for retirement. Contributions to the SPP are deductible from income, the investment income is not taxed as it accrues in the plan, and withdrawals and benefit payments are included in income for tax purposes. Contributions to the SPP must be made within an SPP member's available Registered Retirement Savings Plan (RRSP) contribution limit.
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. • In April 2023, the SPP removed annual contribution and transfer limits, allowing contributions up to an individual's RRSP contribution limits.
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 11,100 individuals contributed to the Saskatchewan Pension Plan in 2022.

Cost Information:

Millions of dollars	2018	2019	2020	2021	2022 (P)	2023 (P)	2024 (P)	2025 (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.
Number of beneficiaries	About 4,300 individuals and 22,450 corporations claimed this credit in 2021. The number of trusts having claimed this credit in 2021 is not disclosed due to confidentiality restrictions.

Cost Information:

Millions of dollars	**2018**	**2019**	**2020**	**2021**	**2022 (P)**	**2023 (P)**	**2024 (P)**	**2025 (P)**
Personal income tax	1	1	1	1	1	1	1	1
Corporate income tax								
Non-refundable portion								
Earned and claimed in current year	575	480	465	500	570	580	595	620
Claimed in current year but earned in prior years	820	905	935	1,370	1,170	1,195	1,220	1,275
Earned in current year but carried back to prior years	30	45	45	40	40	40	40	45
Total – non-refundable portion	1,425	1,430	1,445	1,910	1,775	1,810	1,855	1,935
Refundable portion	1,410	1,835	1,840	1,975	1,965	2,005	2,050	2,140
Total – corporate income tax	2,835	3,265	3,285	3,885	3,740	3,815	3,905	4,075
Total	2,835	3,265	3,290	3,885	3,740	3,815	3,905	4,075

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 5,800 individuals claimed this credit in 2021.

Cost Information:

Millions of dollars	**2018**	**2019**	**2020**	**2021**	**2022 (P)**	**2023 (P)**	**2024 (P)**	**2025 (P)**
Personal income tax	2	2	2	2	2	2	2	2

Small Businesses Air Quality Improvement Tax Credit

Description	Small businesses could claim a refundable tax credit of 25% on eligible air quality improvement expenses incurred between September 1, 2021, and December 31, 2022. Eligible businesses included individuals (other than trusts) and Canadian-controlled private corporations with taxable capital employed in Canada of less than $15 million in the taxation year immediately preceding the taxation year in which the qualifying expenditure was incurred. Businesses could claim the credit on eligible expenses related to the purchase or upgrade of mechanical heating, ventilation and air conditioning (HVAC) systems and the purchase of devices designed to filter air using high efficiency particulate air (HEPA) filters, up to a maximum of $10,000 per location and $50,000 in total.
Tax	Personal and corporate income tax
Beneficiaries	Small businesses and small commercial landlords
Type of measure	Credit, refundable
Legal reference	*Income Tax Act*, section 127.43
Implementation and recent history	• Introduced in the 2021 Economic and Fiscal Update.
Objective – category	To achieve a social objective To support business activity
Objective	To make it more affordable for small businesses to invest in safer and healthier ventilation and air filtration. (*2021 Economic and Fiscal Update*).
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	Health Business – other
CCOFOG 2014 code	70761 - Health - Health not elsewhere classified - Health prevention programs (collective)
Other relevant government programs	Programs within the mandate of Infrastructure Canada also support projects whose primary purpose is to increase outdoor air intake and/or increase air cleaning in order to help reduce the transmission of the virus that causes COVID-19. 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	Micro-simulation model
Projection method	Micro-simulation model
Number of beneficiaries	No data is available.

Cost Information:

Millions of dollars	2018	2019	2020	2021	2022 (P)	2023 (P)	2024 (P)	2025 (P)
Personal income tax	–	–	–	–	S	–	–	–
Corporate income tax	–	–	–	–	1	S	–	–
Total	–	–	–	–	1	S	–	–

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. • The *2020 Fall Economic Statement* announced that an electronic platform that facilitates the supply of goods located in Canadian fulfillment warehouses or elsewhere in Canada, or short-term accommodation in Canada, by vendors that are not registered for the GST/HST, would be deemed to be the supplier of the goods or accommodation for purposes of the GST/HST. As the platform operator is required to collect and remit the GST/HST, the small suppliers' threshold no longer operates to relieve the tax on these supplies. The changes were effective July 1, 2021. However, the Canada Revenue Agency is providing flexibility for platform operators who are unable to comply with the new requirements by that date. Therefore, the effects of this measure may not be fully visible until the second half of 2022.
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 net revenues of non-registered businesses with gross revenue under $30,000. Net revenues of the small businesses are estimated using personal and corporate income tax data. Businesses that are registered for the GST are identified from GST34 return and deducted to obtain the net revenues of non-registered businesses.
Projection method	The cost of this measure is projected to grow in line with nominal gross domestic product.

Number of beneficiaries	About 1.5 million small suppliers make use of this measure each year.

Cost Information:

Millions of dollars	**2018**	**2019**	**2020**	**2021**	**2022 (P)**	**2023 (P)**	**2024 (P)**	**2025 (P)**
Goods and Services Tax	240	275	185	215	265	270	270	270

Special tax computation for certain retroactive lump-sum payments

Description	Taxpayers receiving qualifying retroactive lump-sum payments may use a special mechanism to compute the tax on those payments. The tax under the special mechanism is the federal tax that would have been payable if the principal portion of the retroactive lump-sum payment had been taxed in the year to which it relates, plus interest to reflect the time value of money in respect of the delay in paying the tax. The interest component of the receipt of a lump-sum payment is fully included in income in the year in which it is received. To be eligible for the special tax calculation, the right to receive the income must have existed in a prior year. In addition, the principal portion of the lump-sum payment must be at least $3,000, and must have been received in a year after 1994.
Tax	Personal income tax
Beneficiaries	Individuals
Type of measure	Other
Legal reference	*Income Tax Act*, sections 110.2 and 120.31
Implementation and recent history	• Introduced in Budget 1999. Effective for the 1995 and subsequent taxation years.
Objective – category	To assess tax liability over a multi-year period
Objective	This measure aims to ensure that the government does not benefit from the delay in certain types of lump-sum payments at the taxpayer's expense as a result of the progressivity of the income tax system (Budget 1999).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure is considered part of the benchmark tax system, and therefore is not a tax expenditure.
Subject	Other
CCOFOG 2014 code	n/a
Other relevant government programs	n/a
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model. The value of this measure corresponds to the difference between the tax that would be owed on the principal portion of eligible retroactive lump-sum payments if they were taxed in the year received, and the tax computed under the special mechanism.
Projection method	T1 micro-simulation model
Number of beneficiaries	This measure provided tax relief to about 500 individuals in 2021.

Cost Information:

Millions of dollars	2018	2019	2020	2021	2022 (P)	2023 (P)	2024 (P)	2025 (P)
Personal income tax	1	2	S	1	1	1	1	1

Spouse or Common-Law Partner Credit

Description	A taxpayer supporting a spouse or common-law partner may be eligible for the non-refundable Spouse or Common-Law Partner Credit, the value of which is calculated by applying the lowest personal income tax rate to the credit amount. 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. As of 2020, a taxpayer may also claim an income-tested supplement to the Spouse or Common-Law Partner Credit. This supplement is legislated to gradually increase in steps each year until 2023 at which time the maximum credit amount will reach $15,000. The increased portion of the credit is subject to an income test beginning at a level of individual net income equal to the fourth federal tax bracket threshold ($165,430 in 2023), and is fully phased out by the fifth federal bracket threshold ($235,675 in 2023). The maximum credit amount (i.e., the base credit + supplement) for 2023 is $15,000, with the fully reduced amount being $13,520.
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 introduced a gradual increase to the Spouse or Common-Law Partner Credit to $15,000 over the 2020 to 2023 period.
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 1.9 million individuals claimed this credit in 2021.

Cost Information:

Millions of dollars	**2018**	**2019**	**2020**	**2021**	**2022 (P)**	**2023 (P)**	**2024 (P)**	**2025 (P)**
Personal income tax	1,740	1,740	1,680	1,935	2,135	2,255	2,375	2,455

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 463,000 individuals claimed this credit in 2021.

Cost Information:

Millions of dollars	2018	2019	2020	2021	2022 (P)	2023 (P)	2024 (P)	2025 (P)
Personal income tax	50	55	25	20	20	25	20	20

Tax on Repurchases of Equity

Description	A 2% tax applies to the net value of all types of share repurchases by public corporations, which for the purpose of this measure refers to Canadian-resident corporations whose shares are listed on a designated stock exchange (excluding mutual funds). Other publicly traded businesses with units listed on a designated stock exchange are also subject to the tax, including real estate investment trusts, specified investment flow-through (SIFT) trusts, and SIFT partnerships. An entity's net value of share repurchases is defined as the fair market value of equity repurchased less the fair market value of equity issued from treasury, calculated on an annual basis, corresponding to the entity's taxation year. The tax does not apply to an entity in a taxation year if it repurchased less than $1 million of equity during that year. The tax applies in respect of repurchases and issuances of equity that occur on or after January 1, 2024.
Tax	Corporate income tax
Beneficiaries	Public corporations and other publicly traded businesses
Type of measure	Other
Legal reference	Not yet legislated (as of December 31, 2023)
Implementation and recent history	• Introduced in the 2022 Fall Economic Statement. • Details of the measure announced in Budget 2023.
Objective – category	General revenue raising To support business activity
Objective	To increase federal revenues while also encouraging corporations to make investments in their workers and businesses in Canada (*2022 Fall Economic Statement*).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	The applicable tax departs from the use of income as the tax base.
Subject	Business – other
CCOFOG 2014 code	n/a
Other relevant government programs	n/a
Source of data	T2 Corporation Income Tax Return
Estimation method	n/a
Projection method	In the absence of T2 data, projections reflect a purpose-built model of net repurchases across the business cycle, using historical data on repurchases and share issuance of public corporations from their financial statements.
Number of beneficiaries	No data is available.

Cost Information:

Millions of dollars	**2018**	**2019**	**2020**	**2021**	**2022 (P)**	**2023 (P)**	**2024 (P)**	**2025 (P)**
Corporate income tax	–	–	–	–	–	–	425	600

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	**2018**	**2019**	**2020**	**2021**	**2022 (P)**	**2023 (P)**	**2024 (P)**	**2025 (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. For fiscal years beginning on or after December 31, 2023, the Global Minimum Tax may apply to certain large Canadian multinational groups on their income earned outside of Canada that is taxed abroad at an effective rate of less than 15%. 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 to the general limitations on the deductibility of interest that are not specific to investments in foreign affiliates as well as to the Excessive Interest and Financing Expenses Limitation (EIFEL) rules.
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 *Global Minimum Tax Act* (proposed)
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. • The Global Minimum Tax was announced in Budget 2022 and, once enacted, will be effective for fiscal years of qualifying multinational enterprise (MNE) groups that begin on or after December 31, 2023.
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	No data is available.

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 83,000 individuals reported having received alimony or maintenance payments in 2021, while about 55,000 individuals claimed a deduction.

Cost Information:

Millions of dollars	2018	2019	2020	2021	2022 (P)	2023 (P)	2024 (P)	2025 (P)
Personal income tax	95	120	100	105	115	125	135	140

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. 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).
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 16.8 million individuals claimed the credit for Canada Pension Plan or Quebec Pension Plan contributions on employment income in 2021, while about 2 million claimed the credit for contributions on self-employment or other income.

Cost Information:

Millions of dollars	2018	2019	2020	2021	2022 (P)	2023 (P)	2024 (P)	2025 (P)
Tax recognition for employee-paid contributions	4,200	4,595	4,765	5,525	6,350	7,090	7,615	8,075
Non-taxation of employer-paid contributions	6,415	6,950	7,080	8,335	9,350	10,210	10,810	11,350
Total – personal income tax	10,615	11,540	11,845	13,860	15,700	17,300	18,425	19,425

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 2021, about 16 million individuals claimed the credit for Employment Insurance contributions on employment income, while about 15,500 individuals claimed this credit on self-employment or other eligible earnings. About 4 million individuals claimed the credit for Quebec Parental Insurance Plan contributions on employment income earned in the province of Quebec, while about 128,000 individuals claimed the credit on income earned outside Quebec. About 447,000 individuals claimed the Quebec Parental Insurance Plan credit on self-employment or other eligible income.

Cost Information:

Millions of dollars	2018	2019	2020	2021	2022 (P)	2023 (P)	2024 (P)	2025 (P)
Credit for employee-paid premiums	1,365	1,390	1,345	1,445	1,565	1,690	1,755	1,860
Non-taxation of employer-paid premiums	2,875	2,940	2,835	3,175	3,425	3,685	3,815	4,030
Total – personal income tax	4,240	4,330	4,180	4,615	4,990	5,380	5,570	5,890

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 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 2023 through 2025 are not provided as the value of this measure cannot be reliably forecast for these years.
Number of beneficiaries	As of December 2022, about 92,600 AgriInvest accounts were registered.

Cost Information:

Millions of dollars	2018	2019	2020	2021	2022 (P)	2023 (P)	2024 (P)	2025 (P)
AgriInvest program								
Personal income tax	4	-1	S	5	-5	n.a.	n.a.	n.a.
Corporate income tax	1	S	S	1	-1	n.a.	n.a.	n.a.
Total	5	-1	S	10	-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	2018	2019	2020	2021	2022 (P)	2023 (P)	2024 (P)	2025 (P)
Personal and corporate income tax	215	230	235	230	245	245	285	300

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 18,000 individuals benefitted from this exemption in 2021.

Cost Information:

Millions of dollars	**2018**	**2019**	**2020**	**2021**	**2022 (P)**	**2023 (P)**	**2024 (P)**	**2025 (P)**
Personal income tax	3	3	3	3	3	3	3	3

Tax-Free First Home Savings Account

Description	The First Home Savings Account (FHSA) is a registered plan helping individuals save for their first home. Canadian residents 18 years and older who are first-time home buyers are eligible to open an FHSA. The annual contribution limit is $8,000, with a lifetime contribution limit of $40,000. Any unused annual contribution room can be carried forward, up to a maximum of $8,000. The carry-forward amounts only start accumulating after an individual opens an FHSA for the first time. FHSA contributions are tax-deductible, unless funded from an RRSP, and income earned in an FHSA is not subject to tax. Qualifying FHSA withdrawals, used to purchase a first home in Canada, are non-taxable, whereas non-qualifying withdrawals are subject to taxation. Individuals are allowed to transfer funds from an FHSA to another FHSA, an RRSP or a RRIF, subject to the usual rules applicable to these accounts.
Tax	Personal income tax
Beneficiaries	Individual first-time home buyers
Type of measure	Exemption
Legal reference	*Income Tax Act*, proposed sections 146.6 and 207.01
Implementation and recent history	• Introduced in Budget 2022. The measure came into effect in 2023.
Objective – category	To achieve a social objective
Objective	This measure supports first-time home buyers by facilitating saving for a down payment (Budget 2022).
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	T1 Income Tax and Benefit Return
Estimation method	n/a
Projection method	T1 micro-simulation model
Number of beneficiaries	No data is available.

Cost Information:

Millions of dollars	**2018**	**2019**	**2020**	**2021**	**2022 (P)**	**2023 (P)**	**2024 (P)**	**2025 (P)**
Personal income tax	–	–	–	–	–	125	465	595

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 $6,500 for 2023. 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 17.8 million individuals had a TFSA at the end of 2022.

Cost Information:

Millions of dollars	2018	2019	2020	2021	2022 (P)	2023 (P)	2024 (P)	2025 (P)
Personal income tax	1,375	1,895	1,700	3,220	2,015	3,200	3,680	4,050

Teacher and Early Childhood Educator School Supply Tax Credit

Description	Teachers and early childhood educators may claim a 25% 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 the purpose of teaching or otherwise enhancing students' learning. Eligible supplies include consumable goods, such as construction paper for activities, flashcards or activity centres, as well as prescribed durable goods. 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 *Income Tax Regulations*, section 9600
Implementation and recent history	• Introduced in Budget 2016, effective for the 2016 and subsequent taxation years. • The *2021 Economic and Fiscal Update* increased the credit rate to 25%; removed a requirement that supplies be used in the classroom; and extended the list of prescribed durable goods, effective for the 2021 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	About 80,000 individuals claimed this credit in 2021.

Cost Information:

Millions of dollars	**2018**	**2019**	**2020**	**2021**	**2022 (P)**	**2023 (P)**	**2024 (P)**	**2025 (P)**
Personal income tax	5	5	5	10	10	10	10	10

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	**2018**	**2019**	**2020**	**2021**	**2022 (P)**	**2023 (P)**	**2024 (P)**	**2025 (P)**
Personal income tax	55	35	30	20	5	S	S	S

Tourism and Hospitality Recovery Program

Description	The Tourism and Hospitality Recovery Program (THRP) provided a wage and rent subsidy for employers in prescribed tourism or hospitality businesses that had an average revenue reduction for the first year of the CEWS of 40% or more and had a current period revenue reduction of at least 40%. For qualifying entities, the THRP paid a wage and rent subsidy of between 40% and 75% for claim periods between October 24, 2021 to March 13, 2022. From March 13 to May 7, 2022 the maximum wage and rent subsidy rate decreased by half. The program ended on May 7, 2022.
Tax	Personal (including trusts) and corporate income tax
Beneficiaries	Businesses, individuals and other organizations
Type of measure	Credit, refundable
Legal reference	*Income Tax Act*, sections 125.7 and 164
Implementation and recent history	• On October 21, 2021, the government announced the Tourism and Hospitality Recovery Program to provide wage and rent subsidies for qualifying tourism or hospitality organizations (i.e., prescribed tourism or hospitality organizations that had an average revenue reduction for the first year of the CEWS of 40% or more and had a current period revenue reduction of at least 40%).
Objective – category	To encourage employment To support business activity
Objective	This measure was put in place to help prevent job losses and encourage employers to quickly rehire workers previously laid off as a result of COVID-19.
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 Business – other
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified 71059 - Social Protection - Unemployment
Other relevant government programs	Programs relevant to supporting individuals and businesses during the COVID-19 crisis, as part of Canada's COVID-19 Economic Response Plan. Additional information on the relevant government programs is provided in the table at the end of Part 3.
Source of data	Administrative data provided by the Canada Revenue Agency
Estimation method	The cost of this measure reflects administrative data provided by the Canada Revenue Agency.
Projection method	n/a
Number of beneficiaries	The number of unique applicants with approved claims since the start of the program is 30,300 and 30,130, for the wage portion and the rent portion, respectively (data as of September 3, 2023).

Cost Information:

Millions of dollars	**2018**	**2019**	**2020**	**2021**	**2022 (P)**	**2023 (P)**	**2024 (P)**	**2025 (P)**
Personal and corporate income tax	–	–	–	1,055	1,655	–	–	–

Note: The figures in the table correspond to the gross fiscal impact of the measures and they are subject to change as claims are reviewed and adjusted. The distribution across years reflects the benefit periods for the programs. Figures reflect microdata provided by the Canada Revenue Agency dating to September 3, 2023.

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	**2018**	**2019**	**2020**	**2021**	**2022 (P)**	**2023 (P)**	**2024 (P)**	**2025 (P)**
Personal income tax								
Individuals	24,410	25,270	26,125	29,160	30,780	32,185	33,500	33,725
Trusts	535	875	1,050	1,465	805	1,115	1,160	1,165
Total – personal income tax	24,945	26,150	27,180	30,625	31,590	33,300	34,660	34,895
Corporate income tax	3,650	3,435	3,680	5,250	5,640	4,695	5,395	5,190
Total	28,595	29,585	30,860	35,875	37,225	37,995	40,055	40,085

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: • From $50 to $200 for lengths of absence between 24 and 48 hours; • From $400 to $800 for lengths of absence between 48 hours and 7 days; • From $750 to $800 for lengths of absence over 7 days.
Objective – category	To reduce administration or compliance costs
Objective	This measure expedites customs clearance for returning Canadian consumers, making cross-border business and personal travel more convenient for Canadians (Department of Finance Canada news release 2012-061, June 1, 2012).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	The non-taxation of goods that will be consumed in Canada is a deviation from a broadly defined value-added tax base.
Subject	International
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	n/a
Source of data	Statistics Canada, 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	2018	2019	2020	2021	2022 (P)	2023 (P)	2024 (P)	2025 (P)
Goods and Services Tax	310	330	80	100	265	315	335	350

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 (up to a limit of $5,000, less the amount claimed by the student) 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 2.7 million individuals earned this credit in 2021.

Cost Information:

Millions of dollars	**2018**	**2019**	**2020**	**2021**	**2022 (P)**	**2023 (P)**	**2024 (P)**	**2025 (P)**
Personal income tax	1,630	1,735	2,100	2,065	2,100	2,220	2,270	2,270

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 43,700 individuals claimed this credit in 2021.

Cost Information:

Millions of dollars	**2018**	**2019**	**2020**	**2021**	**2022 (P)**	**2023 (P)**	**2024 (P)**	**2025 (P)**
Personal income tax	20	15	15	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	2018	2019	2020	2021	2022 (P)	2023 (P)	2024 (P)	2025 (P)
Goods and Services Tax	4,705	4,885	5,385	5,480	5,800	6,195	6,360	6,595

Zero-rating of face masks and face shields

Description	Face masks (medical and non-medical grade) and face shields designed for human use that meet certain specifications (e.g., cover the nose and mouth) and that are for use in preventing the transmission of infectious agents, such as respiratory viruses, are currently zero-rated under the GST.
Tax	Goods and Services Tax
Beneficiaries	Households
Type of measure	Zero-rating
Legal reference	Sections 2 to 5 of Part II.1 of Schedule VI to the *Excise Tax Act*
Implementation and recent history	• Proposed as part of the November 30, *2020 Fall Economic Statement*. This measure would apply to supplies of these items made after December 6, 2020, and is proposed to only be in effect until their use is no longer broadly recommended for the COVID-19 pandemic.
Objective – category	To achieve a social objective
Objective	This measure provides tax relief to households and other purchasers to support public health during the COVID-19 pandemic.
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 Canada Border Services Agency data
Estimation method	The cost of this measure corresponds to the tax on the estimated value of face masks (medical and non-medical grade) and face shields that would otherwise be taxable.
Projection method	Projections for this measure are based on the anticipated demand for face masks (medical and non-medical grade) and face shields.
Number of beneficiaries	About 38.9 million individuals benefit from this measure.

Cost Information:

Millions of dollars	**2018**	**2019**	**2020**	**2021**	**2022 (P)**	**2023 (P)**	**2024 (P)**	**2025 (P)**
Goods and Services Tax	–	–	5	85	70	50	45	50

Note: The total cost of this tax expenditure is slightly different than that presented in the *2020 Fall Economic Statement* because of rounding.

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	Section 1 of 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	2018	2019	2020	2021	2022 (P)	2023 (P)	2024 (P)	2025 (P)
Goods and Services Tax	45	45	50	50	55	55	60	60

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	2018	2019	2020	2021	2022 (P)	2023 (P)	2024 (P)	2025 (P)
Goods and Services Tax	465	520	530	585	620	645	665	685

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	2018	2019	2020	2021	2022 (P)	2023 (P)	2024 (P)	2025 (P)
Goods and Services Tax	880	920	955	1,005	1,045	1,090	1,135	1,185

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 Indigenous Forestry Initiative, the Investments in Forest Industry Transformation program, the Targeted Geoscience Initiative program, and the CanmetMINING research and innovation initiatives. 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.
Canada's COVID-19 Economic Response Plan	Many federal programs were introduced to support Canadians and businesses facing hardship as a result of the COVID-19 outbreak. Details on these programs can be found in Budgets 2021 and 2022.
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.

Table
Additional Information on Relevant Government Programs by Subject

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 Financial Assistance 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.
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 and Skills 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 and Natural Resources Canada also support environment-related objectives. These include programs related to combatting climate change, such as the Low Carbon Economy Fund in Environment and the Energy Innovation Program and Smart Renewables and Electrification Pathways Programs. 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, parental and family caregiver 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.

Table
Additional Information on Relevant Government Programs by Subject

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.

Part 4
Tax Evaluations and Research Reports

Gender-Based Analysis Plus of Federal Tax Expenditures Related to Pension and Retirement Savings Plans[1]

1. Introduction

Federal tax expenditures include several measures that encourage and assist Canadians to save for retirement. Deferrals of tax are provided on savings in Registered Pension Plans (RPP), Pooled Registered Pension Plans (PRPP), Registered Retirement Savings Plans (RRSP), and the Saskatchewan Pension Plan (SPP).[2] Contributions to one of these private pension and retirement savings plans are deductible from income. Investment income is not taxed as it accrues in these plans, but withdrawals and benefit payments are generally included in income for tax purposes. The main objective of these tax measures is to help Canadians generate sufficient retirement income to maintain pre-retirement living standards. These measures also aim to improve the efficiency of the tax system by providing greater neutrality in the tax treatment of consumption and saving, while also encouraging investment and economic growth.

Recent T1 return data provides information on current-year deductible contributions made to, and taxable withdrawals made from, registered plans. However, no information is available on investment income earned over time in such plans. Because of this data limitation, previous Gender-based Analysis Plus (GBA Plus) studies of federal personal income tax (PIT) expenditures excluded the analysis of measures related to pension and retirement savings plans. This project attempts to fill this gap by examining the profile of individuals who claim the available tax exemptions and deductions for their contributions to RPPs and RRSPs,[3] and by proposing assumptions to estimate the lifetime tax benefits[4] associated with these contributions. Such estimations enable us to identify the groups that especially benefit from these tax expenditures from a taxation standpoint and verify whether a particular gender[5] or other identity groups benefit proportionally more or less than others.

The study begins in Section 2 by providing background information on Canada's retirement income system and on the available federal PIT expenditures related to pension and retirement savings plans. Section 3 continues by presenting the data source used in this analysis and by examining the profile of taxfilers who claimed available tax exemptions and deductions for their contributions to RPPs and RRSPs in 2019 (i.e., before the coronavirus pandemic hit the economy). Section 4 then discusses a methodology to estimate the lifetime tax benefits of current-year RPP/RRSP contributions, examine the distribution of such benefits between groups, and identify the groups that especially benefit from these tax expenditures.

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

2 Section 2 of this report provides information on these federal personal income tax expenditures.

3 In this analysis, contributions to RPPs include contributions to an RPP, while contributions to RRSPs also include contributions to a PRPP and/or the SPP. In the PIT returns, contributions to these measures are grouped similarly.

4 This study aims to estimate the federal net tax savings accumulated over the life course resulting from amounts of RPP and RRSP contributions claimed in a given year. Its goal is not to estimate the full net income benefit of such contributions, including impacts on other sources of retirement income.

5 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 taxfiler. 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 (man or woman) of every person who has received a SIN. Alternative gender options have been recently added to the Social Insurance Register (i.e., "X" and "not declared"). Due to this change being very recent, the analysis focuses on male and female identifying records.

2. Background information

The general objectives of Canada's retirement income system are to prevent seniors from experiencing a significant drop in their standard of living after retirement and to prevent them from living in poverty. The system comprises three pillars. The first pillar consists of the Old Age Security and Guaranteed Income Supplement public programs, both of which are paid to eligible recipients using general federal government revenues. The second consists of Canada Pension Plan or Québec Pension Plan pension benefits, which are mandatory public workplace pension plans that are paid for by employers and workers. The third pillar, which is the focus of the current study, includes retirement savings in workplace pension plans (e.g., RPPs) that are paid for by employers or workers, as well as retirement savings in other voluntary private savings vehicles, such as RRSPs.[6]

The federal government encourages private retirement savings by providing tax relief (through exemptions and deductions) on current-year contributions to private pension and retirement savings plans. Investment income in those plans is also generally not subject to individual income taxes when it is earned. Instead, taxes are paid when withdrawals are made from the plans. Taxes are thus generally deferred to retirement years. The contribution limits in those plans are designed to permit most individuals to save enough, over a 35-year career, to obtain a pension equal to about 70% of pre-retirement earnings.

Short descriptions of the private pension and retirement savings plans through which the federal tax system encourages retirement savings are provided in Table 1 below.

Table 1
Federal PIT expenditures related to pension and retirement savings plans

Tax expenditures	Description	Contribution limits
Registered Pension Plans (RPP)	An RPP is a pension plan that is set up by an employer and registered by the Canada Revenue Agency, to provide employees with a pension when they retire.	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)
Registered Retirement Savings Plans (RRSP)	An RRSP is a retirement savings plan that individuals establish, that is registered by the government, and to which the individual or their spouse or common-law partner can contribute.	RRSP contribution limits are determined as 18% of prior-year earned income up to a specified dollar limit ($26,500 for 2019), less an adjustment for contributions made to an RPP and/or a Deferred Profit-Sharing Plan, plus unused contribution room carried forward from previous years.
Pooled Registered Pension Plans (PRPP)	A PRPP is a retirement savings option for individuals, including self-employed individuals, which provides investment options similar to those for other RPPs. A PRPP enables its members to benefit from lower administration costs that result from participating in a large plan, and it is portable from one job to another.	Contributions to PRPPs must be made within a PRPP member's available RRSP contribution limit.
Saskatchewan Pension Plan (SPP)	The SPP is a voluntary defined contribution pension plan created by the Government of Saskatchewan.	While the tax rules permit SPP contributions to be made within an SPP member's available RRSP contribution limit, the SPP restricts annual contributions to a specified maximum ($6,200 for 2019).

Note: In the T1 return, RRSP, PRPP and SPP contributions are grouped together and claimed on the same line.
Sources: Government of Canada websites, Government of Saskatchewan website and Department of Finance Canada, Report on Federal Tax Expenditures: Concepts, Estimates and Evaluations 2021, Section 2.

6 Although the Tax-Free Savings Account (TFSA) works differently than RPPs and RRSPs, it can also be considered as being part of the third pillar of Canada's retirement income system. TFSA contributions are not deductible for income tax purposes and any amount contributed as well as any income earned in the account (for example, investment income and capital gains) is generally tax-free, even when it is withdrawn. A TFSA can represent an important retirement savings tool for some Canadians. However, their role is not limited to encouraging retirement savings goals, unlike the other savings instruments of interest in this study.

The RPP and RRSP limits are integrated to provide comparable retirement savings opportunities whether an individual saves in an RPP, an RRSP or both. Unused RRSP room may be fully carried forward to future years. The more an individual earns during their working life, the more they will need to save in private savings vehicles to reach a sufficiently high income replacement rate in retirement.

3. Statistical profile of taxfilers who claim RPP/RRSP contributions

3.1 Data source

This GBA Plus is primarily based on 2019 T1 return data – the *Income Tax and Benefit Return* and schedule 7. T1 return data represents the most complete source of information on Canadian taxfilers, and 2019 is the most recent tax year before the coronavirus pandemic hit the economy.[7] While taxfilers can contribute to several available pension and retirement savings plans, T1 return data captures contributions made to these plans in only two distinct categories. They can claim a deduction for their personal contributions made to an RPP as well as for their total contributions made to their personal RRSP, PRPP, or SPP, or the RRSP or SPP of their spouse or common-law partner.[8] Because employers' contributions to taxfilers' RPP and PRPP are non-taxable benefits, they are not accounted for in the calculation of taxfilers' taxable income. However, these amounts must be reported for information purposes in the taxfilers' T1 returns. It is thus possible to also consider the fiscal impact of these tax-exempt employer contributions.

3.2 General profile of taxfilers who claim RPP/RRSP contributions

Among the 28.9 million Canadians who filed a T1 return for the 2019 tax year, about 10 million (or 34.5%) claimed positive amounts of RPP and/or RRSP-PRPP-SPP contributions to which a tax deduction or exemption was applied[9] (in this study, these taxfilers are called RPP/RRSP claimants). According to Table 2, more than 6.7 million taxfilers claimed RPP contributions and about 6.2 million claimed RRSP contributions. As Figure 1 indicates, there is an overlap between RPP and RRSP claimants.

The amount of claimed contributions made to RPPs/RRSPs totaled $119,831 million. Of this total, 61.7% were RPP contributions, including both employer and employee contributions. The average amount of contributions claimed by the 6.7 million RPP claimants was $11,000. In comparison, the 6.2 million RRSP claimants claimed an average amount of $7,500. In Table 2, a distinction between employer and employee RPP contributions indicates that employer contributions represent the largest part of total RPP claimed amounts (65.9%). Figure 2 suggests that about three quarters of taxfilers who claimed RPP contributions claimed both employer and employee contributions (75.7%).

7 The first pandemic years would most likely not be as representative as year 2019 of longer-term trends in terms of earnings and savings behaviours.

8 T1 return data at our disposal does not allow a distinction between taxfilers who claim contributions to their personal plans and those who claim contributions to the plans of their spouse or common-law partner.

9 These include taxfilers who reported some income in step 2 of their 2019 *Income Tax and Benefit Return* that was transferred to their RRSP, PRPP or SPP as well as those who reported employer contributions to their RPP or PRPP. Contributions designated as a repayment under the Home Buyers' Plan or Lifelong Learning Plan were not accounted for in RRSP claimed amounts as no deduction applies to them. These represented 1.7% of total RRSP contributions available for deduction in 2019.

Table 2
Statistics on who claimed RPP/RRSP contributions, 2019

	RPP or RRSP claimants	RPP – employer	RPP – employee	Total RPP claimants	PRPP – employer	RRSP - individual	Total RRSP claimants
Total number (#)	9,960,100	6,622,500	5,232,200	6,747,100	11,000	6,150,900	6,153,800
Percentage (%) of all taxfilers	34.5	22.9	18.1	23.3	0.04	21.3	21.3
Total amount of claims ($ million)	119,831	48,729	25,183	73,911	36	45,883	45,920
Average amount of claims per claimant ($)	12,000	7,400	4,800	11,000	3,300	7,500	7,500

Note: Totals may not add up due to rounding or overlaps between groups.
Source: T1 return data.

Figure 1
Distribution of taxfilers by RPP/RRSP claimed contributions, 2019

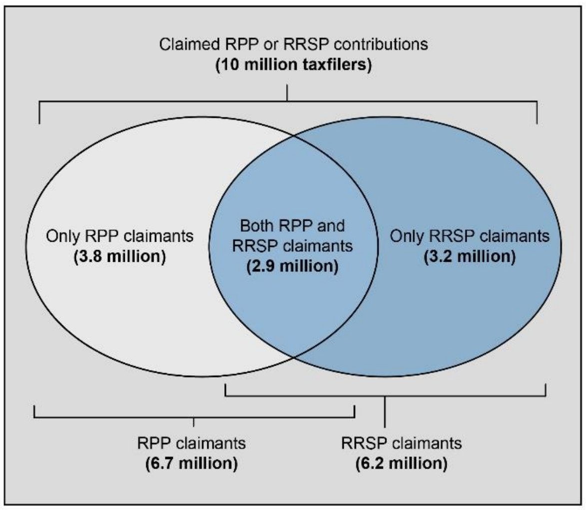
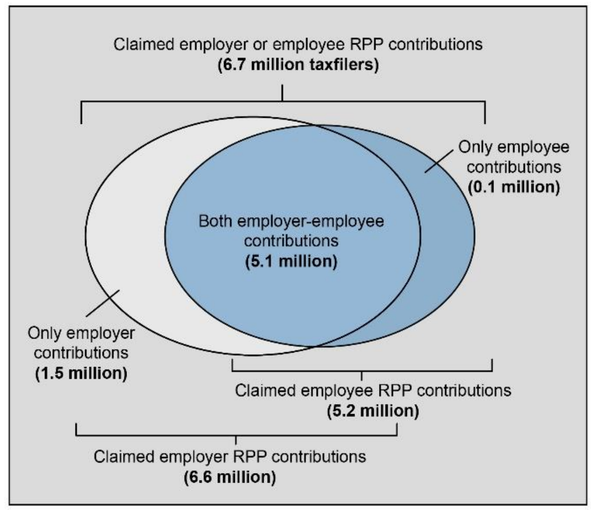


Figure 2
Distribution of RPP claimants by employer-employee contributions, 2019



Note: Totals may not add up due to rounding.
Source: T1 return data.

Table 3 compares the demographic and socioeconomic profile of taxfilers who claimed RPP/RRSP contributions to that of all taxfilers. It suggests that men were slightly overrepresented among RPP/RRSP claimants. This is attributed to the relatively more important proportion of men who claimed RRSP contributions, since the gender distribution of RPP claimants is similar to that of all taxfilers.

The age profile of RPP/RRSP claimants differs considerably from that of all taxfilers. Both RPP and RRSP claimants were more highly concentrated in the 30 to 64 years age bracket, although RRSP claimants were slightly older on average than RPP claimants (46.3 years versus 43.7 years). In accordance with their age profile, unattached individuals were underrepresented among RPP/RRSP claimants whereas individuals in a couple with children were overrepresented among them.

Table 3 also highlights that, compared to all taxfilers, RPP/RRSP claimants have a distinctive socioeconomic profile. Their average pre-tax income (personal and family income) was more than 1.5 times higher than that of all taxfilers and they were more likely to be part of the top two income quintiles. They were also more likely to be salaried workers than other filers.

Table 3

Demographic and socioeconomic profile of all taxfilers and taxfilers who claimed RPP/RRSP contributions, 2019

	All taxfilers	RPP or RRSP claimants	RPP claimants	RRSP claimants
Distribution by gender* (%)				
Men	48.5	51.0	48.8	53.5
Women	51.5	49.0	51.2	46.5
Average age (yrs.)	48.8	44.8	43.7	46.3
Distribution by age group (%)**				
Under 30 years	19.8	13.4	14.5	10.1
From 30 to 39 years	16.7	23.5	24.6	22.5
From 40 to 49 years	15.4	24.3	25.4	24.6
From 50 to 64 years	24.8	33.9	32.6	36.8
65 years or more	23.3	5.0	2.9	6.1
Distribution by family type (%)				
Sole filer (filer not in a couple)	40.7	30.2	30.8	28.0
Sole parent	3.5	4.0	4.6	3.2
In a couple without children	36.5	35.0	32.4	38.3
In a couple with children	19.3	30.7	32.2	30.6
Average amount of personal pre-tax income ($)	51,800	85,600	81,000	95,700
Distribution by personal pre-tax income group* (%)**				
1st quintile (under $13,563)	20.0	2.4	2.5	1.1
2nd quintile (from $13,563 to $26,376)	20.0	5.1	4.5	3.9
3rd quintile (from $26,377 to $45,246)	20.0	17.2	15.8	15.2
4th quintile (from $45,247 to $73,732)	20.0	32.1	32.8	31.0
5th quintile (above $73,732)	20.0	43.2	44.3	48.8
Average amount of adjusted family pre-tax income ($)	60,000	90,100	84,700	100,400
Distribution by adjusted family pre-tax income group** (%)**				
1st quintile (under $18,348)	20.0	3.0	3.4	1.2
2nd quintile (from $18,348 to $33,637)	20.0	7.6	7.2	5.8
3rd quintile (from $33,638 to $54,148)	20.0	19.7	19.1	17.7
4th quintile (from $54,149 to $83,918)	20.0	30.8	31.7	30.4
5th quintile (above $83,918)	20.0	39.0	38.5	44.9
Distribution by working status (%)				
Salaried workers	62.4	93.8	98.5	91.5
Self-employed workers only	5.9	2.8	0.1	4.5
Non-workers (i.e., no employment income)	31.8	3.3	1.4	4.0

Notes: *Data includes a few cases for which the taxfiler's gender is unknown. The distributions by gender were calculated excluding these missing observations. ** In Canada, the age limit for RRSP contributions is 71 years old. ***Pre-tax income includes all income for federal tax purposes plus the non-taxable portion of capital gains, less the gross-up of dividends received, the split income amounts transferred from a spouse, the net capital losses incurred during the year and those carried over from prior years. **** Adjusted family income is a more appropriate indicator of the socioeconomic status of individuals since it accounts for the fact that family needs increase with family size. In the current study, the adjusted family income of an individual was obtained by dividing their total pre-tax family income by the square root of their family size.

Results may not add up to 100% due to rounding.

Source: T1 return data.

However, due to the progressivity of the federal personal income tax system, the ratio of the average amount of net federal tax payable by RPP/RRSP claimants relative to that of all taxfilers (see Table 4) is larger than the 1.5 ratio of average incomes noted in Table 3. The percentage of RPP/RRSP claimants with a non-zero amount of net federal tax payable in 2019 was not only considerably higher than among all taxfilers (95.1% compared to 67.1%), but the average amount of net federal tax payable by this last group was also significantly higher ($11,400 versus $8,200).

Table 4
Federal tax liability profile of all taxfilers and taxfilers who claimed RPP/RRSP contributions, 2019

	All taxfilers	RPP or RRSP claimants	RPP claimants	RRSP claimants
Average amount of net federal tax payable per taxfiler ($)	5,500	10,900	10,100	12,500
Percentage of filers with positive amounts of net federal tax payable (%)	67.1	95.1	95.2	96.9
Average amount of net federal tax payable among those with positive amounts ($)	8,200	11,400	10,600	12,900
Share of total net federal tax payable relative to total income (%)	11.7	12.9	12.7	13.3

Source: T1 return data.

3.3 Gender profile of taxfilers who claim RPP/RRSP contributions

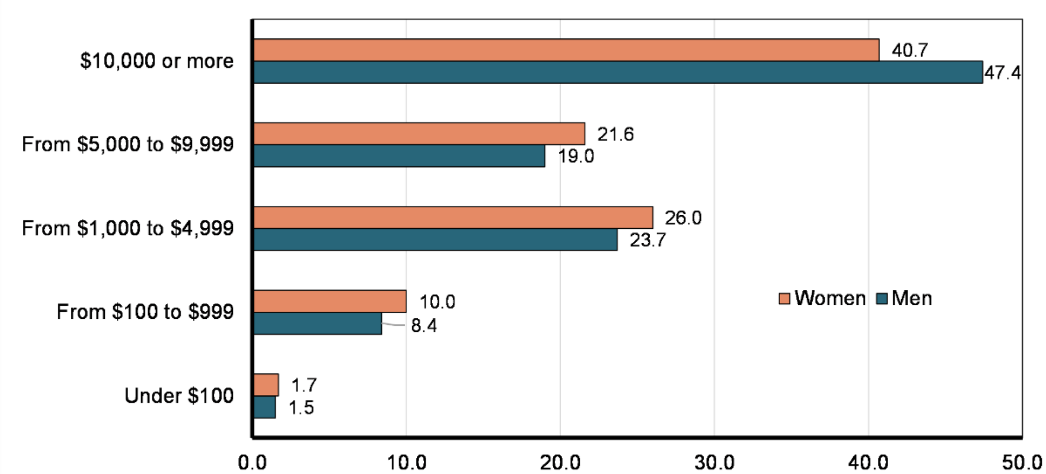
According to Table 5, men were more likely to claim RRSP contributions, while both genders were almost as likely to claim RPP contributions. Although men and women contributed to an RPP almost equally (3.3 million versus 3.5 million individuals), the average amount of contributions was slightly lower among women ($10,400 versus $11,600 among men). The gender difference in the average amount of RRSP contributions was even more pronounced ($6,300 versus $8,500). As Chart 1 indicates, the proportion of men who claimed $10,000 or more in RPP/RRSP contributions (47.4%) was significantly higher than that of women (40.7%). As a result, men claimed the largest part of RPP/RRSP contributions (55.1%) although they represented less than half of all taxfilers.

Table 5
Statistics on taxfilers who claimed RPP/RRSP contributions, by gender, 2019

	Men			Women		
	RPP or RRSP claimants	RPP claimants	RRSP claimants	RPP or RRSP claimants	RPP claimants	RRSP claimants
Total number (#)	5,075,300	3,293,800	3,293,400	4,883,900	3,452,600	2,860,200
Percentage (%) of all male/female taxfilers	36.2	23.5	23.5	32.9	23.3	19.9
Total amount of claims ($ million)	66,050	38,105	27,645	53,773	35,799	17,974
Average amount of claims per claimant ($)	13,000	11,600	8,500	11,000	10,400	6,300

Note: Results in this table exclude a small number of filers with missing gender information.
Source: T1 return data.

Chart 1
Distribution of RPP/RRSP claimants by amount of claims, 2019



Note: Results in this chart exclude a small number of filers with missing gender information.
Source: T1 return data.

In Table 6, we can see that the demographic profiles of male and female RPP/RRSP claimants do not differ substantially. While female taxfilers are, on average, slightly older than males, the average age of RPP/RRSP claimants is similar for both genders. The proportion of female RPP/RRSP claimants who are lone parents was greater than that of male claimants. However, this is consistent with the greater proportion of lone parents among female taxfilers in general.

If women who contribute to an RPP/RRSP appear to have a distinctive economic profile compared to their male counterparts, this gender distinction is quite consistent with that observed among all taxfilers. Men who claimed RPP/RRSP contributions reported an average amount of pre-tax personal income that was 1.4 times above that of women ($100,800 versus $69,700). In comparison, the average personal income of all male taxfilers was 1.5 times that of all female taxfilers. The average family income gap between male and female RPP/RRSP claimants was less pronounced than their personal income gap, but this pattern is also aligned with that seen among all taxfilers.

As the first GBA Plus study of federal PIT expenditures[10] pointed out, the federal PIT system is globally redistributive towards women in a given tax year. In comparison to men, women generally pay less in net federal income tax relative to what they earn, which makes the gender gap in after-tax income smaller than the gender gap in pre-tax income. This trend remains true among taxfilers who claimed RPP/RRSP contributions in 2019.

[10] 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".

Table 6

Demographic and socioeconomic profiles of taxfilers who claimed RPP and RRSP contributions, by gender, 2019

	Men				Women			
	All	**RPP or RRSP claimants**	**RPP claimants**	**RRSP claimants**	**All**	**RPP or RRSP claimants**	**RPP claimants**	**RRSP claimants**
Average age (yrs.)	48.1	45.0	43.8	46.5	49.4	44.6	43.7	46.2
Distribution by age group (%)								
Under 30 years	20.6	13.4	14.8	10.2	19.2	13.3	14.3	10.0
From 30 to 39 years	16.9	23.3	24.5	22. 3	16.6	23.7	24.6	22.8
From 40 to 49 years	15.5	23.8	25.0	24.2	15.2	24.8	25.9	25.1
From 50 to 64 years	25.0	34.0	32.6	36.6	24.6	33.9	32.6	36.8
65 years or more	22.1	5.5	3.2	6.7	24.5	4.4	2.6	5.3
Distribution by family type (%)								
Sole filer (filer not in a couple)	41.2	30.6	32.0	27.0	40.2	29.8	29.6	29.2
Sole parent	1.0	1.3	1.5	1.1	5.8	6.9	7.6	5.5
In a couple without children	38.0	35.6	32.6	38.9	35.1	34.4	32.2	37.4
In a couple with children	19.8	32.8	33.9	33.0	18.9	28.9	30.6	27.9
Percentage (%) of total personal pre-tax income	58.5	34.2	20.8	24.5	41.5	22.8	15.8	14.8
Average amount of personal pre-tax income ($)	62,400	100,800	94,300	111,300	41,800	69,700	68,300	77,600
Distribution by personal pre-tax income group (%)								
1st quintile (under $13,563)	15.9	1.6	1.9	0.7	23.5	3.2	3.2	1.7
2nd quintile (from $13,563 to $26,376)	17.2	3.4	3.0	2.5	22.8	6.9	5.9	5.6
3rd quintile (from $26,377 to $45,246)	18.7	12.1	10.6	10.7	21.3	22.6	20.8	20.5
4th quintile (from $45,247 to $73,732)	21.9	29.9	29.9	28.2	18.3	34.5	35.6	34.2
5th quintile (above $73,732)	26.2	53.1	54.6	58.0	14.2	32.9	34.5	38.0
Average amount of adjusted family pre-tax income ($)	62,400	94,400	88,000	104,100	57,900	85,700	81,400	96,200
Distribution by adjusted family pre-tax income group (%)								
1st quintile (under $18,348)	19.4	2.4	2.8	1.0	20.4	3.6	4.0	1.5
2nd quintile (from $18,348 to $33,637)	18.2	6.4	6.0	4.9	21.7	8.9	8.4	6.9
3rd quintile (from $33,638 to $54,148)	20.2	18.7	18.3	16.7	19.9	20.6	20.0	18.8
4th quintile (from $54,149 to $83,918)	20.9	31.4	32.5	30.6	19.2	30.2	31.0	30.3
5th quintile (above $83,918)	21.3	41.1	40.4	46.9	18.9	36.7	36.7	42.5
Distribution by working status (%)								
Salaried workers	65.8	94.0	98.8	91.7	59.3	93.7	98.2	91.4
Self-employed workers only	6.7	3.0	0.1	4.5	5.1	2.7	0.1	4.5
Non-workers (i.e., no empl. inc.)	27.5	3.0	1.1	3.7	35.6	3.7	1.7	4.1
Average amount of net federal tax paid ($)	7,300	14,000	12,900	15,700	3,800	7,700	7,500	8,800
Share of total net federal tax paid relative to total income (%)	11.9	14.0	13.8	14.2	9.1	11.0	10.9	11.4
Average amount of personal income after net federal tax paid* ($)	55,100	86,800	81,400	95,700	38,000	62,100	60,800	68,800

Notes: **Before tax withholdings transfers and refundable credits.*

Results in this table exclude a small number of filers with missing gender information.

Results may not add up to 100% due to rounding.

Source: T1 return data.

4. Lifetime tax benefits associated with claimed RPP/RRSP contributions

4.1 Methodology to identify the lifetime tax benefits associated with current-year RPP/RRSP contributions

Like for any other tax expenditures, not all claimants of RPP/RRSP contributions ultimately benefit from them from a taxation standpoint. The "number of beneficiaries" refers to the number of RPP/RRSP claimants who, in the absence of the available exemptions and deductions for their RPP/RRSP contributions, would have had to pay a higher amount of net federal tax over their life course, all else being equal (or, in other words, assuming no behavioural change by taxfilers). The "total amount of benefits" refers to the lifetime amount of net federal tax saved by RPP/RRSP claimants due to the claim of these tax deferrals in 2019, all else being equal.[11]

Identifying the beneficiaries and estimating the tax benefits of annual contributions to RPPs/RRSPs can be challenging because money invested into people's pension and retirement savings plans may grow over several decades. The possible benefits in terms of tax savings in the contributing year are supplemented by the benefits associated with the tax deferral on contributions and investment income accruing in the savings plans. These benefits can also be, partly or entirely, counterbalanced by the taxes due when the accumulated money is withdrawn from the plans. Notwithstanding the level of return on investment income, contributors paying higher PIT rates in their working lives (when most contributions are made) than in retirement years (when accumulated retirement savings are usually withdrawn) will generally benefit from a positive lifetime tax savings on their annual RPP/RRSP claims. The opposite situation (paying higher tax rates in retirement than in working years) is possible, especially among younger or low-income RPP/RRSP contributors, but less likely as income is generally lower among taxfilers in retirement years than in prime working years.[12]

Because individuals' income and savings trajectories over years cannot be observed based on a single year of data, the current analysis uses a present-value method.[13] The present-value method is an approach that uses assumptions to estimate the tax benefits of current-year RPP/RRSP contributions over a taxpayer's lifetime rather than in a single year. The cash-flow method used in the previous sections of the *Report on Federal Tax Expenditures* is more appropriate for estimating the overall current-year budgetary effect of PIT expenditures related to pension and retirement savings plans. However, the present-value method is more suitable for conducting distributional analyses of these tax expenditures because it considers the issue from an individual's perspective rather than the government's perspective.[14] As opposed to the cash-flow method which considers the annual tax savings on contributions and annual taxes collected on withdrawals, the present-value method does not account for taxes collected on withdrawals from these plans made in the current year. Therefore, the present-value method does not imply that taxfilers in retirement are necessarily better off in the absence of the tax expenditure. Instead, the present-value method estimates the eventual taxation of the deferred income accumulated in the plans, by calculating the lifetime tax benefits of RPP/RRSP contributions claimed in a given year. All details on the methodology used to estimate these lifetime tax benefits are discussed in Annex A.

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11 In this study, it is assumed that the tax benefits of each tax expenditure only accrue to claimants.

12 Data from the Canada Revenue Agency – T1 Final Statistics 2021 edition (for the 2019 tax year) – suggests that, in 2019, average total income was $42,800 among taxfilers aged 65 years or more in comparison to $62,000 among those aged between 30 and 64 years.

13 This is the approach that the U.S. Congressional Budget Office used in its report entitled *The Distribution of Major Tax Expenditures in 2019*.

14 As the Department of Finance's 2001 *Report on Federal Tax Expenditures* stated on p. 22, the present-value method answers a different question than the one answered by the cash-flow method and thus the estimates from the two methods are not directly comparable. The cash-flow method answers the question: If the RPP/RRSP tax measures were removed today, what would be the estimated government revenue impact in the current year, whereas the present-value method answers the question: What is the lifetime fiscal cost of all contributions claimed in a given year?

4.2 Gender-impact analysis of lifetime tax benefits associated with current-year RPP/RRSP contributions

This section uses the estimated amounts of lifetime tax benefits of current-year RPP/RRSP contributions to assess the redistributive impact between men and women of the PIT expenditures related to pension and retirement savings plans. Table 7 indicates that women received a smaller proportion (43.7%) of total RPP/RRSP lifetime tax benefits than men (56.3%). It also suggests that the total amount of RPP lifetime benefits is more equally distributed between male and female taxfilers than total RRSP lifetime benefits.

Table 7
Statistics on RPP/RRSP lifetime tax benefits received by taxfilers who claimed current-year RPP and RRSP contributions, by gender, 2019

	RPP/RRSP		RPP		RRSP	
	Men	**Women**	**Men**	**Women**	**Men**	**Women**
Estimated RPP/RRSP **lifetime tax benefits** when marginal tax rate is 5 percentage points lower in retirement than at contribution, in 2019						
Average amount per beneficiary ($)	2,500	2,000	2,200	1,900	1,600	1,100
Total amount (million $)	12,299	9,535	7,035	6,335	5,227	3,167
Percentage of lifetime tax benefits as a share of total 2019 RPP/RRSP claimed contributions (%)	18.6	17.7	18.5	17.7	18.7	17.6

Notes: All money amounts are in 2019 dollars.
Source: T1 return data.

However, as the 2019 GBA Plus study pointed out, it is not sufficient to examine the distribution of beneficiaries and benefits by gender to assess the redistributive impact of specific tax expenditures.[15] It is also necessary to look at how each measure contributes to reducing pre-existing income inequality between men and women. To control for pre-existing income inequality (i.e., before the application of the federal tax system) and draw conclusions on the gender impact of each tax expenditure, a ratio of the share of total current-year benefits received relative to the share of total current-year pre-tax income reported was used in all previously released GBA Plus studies. A similar ratio was selected this time even though benefits of annual RPP/RRSP contributions materialize over a longer period than the tax expenditures studied before. In the current study, the ratio captures the importance of the lifetime tax benefits associated with current-year RPP/RRSP claims relative to the current-year distribution of pre-tax income between groups. Like in most previous GBA Plus studies, a ratio higher than 1.05 indicates that a group of taxfilers benefits from the tax expenditure proportionally more than others, while a ratio lower than 0.95 indicates that it benefits proportionally less.

The overall 1.05 ratio presented in Table 8 suggests that women and men benefit relatively equally from the various federal tax expenditures related to pension and retirement savings plans. However, ratios specific to RPP and RRSP claims reveal different redistributive impacts between genders. Like for most deductions, male taxfilers tend to benefit relatively more from the RRSP deduction. On the other hand, the RPP deduction is one of the few deductions that benefit women relatively more, along with the child care expense deduction and the deduction of union and professional dues, for instance. The advantage for women from the RPP deduction is, however, far from being as important as the child care expense deduction. The 0.91 and 1.14 ratios suggest that, even if these measures had been included with the set of tax expenditures examined in the first GBA Plus study, neither of them would have been part of the top five federal PIT expenditures in favour of men or women.[16]

[15] 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", p. 305.

[16] *Ibid*., p. 306.

Table 8

Statistics on RPP/RRSP lifetime tax benefits, as well as ratios of the share of lifetime tax benefits received by groups relative to their share of current-year pre-tax personal income, by gender, 2019

	Share of lifetime beneficiaries among all taxfilers (%)		Average lifetime tax benefits per claimant ($)		Distribution of lifetime tax benefits between men and women (%)		Ratio of the share of lifetime tax benefits received by women relative to their share of current-year pre-tax income (41.5%*)
	Men	**Women**	**Men**	**Women**	**Men**	**Women**	**Ratio**
RPP/RRSP claimants	35.4	31.4	2,400	2,000	56.3	43.7	1.05
RPP claimants	22.9	22.2	2,100	1,800	52.6	47.4	**1.14**
RRSP claimants	23.2	18.7	1,600	1,100	62.3	37.7	*0.91*

Note: *This 41.5% represents the share of total pre-tax income received by female taxfilers in 2019.
Ratios of tax expenditures benefiting women relatively more (i.e., their share of total lifetime tax benefits is greater than their share of current-year pre-tax income) are in bold, those that benefit women relatively less are in *italics*, whereas other ratios benefit women and men relatively equally.
Source: T1 return data.

Table 9 shows the ratios of the share of lifetime tax benefits received by women relative to their share of pre-tax income in 2019, within other identity groups. This table indicates that when the distributional impacts of RPP and RRSP claims are examined separately, the gender results just discussed generally remain relatively unchanged within the different age groups, family types and family income quintiles. In most of them, female taxfilers benefit relatively more from RPP contributions, while the reverse is true for RRSP contributions. Only female taxfilers aged 65 or more and those who are not in a couple do not benefit proportionally more from their RPP claims relative to their male counterparts.

Interestingly, the redistributive impact of both RPP and RRSP contributions between genders becomes more clearly to the advantage of women when income groups are accounted for. Overall, male and female taxfilers appear to benefit relatively equally from their RPP/RRSP claims, as mentioned before. However, both measures turn slightly to the advantage of women when considering taxfilers in the same family income quintile.[17] This is also the case among taxfilers in the prime working-age categories (i.e., from 30 to 64 years) as well as among those in a couple. Such a trend underlines the importance of considering income categories, or other intersecting identity factors, when analyzing the impact of elements of the tax system by gender.[18]

[17] As the 2019 GBA Plus study pointed out, the multiplicity of factors that are captured by the selected ratio (including the total amounts of pre-tax income reported and benefits received within each group) explains trends that may appear counter-intuitive at first glance.

[18] 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", p. 315.

Table 9

Ratio of the share of RPP/RRSP lifetime tax benefits received by claiming women relative to their share of current-year pre-tax personal income, within other identity groups, 2019

	RPP or RRSP claimants	RPP claimants	RRSP claimants
All women	1.05	**1.14**	*0.91*
Under 30 years	1.02	**1.09**	*0.89*
From 30 to 39 years	**1.07**	**1.17**	*0.90*
From 40 to 49 years	**1.10**	**1.19**	*0.92*
From 50 to 64 years	**1.08**	**1.17**	0.97
65 years or more	*0.89*	*0.91*	*0.88*
Sole filer (filer not in a couple)	*0.94*	0.98	*0.87*
Sole parent	0.98	1.00	0.95
In a couple without children	**1.15**	**1.26**	1.01
In a couple with children	**1.12**	**1.24**	*0.89*
1st quintile (under $18,348)	**1.09**	**1.12**	0.97
2nd quintile (from $18,348 to $33,637)	**1.07**	**1.14**	*0.93*
3rd quintile (from $33,638 to $54,148)	**1.09**	**1.14**	0.96
4th quintile (from $54,149 to $83,918)	**1.07**	**1.13**	*0.92*
5th quintile (above $83,918)	**1.12**	**1.23**	0.98

Note: Ratios of tax expenditures benefiting women relatively more (i.e., their share of total lifetime tax benefits is greater than their share of current-year pre-tax income) are in bold, those that benefit women relatively less are in *italics*, whereas other ratios indicate those benefiting women and men relatively equally.
Source: T1 return data.

4.3 Impact analysis of lifetime tax benefits associated with current-year RPP/RRSP contributions, by identity groups other than gender

Table 10 identifies some identity groups, other than gender, that benefit proportionally more or less over their lifetime from their claimed contributions to pension and retirement savings plans in 2019. It suggests that taxfilers under 50 years, those who are part of a family with children (sole parents and those in a couple with children), and those who are part of the highest two family income quintiles (quintiles 4 and 5) are the groups that benefit the most from these tax expenditures. While these groups benefit relatively more from RPP contributions, RRSP contributions appear also beneficial to taxfilers between 50 and 64 years. They are also more narrowly beneficial to parents who live in a couple and taxfilers who are members of the top quintile (quintile 5 only).

It is expected that younger claimants would ultimately benefit more from RPP/RRSP contributions in terms of accumulated pension savings. The earlier a person starts saving for retirement, the more income this individual will accumulate in savings plans due to compounding interest. However, the extent to which young contributors will globally save in tax relative to those in other age groups is not as clear because tax deferral over a longer period of time may not necessarily compensate for the more limited tax relief they get at contribution due to their generally lower income levels and tax rates. If taxfilers with children (either sole parents or those in a couple) benefit relatively more from these measures, it may be because taxfilers in these family types tend to be younger on average. Also, if the advantage for those in couple with children tend to be more pronounced than for sole parents, it may be because taxfilers in a couple can claim contributions to the RRSP or SPP of their spouse or common-law partner.[19]

[19] According to internal Canada Revenue Agency data, about 4% of all 2019 RRSP slips were issued for individuals who contributed to the plan of their spouse or common-law partner.

Moreover, it is intuitive to observe that RPP/RRSP contributions are more beneficial to higher-income taxfilers as deductions reduce taxable income and provide tax savings based on the taxfilers' marginal tax rate or, in other words, tax savings that increase with income. Higher income taxfilers are also more likely to work for employers who offer private pension plans, and the generosity of such plans generally increases with income.

Table 10

Statistics on RPP/RRSP lifetime tax benefits as well as ratios of the share of lifetime tax benefits received by groups relative to their share of current-year pre-tax personal income, by identity groups other than gender, 2019

	Share (%) of all taxfilers by group	Share (%) of total current-year pre-tax personal income	Share (%) of total RPP/RRSP lifetime tax benefits	Ratios of the share of lifetime tax benefits received by groups relative to their share of current-year pre-tax income	Benefited from their RPP/RRSP contributions proportionally more (>) or less (<)
Age Group					
Under 30 years	19.8	10.3	12.0	1.17	>
From 30 to 39 years	16.7	17.4	29.2	1.68	>
From 40 to 49 years	15.4	19.7	29.0	1.47	>
From 50 to 64 years	24.8	31.1	28.4	0.91*	<
65 years or more	23.3	21.5	1.4	0.07	<
Family type					
Sole filer (filer not in a couple)	40.7	31.2	26.7	0.85	<
Sole parent	3.5	2.8	3.5	1.28*	>
In a couple without children	36.5	41.2	32.0	0.77	<
In a couple with children	19.3	24.8	37.8	1.53	>
Adjusted family pre-tax income group					
1st quintile (under $18,348)	20.0	3.6	0.2	0.06	<
2nd quintile (from $18,348 to $33,637)	20.0	9.2	2.0	0.22	<
3rd quintile (from $33,638 to $54,148)	20.0	15.3	9.7	0.64	<
4th quintile (from $54,149 to $83,918)	20.0	22.7	26.0	1.15*	>
5th quintile (above $83,918)	20.0	49.3	62.0	1.26	>

Note: A ratio higher than 1.05 indicates that a group of taxfilers benefits from the tax expenditure proportionally more (>) than others, while a ratio lower than 0.95 indicates that it benefits proportionally less (<).

*The positive or negative RPP/RRSP redistributive impacts toward these groups are driven by the impact of RPP lifetime benefits (for claimants between 50 to 64 years, the ratio is 0.82 for RPPs vs. 1.06 for RRSPs; for claiming lone parents, the ratio is 1.55 for RPPs vs. 0.85 for RRSPs; for claimants in Q4, the ratio is 1.33 for RPPs vs. 0.86 for RRSPs).

Source: T1 return data.

The impact analysis could have been different if another set of modelling parameters had been chosen to estimate the lifetime tax benefits of current-year RPP/RRSP claimed contributions. As the results in Annex B indicate, the estimated amounts of RPP/RRSP lifetime tax benefits may vary depending on the selected withdrawals scenario, annual inflation rate, tax rate applied at withdrawals and annual rates of return on investment. However, they also suggest that the distributional impacts of RPP/RRSP lifetime benefits between groups are quite robust to changes in modelling parameters. Compared to the baseline scenario, almost all the same identity groups are identified as benefiting proportionally more, less or equally under the various alternative scenarios examined. All tested alternative scenarios suggest a relatively proportional distribution of RPP/RRSP lifetime tax benefits between men and women. A slight advantage for women can be perceived. However, this advantage generally does not exceed our selected significance threshold (i.e., a ratio in favour of women above 1.05). The only notable exceptions are taxfilers under 30 years and taxfilers between 50 and 64 years who, according to the baseline model, are found to benefit relatively more and less, respectively, from their 2019 RPP/RRSP claims, while under some alternative scenarios, their advantage and disadvantage are not as conclusive.

The impact analysis would have also been slightly different if only current-year benefits had been accounted for instead of lifetime benefits (see comparative results in Annex C). The main lifetime beneficiaries of current-year RPP/RRSP contributions are taxfilers under 50 years, including those under 30 years. In comparison, the main current-year beneficiaries are those in the 30-64 age range. Because taxfilers under 30 years generally face lower tax rates, the immediate tax saving they get from their current-year RPP/RRSP contributions is relatively lower. In addition, with current-year benefits, quintile 5 is the only income group that benefits relatively more from RPP/RRSP contributions while with lifetime benefits, quintiles 4 and 5 benefit relatively more. It is also interesting to note that while men and women are found to benefit from their RPP/RRSP claims relatively equally in both the current year and over their lifetime, lifetime tax benefits tend to be slightly more to the advantage of women.

Furthermore, some results would have probably differed if the selected set of modelling parameters had varied by identity groups – for example, if a longer period of withdrawals had been selected for women than for men. It is known that women have a longer life expectancy than men, which may influence them to adopt dissaving strategies over a longer period than men. Accordingly, Annex D tests an alternative scenario where women adopt an RPP/RRSP dissaving strategy over a longer period than men (i.e., from 65 years to 87 years and 83 years respectively for women and men rather than to 85 years for both genders).[20] Results in this annex confirm that the lifetime tax benefit is slightly more in favour of women when the period of withdrawals is assumed longer for them. However, these types of group-differentiated assumptions are based on evidence that is unrelated to the federal tax system and outside the scope of the current study.

5. Conclusion

In this study, we use a present-value method to estimate the current and future amounts of tax savings resulting from claimed RPP/RRSP contributions in a given year. This estimation method allowed us to extend the scope of our previous GBA Plus studies by including the federal PIT expenditures related to pension and retirement savings plans.

Among the 28.9 million Canadians who filed a T1 return for the 2019 tax year, about 10 million (or 34.5%) claimed RPP/RRSP contributions, of which almost two thirds were RPP contributions from employers and employees. A calculation of the current-year tax savings resulting from these claims, as well as an approximation of the tax savings on future investment income and taxes paid at withdrawals, enabled us to identify the extent to which taxfilers ultimately benefit from these tax expenditures. The results showed that the estimated lifetime tax benefit associated with RPP/RRSP contributions made in 2019 averages about $2,200 per taxfiler. This amount – which is in large part explained by the tax deferral[21] – represents 18.2% of the total RPP/RRSP contributions for which a deduction or exemption was claimed in 2019.

The ratios of RPP/RRSP lifetime tax benefits received by specific identity groups relative to their share of pre-tax income in 2019 were used to verify whether a specific gender or other identity groups especially benefit from their RPP/RRSP contributions. These ratios suggest that, overall, men and women benefit relatively equally from the various federal PIT expenditures related to pension and retirement savings plans. However, RPP and RRSP contributions affect men and women slightly differently. As with most deductions, male taxfilers tend to benefit relatively more from their claimed RRSP contributions. On the other hand, the RPP deduction is part of the few deductions that benefit women relatively more.

[20] According to Statistics Canada, 83 years is the life expectancy at age 70 of Canadian males while 87 years is that of Canadian females (source: Statistics Canada. Table 13-10-0134-01 Life expectancy at various ages, by population group and sex, Canada, at https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1310013401).

[21] In other words, it is explained by the fact that the model considers that taxfilers generally pay lower PIT rates in retirement than at contribution and that a specific amount of money saved or paid in the future is not worth the same as it is today.

While the present-value methodology is appropriate for conducting distributional analyses, the results may be sensitive to the modelling assumptions. A number of factors influencing lifetime RPP/RRSP benefits are considered fixed parameters in the model (including the number of years RPP/RRSP contributions and investment income stay in the plans, the annual inflation rate, the tax rates applied at withdrawals and the rates of return on investment), which introduces a certain degree of uncertainty. The various sensitivity tests conducted indicate that changing the modelling parameters indeed affects the estimated size of the lifetime benefits associated with RPP/RRSP claimed contributions. However, they also suggest that using alternative assumptions do not significantly influence the distribution of lifetime benefits across groups. While a very slight advantage for women is sometimes observed, men and women are generally found to benefit relatively equally from their RPP/RRSP contributions. Taxfilers between 30 and 50 years of age, those in a family with children and those in the top family income quintiles are the groups that are consistently found to benefit relatively more from these tax expenditures.

Annex A: Methodological Details for Identifying the Lifetime Tax Benefits of Current-Year RPP/RRSP Contributions

Under the present-value method, a taxfiler's lifetime tax benefits on current-year RPP/RRSP contributions are estimated using the following equation:

$$\text{Lifetime benefits} = \overset{(1)}{\text{current-year tax savings}} + \overset{(2)}{\text{tax savings on future investment income}} - \overset{(3)}{\text{taxes paid at withdrawals}}$$

1. Cross-sectional T1 return data provides the information to calculate the current-year tax savings component of the equation. As with all other tax expenditures included in previous GBA Plus studies, the current-year tax savings (direct benefits) refers to the net federal tax saved in 2019 due to the use of the available deductions and exemptions for their RPP/RRSP contributions. It is equivalent to the extra amounts of net federal taxes that would have been paid on their earnings if the deductions for employee RPP contributions and RRSP contributions had not existed, plus the amount of additional net federal taxes that would have been paid if employer RPP contributions had not been exempted from tax. In this study, net federal tax is calculated before the application of refundable tax credits; as such, possible changes in eligibility for refundable credits and benefit amounts that would occur in the absence of these tax expenditures are not accounted for in identifying RPP/RRSP beneficiaries and calculating RPP/RRSP tax benefits.[22] The current-year tax savings also do not account for the possible behavioural changes that would occur if the RPP/RRSP tax provisions were eliminated.

As Table A.1 indicates, almost all taxfilers who claim RPP/RRSP contributions benefit from a current-year tax savings due to this claim (96.5%). In 2019, the total amount of tax saved represented 23.5% of total claimed RPP/RRSP contributions, meaning that taxfilers who claimed $1,000 in RPP or RRSP contributions saved an average amount of $235 in net federal taxes that same year.

Table A.1
Statistics on the current-year tax savings obtained by taxfilers who claimed RPP/RRSP contributions, 2019

	RPP or RRSP claimants	RPP claimants	RRSP claimants
% who benefit from current-year tax savings (direct benefits) as a result of 2019 RPP/RRSP contributions	96.5	96.4	97.9
Total current-year net federal tax saved as a % of total 2019 RPP/RRSP contributions	23.5	22.8	24.3

Source: T1 return data.

[22] Measuring the lifetime tax benefits of RPP/RRSP contributions is much more complex if we account for the impact on refundable credits (such as the Canada Child Benefit or Goods and Services Tax/Harmonized Sales Tax credit). RPP/RRSP contributions may influence eligibility for, and payment amounts from, refundable credits in the current tax year. Investment income generated by these contributions and RPP/RRSP withdrawals may also influence eligibility for, and payment amounts received from, refundable credits in later years. Because eligibility for and amounts received from these refundable credits are family income-based, considering their impacts would involve making assumptions on taxfilers' family circumstances at different times in their lives, which would introduce a much higher degree of uncertainty around estimates.

2. To estimate tax savings on future investment income, the number of years that the RPP/RRSP contributions stay in the pension accounts, the annual rate of return on investment income and the tax rates on investment income need to be estimated using multiple assumptions. In this study, it was assumed that:
    - Current-year contributions entirely stay in the taxfilers' pension accounts until they reach 65 years of age (i.e., the standard age to start receiving public pension payments in Canada) and they start withdrawals in equal instalments between 65 and 85 years.[23,24]
    - Contributions will earn annual nominal rates of return on investment that are equivalent to 5.6% for RPP contributions and 6.7% for RRSP contributions. These rates of return correspond to the average annual increases in pension assets, using employer-based pension plans and individual registered savings plans, respectively, at market value over the 20 years prior to 2020.[25] These rates were also adjusted for inflation using a 2% annual inflation rate.[26]
    - Investment income accruing during taxfilers' working years (i.e., until they reach 65 years) is assumed to be taxed at the same rate as the 2019 contributions, while investment income accruing during taxfilers' retirement years (i.e., when they are above 65 years) is assumed to be taxed at the same rate as withdrawals.

3. It is difficult to predict the individual taxfiler's rate of taxation in retirement, i.e., when the contribution amounts saved and investment income accumulated in RPP/RRSP plans are generally withdrawn. This rate depends on multiple factors, including the taxfiler's level of income, composition of income and family situation in retirement. A taxfiler can also face different tax rates in retirement compared to during their working years because of tax policy changes, such as changes in income tax rates, thresholds, or available tax expenditures. Because the main objective of most pension savers is to accumulate enough money to replace a sufficiently high share of their pre-retirement income, and because of the progressivity of the tax system, facing a lower tax rate in retirement is the most likely scenario. For this reason, it was primarily assumed that each taxfiler would face a marginal tax rate in retirement 5 percentage points (pp) lower than the rate they faced in 2019.[27,28]

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23 For those who contributed to RPP/RRSP plans after they reach 65 years (i.e., 5% of RPP/RRSP claimants in 2019 according to Table 2), it was assumed that withdrawals started one year after contributions and continued until they reach 85 years. For the few taxfilers who contributed after 85 years, it was assumed that all their contributions were withdrawn one year later.

24 The formula used to calculate equal annual instalments (EI) for each claiming taxfiler is the following:

EI=amount in the plan at 65 years*((TXr *(1+ TXr)^NI))/((1+ TXr)^NI-1), where NI is the number of instalments and TXr the annual inflation-adjusted rate of return on investment.

25 Statistics Canada. Table 36-10-0576-01 Pension satellite account, pension assets at market value, by type of plan (x 1,000,000).

26 The annual inflation-adjusted rate of return on investment (TXr) is calculated using the following formula: TXr=((1+TXn)/(1+TXi))-1), where TXn is the annual nominal rate of return on investment and TXi is the annual inflation rate. Two per cent is close to the average annual inflation rate over the 20 years prior to 2020. Statistics Canada, Table 18-10-0005-01 Consumer Price Index, annual average, not seasonally adjusted.

27 This assumption was applied to all non-senior (i.e., < 65 years) RPP/RRSP claimants. For senior taxfilers who claimed RPP/RRSP contributions, a similar tax rate was applied at contribution and withdrawals.

28 The rationale for selecting this 5 pp decrease is based on the observed difference in the average marginal net federal tax rate faced by non-senior taxfilers who claimed an RPP/RRSP deduction in 2019 (19.2%) and that faced by senior taxfilers who claimed RPP/RRSP income (14.3%) that same year. This 5 pp decrease also coincides with the observed difference in their respective average effective tax rate (i.e., 9.7% and 4.8%). The marginal tax rate refers to the share of net federal tax that an individual would pay on an extra $100 in income, whereas the effective tax rate refers to the share of total net federal tax that an individual would pay relative to their total income. The tax rate in retirement was set to zero for all those who faced a marginal net federal tax rate below 5% in 2019.

Because of the difference in timing between the periods when contributions are made, investment income accrues in the plans, and pension savings are withdrawn, some adjustments for inflation also needed to be made. By applying inflation-adjusted rates of return on investment income rather than nominal rates, the tax savings on investment income were adjusted for inflation and converted to 2019 dollars. To calculate the present value of taxes paid at withdrawals, initial contribution amounts that were saved in the plan also needed to be adjusted for inflation. Such adjustment was performed based on the number of years between taxfilers' age at contribution and withdrawals and considering a 2% annual inflation rate.

Table A.2 presents estimates for the various components of the above-described equation. It first shows that, in 2019, taxfilers benefited from a total $28,182 million in current-year tax savings due to their total $119,831 million in claimed RPP/RRSP contributions. On average, this represents a direct benefit of $2,800 per RPP/RRSP claimant (component (1)). That year, the largest part of the direct tax savings was the result of RPP contributions (from employers and employees). The average number of years that 2019 RPP/RRSP contributions were expected to stay in the plans between the contribution year and 65 years is 20.4 years. During this period, Table A.2 suggests that the investment income generated by these 2019 contributions could reach an average of $14,300 per claimant. It also indicates that the average net federal tax saved on this accumulated investment income could be $3,200 (component (2a)). Then, because the withdrawals assumption retained is that the accumulated money will be paid in equal instalments until taxfilers reach 85 years, the balance in the accounts will continue to grow after age 65. RPP/RRSP claimants could earn an average of $12,300 in additional investment income between 65 and 85 years, and the average net federal tax saved on this amount is estimated to be $2,200 (component (2b)). Finally, with marginal tax rates at withdrawals 5 pp lower than at contribution, it is estimated that the amount of net federal tax paid at withdrawals will be $6,100 on average (component (3)).

Table A.2

Statistics on the different components of the equation used to estimate the lifetime tax benefits associated with current-year RPP/RRSP contributions, 2019

	RPP/RRSP claimants	RPP claimants	RRSP claimants
(1) Estimated net federal tax saved on contributions in 2019			
Average amount ($)	2,800	2,500	1,800
Total amount (million $)	28,182	16,865	11,146
Estimated investment income generated by the 2019 contributions from the contribution year to 65 years			
Average amount ($)	14,300	12,300	9,600
Total amount (million $)	142,025	82,847	59,178
(2a) Estimated net federal tax saved on accumulated investment income from the contribution year to 65 years			
Average amount ($)	3,200	2,700	2,200
Total amount (million $)	32,289	18,271	13,819
Estimated income (2019 contributions and investment income) accumulated in the plans from the contribution year to 65 years			
Average amount ($)	26,300	23,200	17,100
Total amount (million $)	261,856	156,759	105,097
Estimated investment income generated by the 2019 contributions after 65 years			
Average amount ($)	12,300	9,500	9,400
Total amount (million $)	122,020	64,368	57,651
(2b) Estimated net federal tax saved on accumulated investment income after 65 years (when marginal tax rate is assumed to be 5 pp lower in retirement than in 2019)			
Average amount ($)	2,200	1,700	1,800
Total amount (million $)	22,333	11,255	10,898
Estimated income (2019 contributions and investment income) accumulated in the plans after 65 years			
Average amount ($)	33,600	28,000	23,600
Total amount (million $)	334,396	189,161	145,335
(3) Estimated net federal tax paid at withdrawals (when marginal tax rate is assumed to be 5 pp lower in retirement than in 2019)			
Average amount ($)	6,100	4,900	4,500
Total amount (million $)	60,970	33,021	27,469

Notes: All money amounts are in 2019 dollars. Totals may not add up due to rounding or overlaps between groups.
Source: T1 return data.

Then, by subtracting the component (3) from the sum of components (1), (2a), and (2b), the taxfilers' lifetime tax benefits on RPP/RRSP contributions claimed in 2019 can be estimated. According to Table A.3, this lifetime tax benefit was $2,200 on average. This amount is lower than the estimated current-year benefits of $2,800 and represents 18.2% of total 2019 RPP/RRSP claimed contributions.

Table A.3
Statistics on lifetime tax benefits associated with current-year claimed RPP/RRSP contributions, 2019

	RPP/RRSP claimants	RPP claimants	RRSP claimants
Estimated RPP/RRSP **lifetime tax benefits** when marginal tax rate is 5 pp lower in retirement than in 2019			
Average amount ($)	2,200	2,000	1,400
Total amount (million $)	21,835	13,370	8,393
Percentage of lifetime benefits as a share of total 2019 RPP/RRSP claimed contributions (%)	18.2	18.1	18.3

Notes: All money amounts are in 2019 dollars. Totals may not add up due to rounding or overlaps between groups.
Source: T1 return data.

It is important to note that the estimated amount of lifetime tax benefits is sensitive to various factors. Like for taxfilers' current-year benefits, lifetime benefits will vary according to the 2019 amount of individuals' contributions and taxation rate at contributions. Taxfilers' age at contributions is an additional factor, not set by the model, that will influence the lifetime tax benefits estimation. This is simply due to the tax deferral – i.e., the fact that, because of inflation, an amount of tax paid later will be worth less than a similar amount of tax saved today. Among the set of modelling parameters, some may also influence taxfilers' lifetime benefits, including the selected withdrawals scenario, annual inflation rate, tax rate applied at withdrawals and annual rate of return on investment.[29] Accordingly, the following alternative scenarios were tested in Annex B:

- B.1: An alternative scenario where RRSP claimants make minimum Registered Retirement Income Fund (RRIF) withdrawals starting after age 71 and receive a lump sum payout upon death (i.e., at 85 years).[30]
- B.2: An alternative scenario where the annual rate of inflation is first set at 1.5% rather than 2%, and then at 2.5%.
- B.3: A first alternative scenario where each taxfiler faces a marginal tax rate in retirement 2.5 pp lower than in 2019 rather than 5 pp lower; and a second alternative scenario where their relative marginal tax rates in retirement vary according to their personal income quintile in 2019.[31]
- B.4: An alternative scenario where the annual nominal rate of return on investment is set at 6.15% (i.e., the average of 5.6% and 6.7%) for both RPP and RRSP contributions.

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[29] While the selected annual rates of return on investment may impact the amount of retirement savings accumulated in the plans, they do not impact the amount of lifetime tax benefits resulting from RPP/RRSP contributions when the tax rate in working and retirement years is the same. However, they slightly do so when the tax rate in retirement years is lower than in working years as our baseline model considers.

[30] According to Statistics Canada, 85 years is the overall life expectancy of Canadians (both males and females) at age 70 (source: Statistics Canada. Table 13-10-0134-01 Life expectancy at various ages, by population group and sex, Canada, at https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1310013401).

[31] The income replacement rate in retirement may vary across the working-age income spectrum. For instance, a recent study published by Statistics Canada - *A cross-cohort comparison of economic well-being during retirement years* (2023) – suggests that income replacement rates in retirement are higher in lower parts of the income distribution, even exceeding 100% in the bottom quintile. To determine a reasonable quintile-differentiated marginal tax rate in retirement, we assumed that the average marginal tax rate that individuals in each quintile faced in 2019 would be adjusted – upward or downward – by the difference in this rate and the rate faced by all senior taxfilers who claimed RPP/RRSP income in 2019 (14.3%). More precisely, it was assumed that RPP/RRSP claimants in quintile 1 would face a marginal tax rate in retirement 14 pp higher than the rate they actually faced at contribution; that those in quintile 2 would face a rate 3 pp higher; those in quintile 3, the same rate as in 2019; those in quintile 4, a rate 5 pp lower; and those in quintile 5, a rate 9 pp lower.

Results presented in Tables B.1.1, B.2.1, B.3.1 and B.4.1 of Annex B confirm that the average and total amounts of lifetime benefits are sensitive to the choice of modelling parameters. For instance, when it is alternatively considered that accumulated RRSP funds are withdrawn starting at age 72 with a lump sum payout at 85 years (Annex B.1), the average and total amounts of RPP/RRSP lifetime benefits are increased (e.g., from an average of $2,200 to $2,400 per claimant). Minimizing withdrawals or delaying withdrawals increases the lifetime tax benefits of RPP/RRSP contributions, because the tax deferral weights more. As Annexes B.2, B.3 and B.4 show, the amounts of tax savings also vary depending on the selected inflation rate, tax rate at withdrawals and rate of return on investment. The higher the inflation rate and the lower the taxation rate is relative to what RPP/RRSP claimants faced in the year they contribute, the greater the estimated lifetime tax benefit will be.

On the other hand, results presented in Tables B.1.2, B.2.2, B.3.2 and B.4.2 of Annex B indicate that changes in these last parameters do not significantly influence the distribution of lifetime tax benefits across groups. The only exceptions are for the “under 30 years” and “from 50 to 64 years” age groups.

Annex B: Testing Alternative Modelling Parameters

B.1 Alternative withdrawals scenario

Table B.1.1

Statistics on lifetime tax benefits associated with RPP/RRSP contributions, according to the baseline model and an alternative withdrawals scenario, by gender, 2019

	All	Men	Women
Estimated RPP/RRSP lifetime tax benefits with withdrawals in equal instalments starting after age 65 (or the year after contributions) and ending at age 85 (Baseline)			
Average amount per claimant ($)	2,200	2,400	2,000
Total amount (million $)	21,835	12,299	9,535
Percentage of lifetime tax benefits as a share of total 2019 RPP/RRSP claimed contributions (%)	18.2	18.6	17.7
Estimated RPP/RRSP lifetime tax benefits with minimum RRIF withdrawals starting at age 72 and a lump sum payout at 85 years (Alternative)			
Average amount per claimant ($)	2,400	2,600	2,100
Total amount (million $)	24,304	13,839	10,464
Percentage of lifetime tax benefits as a share of total 2019 RPP/RRSP claimed contributions (%)	20.3	21.0	19.5

Source: T1 return data.

Table B.1.2

Ratios of the share of RPP/RRSP lifetime tax benefits received by groups relative to their share of pre-tax personal income in 2019, according to the baseline model and an alternative withdrawals scenario, by identity groups, 2019

	Baseline		Alternative scenario	
	Withdrawals in equal instalments starting after age 65 (or the year after contributions) and ending at age 85		Minimum RRIF withdrawals starting at age 72 and a lump sum payout at age 85	
	Ratios	Groups that benefit proportionally more, less or equally	Ratios	Groups that benefit proportionally more, less or equally
Gender				
Men	0.97	~	0.97	~
Women	1.05	~	1.04	~
Age Group				
Under 30 years	1.17	>	1.14	>
From 30 to 39 years	1.68	>	1.63	>
From 40 to 49 years	1.47	>	1.44	>
From 50 to 64 years	0.91	<	0.94	<
65 years or more	0.07	<	0.10	<
Family type				
Sole filer (filer not in a couple)	0.85	<	0.85	<
Sole parent	1.28	>	1.23	>
In a couple without children	0.77	<	0.80	<
In a couple with children	1.53	>	1.49	>
Adjusted family pre-tax income group				
1st quintile (under $18,348)	0.06	<	0.06	<
2nd quintile (from $18,348 to $33,637)	0.22	<	0.22	<
3rd quintile (from $33,638 to $54,148)	0.64	<	0.62	<
4th quintile (from $54,149 to $83,918)	1.15	>	1.11	>
5th quintile (above $83,918)	1.26	>	1.28	>

Note: A ratio higher than 1.05 indicates that a group of taxfilers benefits from the tax expenditure proportionally more (**>**), while a ratio lower than 0.95 indicates that it benefits proportionally less (<).

Source: T1 return data.

B.2 Alternative annual rate of inflation

Table B.2.1

Statistics on lifetime tax benefits associated with RPP/RRSP contributions, according to the baseline model and alternative annual inflation rate scenarios, by gender, 2019

	All	Men	Women
Estimated RPP/RRSP lifetime tax benefits when the inflation rate is 2% (Baseline)			
Average amount per claimant ($)	2,200	2,400	2,000
Total amount (million $)	21,835	12,299	9,535
Percentage of lifetime benefits as a share of total 2019 RPP/RRSP claimed contributions (%)	18.2	18.6	17.7
Estimated RPP/RRSP lifetime tax benefits when the inflation rate is 1.5% (Alternative 1)			
Average amount per claimant ($)	2,200	2,400	1,900
Total amount (million $)	21,639	12,144	9,494
Percentage of lifetime benefits as a share of total 2019 RPP/RRSP claimed contributions (%)	18.1	18.4	17.7
Estimated RPP/RRSP lifetime tax benefits when the inflation rate is 2.5% (Alternative 2)			
Average amount per claimant ($)	2,200	2,400	2,000
Total amount (million $)	21,973	12,416	9,557
Percentage of lifetime benefits as a share of total 2019 RPP/RRSP claimed contributions (%)	18.3	18.8	17.8

Source: T1 return data.

Table B.2.2

Ratios of the share of RPP/RRSP lifetime tax benefits received by groups relative to their share of pre-tax personal income in 2019, according to the baseline model and alternative inflation rate scenarios, by identity groups, 2019

	Baseline		Alternative scenarios			
	Inflation rate at 2%		Inflation rate at 1.5%		Inflation rate at 2.5%	
	Ratios	Groups that benefit proportionally more, less or equally	Ratios	Groups that benefit proportionally more, less or equally	Ratios	Groups that benefit proportionally more, less or equally
Gender						
Men	0.97	~	0.96	~	0.97	~
Women	1.05	~	1.06	>	1.05	~
Age Group						
Under 30 years	1.17	>	1.29	>	1.07	>
From 30 to 39 years	1.68	>	1.74	>	1.61	>
From 40 to 49 years	1.47	>	1.44	>	1.48	>
From 50 to 64 years	0.91	<	0.86	<	0.96	~
65 years or more	0.07	<	0.06	<	0.08	<
Family type						
Sole filer (filer not in a couple)	0.85	<	0.88	<	0.83	<
Sole parent	1.28	>	1.29	>	1.28	>
In a couple without children	0.77	<	0.76	<	0.79	<
In a couple with children	1.53	>	1.53	>	1.52	>
Adjusted family pre-tax income group						
1st quintile (under $18,348)	0.06	<	0.07	<	0.06	<
2nd quintile (from $18,348 to $33,637)	0.22	<	0.24	<	0.21	<
3rd quintile (from $33,638 to $54,148)	0.64	<	0.67	<	0.61	<
4th quintile (from $54,149 to $83,918)	1.15	>	1.17	>	1.12	>
5th quintile (above $83,918)	1.26	>	1.23	>	1.28	>

Note: A ratio higher than 1.05 indicates that a group of taxfilers benefits from the tax expenditure proportionally more (>), while a ratio lower than 0.95 indicates that it benefits proportionally less (<).
Source: T1 return data.

B.3 Alternative tax rate in retirement years

Table B.3.1

Statistics on lifetime tax benefits associated with RPP/RRSP contributions, according to the baseline model and alternative scenarios of tax rates in retirement years, by gender, 2019

	All	Men	Women
Estimated RPP/RRSP lifetime tax benefits when marginal tax rate is 5 pp lower in retirement than in 2019 (Baseline)			
Average amount per claimant ($)	2,200	2,400	2,000
Total amount (million $)	21,835	12,299	9,535
Percentage of lifetime tax benefits as a share of total 2019 RPP/RRSP claimed contributions (%)	18.2	18.6	17.7
Estimated RPP/RRSP lifetime tax benefits when marginal tax rate is 2.5 pp lower in retirement than in 2019 (Alternative 1)			
Average amount per claimant ($)	1,700	1,900	1,500
Total amount (million $)	16,759	9,489	7,270
Percentage of lifetime tax benefits as a share of total 2019 RPP/RRSP claimed contributions (%)	14.0	14.4	13.5
Estimated RPP/RRSP lifetime tax benefits when marginal tax rate in retirement varies by income quintile in 2019 (Alternative 2)			
Average amount per claimant ($)	2,700	3,100	2,300
Total amount (million $)	26,678	15,499	11,178
Percentage of lifetime tax benefits as a share of total 2019 RPP/RRSP claimed contributions (%)	22.3	23.5	20.8

Source: T1 return data.

Table B.3.2

Ratios of the share of RPP/RRSP lifetime tax benefits received by groups relative to their share of pre-tax personal income in 2019, according to the baseline model and alternative scenarios of tax rates in retirement years, by identity groups, 2019

	Baseline		Alternative scenarios			
	5 pp lower than in 2019		2.5 pp lower than in 2019		Varies by income quintile in 2019	
	Ratios	Groups that benefit proportionally more, less or equally	Ratios	Groups that benefit proportionally more, less or equally	Ratios	Groups that benefit proportionally more, less or equally
Gender						
Men	0.97	~	0.97	~	0.99	~
Women	1.05	~	1.04	~	1.01	~
Age Group						
Under 30 years	1.17	>	1.07	>	1.04	~
From 30 to 39 years	1.68	>	1.62	>	1.71	>
From 40 to 49 years	1.47	>	1.49	>	1.50	>
From 50 to 64 years	0.91	<	0.94	<	0.92	<
65 years or more	0.07	<	0.11	<	0.06	<
Family type						
Sole filer (filer not in a couple)	0.85	<	0.83	<	0.82	<
Sole parent	1.28	>	1.28	>	1.24	>
In a couple without children	0.77	<	0.79	<	0.78	<
In a couple with children	1.53	>	1.53	>	1.57	>
Adjusted family pre-tax income group						
1st quintile (under $18,348)	0.06	<	0.05	<	0.01	<
2nd quintile (from $18,348 to $33,637)	0.22	<	0.20	<	0.09	<
3rd quintile (from $33,638 to $54,148)	0.64	<	0.61	<	0.48	<
4th quintile (from $54,149 to $83,918)	1.15	>	1.12	>	1.10	>
5th quintile (above $83,918)	1.26	>	1.28	>	1.36	>

Note: A ratio higher than 1.05 indicates that a group of taxfilers benefits from the tax expenditure proportionally more (>) than other groups, while a ratio lower than 0.95 indicates that it benefits proportionally less (<).
Source: T1 return data.

B.4 Alternative RPP/RRSP rate of return on investment

Table B.4.1

Statistics on lifetime tax benefits associated with RPP/RRSP contributions, according to the baseline model and an alternative rate of return on investment scenario, by gender, 2019

	All	Men	Women
Estimated RPP/RRSP lifetime tax benefits when annual rates of return on investment are 5.6% for RPP and 6.7% for RRSP contributions (Baseline)			
Average amount per claimant ($)	2,200	2,400	2,000
Total amount (million $)	21,835	12,299	9,535
Percentage of lifetime tax benefits as a share of total 2019 RPP/RRSP claimed contributions (%)	18.2	18.6	17.7
Estimated RPP/RRSP lifetime tax benefits when annual rates of return on investment are 6.15% for both RPP and RRSP contributions (Alternative)			
Average amount per claimant ($)	2,200	2,500	2,000
Total amount (million $)	22,322	12,494	9,827
Percentage of lifetime tax benefits as a share of total 2019 RPP/RRSP claimed contributions (%)	18.6	18.9	18.3

Source: T1 return data.

Table B.4.2

Ratios of the share of RPP/RRSP lifetime tax benefits received by groups relative to their share of pre-tax personal income in 2019, according to the baseline model and an alternative rate of return on investment scenario, by identity groups, 2019

	Baseline		Alternative scenario	
	Annual rates of return on investment are 5.6% for RPP and 6.7% for RRSP contributions		Annual rates of return on investment are 6.15% for both RPP and RRSP contributions	
	Ratios	Groups that benefit proportionally more, less or equally	Ratios	Groups that benefit proportionally more, less or equally
Gender				
Men	0.97	~	0.96	~
Women	1.05	~	1.06	>
Age Group				
Under 30 years	1.17	>	1.20	>
From 30 to 39 years	1.68	>	1.69	>
From 40 to 49 years	1.47	>	1.46	>
From 50 to 64 years	0.91	<	0.90	<
65 years or more	0.07	<	0.07	<
Family type				
Sole filer (filer not in a couple)	0.85	<	0.86	<
Sole parent	1.28	>	1.31	>
In a couple without children	0.77	<	0.77	<
In a couple with children	1.53	>	1.53	>
Adjusted family pre-tax income group				
1st quintile (under $18,348)	0.06	<	0.06	<
2nd quintile (from $18,348 to $33,637)	0.22	<	0.23	<
3rd quintile (from $33,638 to $54,148)	0.64	<	0.65	<
4th quintile (from $54,149 to $83,918)	1.15	>	1.16	>
5th quintile (above $83,918)	1.26	>	1.24	>

Note: A ratio higher than 1.05 indicates that a group of taxfilers benefits from the tax expenditure proportionally more (>) than other groups, while a ratio lower than 0.95 indicates that it benefits proportionally less (<).
Source: T1 return data.

Annex C: Comparing the Distribution of RPP/RRSP Lifetime Benefits to the Distribution of RPP/RRSP Current-Year Benefits

Table C.1

Comparison of estimated RPP/RRSP lifetime tax benefits to current-year tax benefits, by gender, 2019

	All	Men	Women
Estimated RPP/RRSP lifetime tax benefits on current-year RPP/RRSP contributions (Baseline)			
Average amount per claimant ($)	2,200	2,400	2,000
Total amount (million $)	21,835	12,299	9,535
Percentage of lifetime tax benefits as a share of total 2019 RPP/RRSP claimed contributions (%)	18.2	18.6	17.7
Estimated RPP/RRSP current-year tax benefits on current-year RPP/RRSP contributions (Comparison)			
Average amount per claimant ($)	2,800	3,200	2,500
Total amount (million $)	28,182	16,205	11,976
Percentage of current-year tax benefits as a share of total 2019 RPP/RRSP claimed contributions (%)	23.5	24.5	22.3

Source: T1 return data.

Table C.2

Ratios of the share of RPP/RRSP lifetime and current-year tax benefits received by groups relative to their share of pre-tax personal income in 2019, by identity groups, 2019

	Lifetime tax benefits (Baseline)		Current-year tax benefits (Comparison)	
	Ratios	Groups that benefit proportionally more, less or equally	Ratios	Groups that benefit proportionally more, less or equally
Gender				
Men	0.97	~	0.98	~
Women	1.05	~	1.02	~
Age Group				
Under 30 years	1.17	>	0.59	<
From 30 to 39 years	1.68	>	1.15	>
From 40 to 49 years	1.47	>	1.40	>
From 50 to 64 years	0.91	<	1.31	>
65 years or more	0.07	<	0.26	<
Family type				
Sole filer (filer not in a couple)	0.85	<	0.75	<
Sole parent	1.28	>	1.14	>
In a couple without children	0.77	<	0.96	~
In a couple with children	1.53	>	1.36	>
Adjusted family pre-tax income group				
1st quintile (under $18,348)	0.06	<	0.03	<
2nd quintile (from $18,348 to $33,637)	0.22	<	0.14	<
3rd quintile (from $33,638 to $54,148)	0.64	<	0.49	<
4th quintile (from $54,149 to $83,918)	1.15	>	0.99	~
5th quintile (above $83,918)	1.26	>	1.39	>

Note: A ratio higher than 1.05 indicates that a group of taxfilers benefits from the tax expenditure proportionally more (>) than other groups, while a ratio lower than 0.95 indicates that it benefits proportionally less (<).

Source: T1 return data.

Annex D: Gender-Differentiated Modelling Parameters

Table D.1

Statistics on RPP/RRSP lifetime tax benefits with a scenario of withdrawals in equal instalments from age 65 (or the year after contributions) to age 83 for men and 87 for women in comparison to the baseline scenario of withdrawals in equal instalments from age 65 to age 85 for both genders, by gender, 2019

	All	Men	Women
Estimated RPP/RRSP lifetime tax benefits with withdrawals in equal instalments starting after age 65 (or the year after contributions) and ending at age 85 for both genders (Baseline)			
Average amount ($)	2,200	2,400	2,000
Total amount (million $)	21,835	12,299	9,535
Percentage of lifetime tax benefits as a share of total 2019 RPP/RRSP claimed contributions (%)	18.2	18.6	17.7
Estimated RPP/RRSP lifetime tax benefits with withdrawals in equal instalments starting after age 65 (or the year after contributions) and ending at age 83 for men and 87 for women (Comparison)			
Average amount ($)	2,200	2,400	2,000
Total amount (million $)	21,790	12,144	9,494
Percentage of lifetime tax benefits as a share of total 2019 RPP/RRSP claimed contributions (%)	18.2	18.4	17.9

Source: T1 return data.

Table D.2

Ratios of the share of RPP/RRSP lifetime tax benefits received by groups relative to their share of pre-tax personal income in 2019, baseline and comparative gender-differentiated withdrawals scenarios, by identity groups, 2019

	Withdrawals in equal instalments starting after age 65 (or the year after contributions) and ending at age 85 (Baseline)		Withdrawals in equal instalments starting after age 65 (or the year after contributions) and ending at age 83 for men and 87 for women (Comparison)	
	Ratios	Groups that benefit proportionally more, less or equally	Ratios	Groups that benefit proportionally more, less or equally
Gender				
Men	0.97	~	0.95	~
Women	1.05	~	1.06	>
Age Group				
Under 30 years	1.17	>	1.17	>
From 30 to 39 years	1.68	>	1.68	>
From 40 to 49 years	1.47	>	1.47	>
From 50 to 64 years	0.91	<	0.91	<
65 years or more	0.07	<	0.07	<
Family type				
Sole filer (filer not in a couple)	0.85	<	0.85	<
Sole parent	1.28	>	1.29	>
In a couple without children	0.77	<	0.77	<
In a couple with children	1.53	>	1.53	>
Adjusted family pre-tax income group				
1st quintile (under $18,348)	0.06	<	0.06	<
2nd quintile (from $18,348 to $33,637)	0.22	<	0.22	<
3rd quintile (from $33,638 to $54,148)	0.64	<	0.64	<
4th quintile (from $54,149 to $83,918)	1.15	>	1.15	>
5th quintile (above $83,918)	1.26	>	1.26	>

Note: A ratio higher than 1.05 indicates that a group of taxfilers benefits from the tax expenditure proportionally more (>) than other groups, while a ratio lower than 0.95 indicates that it benefits proportionally less (<).

Source: T1 return data.

Evaluation of the Rollovers of Investments in Small Businesses[1]

1. Introduction

The rollovers of investments in small businesses measure allows for the deferral of the capital gains resulting from dispositions of certain small business shares if replacement shares of another eligible small business are purchased during the year of disposition or within 120 days after the end of that year. The amount of the deferral is limited by the proportion of the proceeds invested in replacement shares.

This study presents an evaluation of the rollovers measure. Section 2 provides historical and other background information on the measure. Section 3 proceeds with the evaluation, following the four criteria: relevance, effectiveness, equity, and efficiency. Concluding remarks are presented in Section 4.

2. Background and Overview

2.1 Background

The rollovers measure was introduced in Budget 2000, as part of a set of measures designed to make the economy more internationally competitive, including a corporate rate reduction. The original goal of the measure was to promote innovation and growth by improving access to capital for start-up firms that may otherwise have difficulty accessing risk capital because venture capitalists often focus more on established businesses. The deferral directly increases the amount of capital available by allowing investors disposing of existing business investments to reinvest the full pre-tax amount in a new venture.

The deferral was modified twice after being introduced with Budget 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 (carrying value of assets). Budget 2003 eliminated the individual investor limits on the amount of the original investment and reinvestment eligible for the deferral (i.e., the $2 million limit) 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.

2.2 Context, Definitions and Rules

Found in section 44.1 of the Income Tax Act, the capital gains deferral is available to individuals (other than trusts)[2] when disposing of and purchasing new eligible small business corporation shares. To qualify, the following conditions must be met:

- The issuing corporation must be an eligible small business corporation, that is, a Canadian-controlled private corporation (CCPC) whose assets are primarily used in an active business within Canada by it or a related eligible small business corporation.[3] Excluded are professional corporations, specified financial corporations, corporations who primarily trade in or develop real property (i.e., property that cannot be moved, such as land or buildings), or for which most of the fair market value of its property owes to real property.
- The shares must be common shares issued by the corporation to the investor, and the issuing corporation must be an eligible small business corporation at the time the shares were issued. In addition, the total carrying value of the assets of the corporation and related corporations must not exceed $50 million immediately before and immediately after the share was issued.

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

2 The capital gains deferral is also available to individuals involved in pooling their investments with another person or partnership.

3 It can also be shares of, or a debt issued by, other related eligible small business corporations or a combination of such assets, shares, or debt.

- The individual may acquire shares from a spouse, common-law partner, or parent due to circumstances such as a death or the breakdown of a marriage or common-law partnership. In such cases, the individual is considered to have acquired such shares at the time and under the same circumstances that the related individual originally acquired them.
- During the holding period, the corporation must be an eligible active business corporation, i.e., a taxable Canadian corporation whose assets are principally used in an active business carried on primarily in Canada by the corporation or a related active business while the investor holds the shares, or for at least 730 days of the ownership period.[4]
- Prior to disposition, the original shares must be held for more than 185 days.
- The replacement shares must then be acquired either within the year in which the disposition is made or within 120 days after the end of that year.

The deferral is calculated as: Capital gains deferral = A x (B ÷ C), where

- A = the total capital gain from the original sale
- B = the proceeds of disposition
- C = B or the total cost of all replacement shares, whichever is less

Example

Arrow Corp is an eligible small business corporation. An individual purchases common shares of Arrow Corp for $2 million and 3 years later sells the shares for $2.5 million, realizing a gain of $500,000. The individual uses $1.8 million of the proceeds to buy replacement shares in Balloon Corp before the end of the year. As the individual has reinvested 72% of the proceeds of disposition ($1,800,000/$2,500,000 = 72%), they can defer $360,000 (72%*$500,000) of the gain.

3. Evaluation

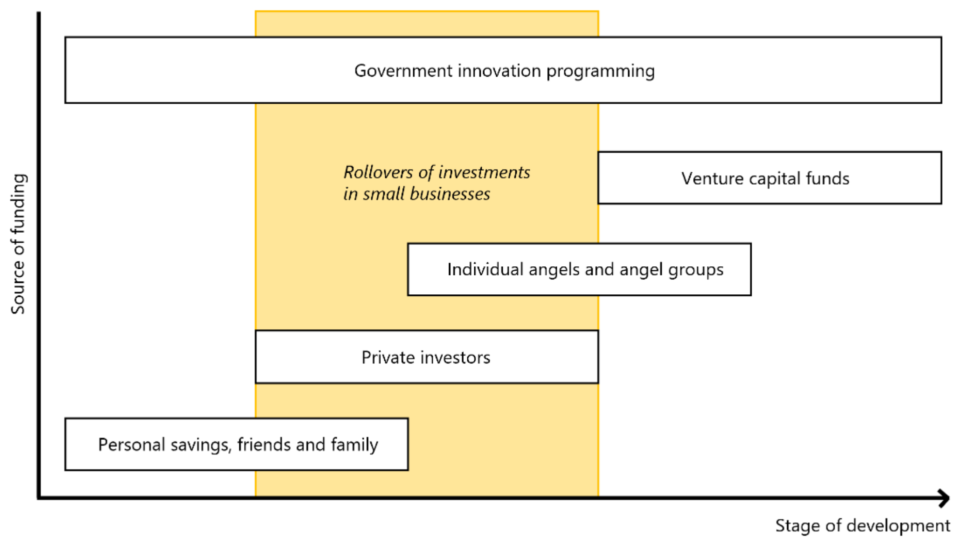
3.1 Relevance

The stated objective of the measure is to improve access to capital for small business corporations (*Economic Statement and Budget Update*, 2000; Budget 2003). In addition, as highlighted with its introduction in Budget 2000, the measure is intended to be targeted at businesses with “high growth potential” and is aimed to be “of particular benefit to the fast-growing high-technology industries”.

The small business funding continuum, illustrated in Figure 1, suggests that in the earliest stages, funding is likely to be obtained directly from founders, their friends and family. This may be followed by equity investments from other private investors, some of which may be individual “angel” investors (i.e., individuals with a significant investment portfolio who are looking to invest in high-growth potential companies). Funding may later come from more organized sources, such as angel groups and venture capital funds.

[4] It can also be shares of, or a debt issued by, other related active business corporations or a combination of such assets, shares, or debt.

Figure 1
Rollovers as part of the small business funding continuum



Note: Adapted from Innovation, Science and Economic Development Canada (2022).

While the funding continuum suggests possible private sources of financing at all stages of business development, there may be challenges in accessing capital. Limited access to capital markets may be due to market failures relating to informational asymmetries, the lack of liquidity or collateral to secure debt-based financing (e.g., from commercial banks), and under-developed venture capital markets in Canada. In this context, the federal government plays a key role in small business financing, providing support in different forms throughout the development process. There are, for instance, loan and capital investment programs (e.g., the Canada Small Business Financing Program), tax credits for pre-commercialization activities (e.g., the Scientific Research and Experimental Development program), and indirect support measures such as the rollovers for investments in small businesses. The rollovers measure leverages the knowledge and expertise of private and angel investors, allowing them to reinvest a greater amount of proceeds from one eligible small business to another, and directing the capital towards enterprises they judge have the greatest growth potential.

More generally, the rollovers measure inscribes itself within a group of tax benefits that provide preferential treatment to capital gains and encourage investments in small businesses. These include, but are not limited to, the Lifetime Capital Gains Exemption (which provides a tax exemption for capital gains on qualified farm or fishing property and qualified small business shares) and the deduction of allowable business investment losses (which allows certain capital losses from small businesses to be offset against all sources of income).

Measures like the rollovers of investments in small businesses also exist in other jurisdictions. For example, in the United States there is an exclusion from taxable income of gains from the sale or exchange of a qualified small business stock (QSBS), and a rollover of gains from one QSBS to another. Similarly, in Australia it is possible for a taxpayer to rollover all or a portion of the gain from the sale of an active asset into a replacement active asset or into an investment that will improve another active asset. The deferred amount can be used to purchase multiple replacement active assets or to invest in multiple existing active assets. A comparison of the Canadian, American and Australian measures is provided in Table A1.

In sum, the rollovers measure is relevant: it fills potential gaps in the funding continuum by incentivizing private investors to efficiently allocate resources towards promising small businesses, sits alongside other tax benefits for capital gains and small businesses, and mirrors practices found in other developed economies.

3.2 Effectiveness

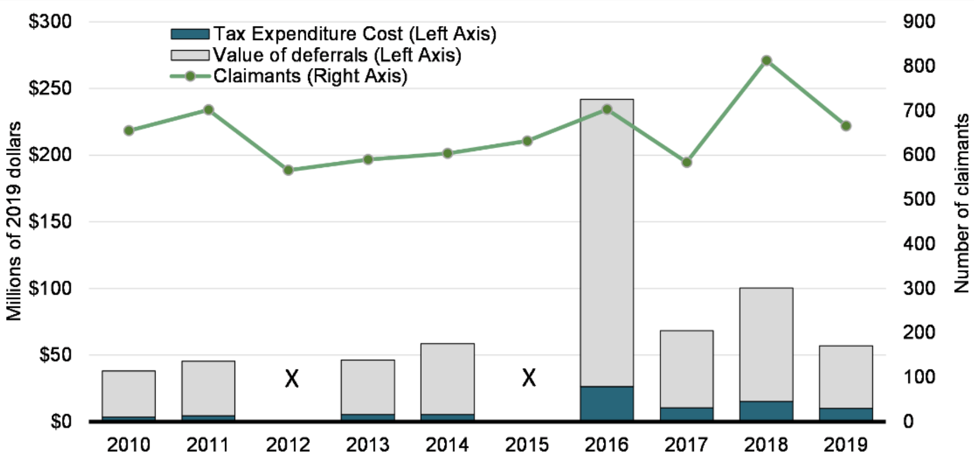
In this section, both elements of the objective, namely improved access to capital and the targeting of specific industries, are addressed. The data presented are for the 2010-2019 period[5] and are derived from T1 returns, in particular line 161(00) of Schedule 3 "Capital Gains (or Losses)". In addition, Schedule 50 of the T2 "Shareholder Information" is used to identify claimants that are owners of eligible small business corporations.

Rollover claimant groups

By deferring the realization of capital gains on a previous investment, the rollovers measure leaves more of the proceeds of disposition available upon reinvestment in another eligible small business. In this sense, it is effective in enabling increased subsequent investment. However, it is of interest to assess whether the same reinvestment would have been made in the absence of the measure. That is, an investor facing the capital gains taxes upon the sale of the original shares could nevertheless draw from other income or wealth to ensure a given value is reinvested. While data limitations (i.e., a small and volatile sample) preclude a formal estimation of a no-rollover counterfactual, the claimant data can be leveraged to help determine whether the measure might encourage additional investments among certain claimants.

Chart 1

Value of deferrals, associated tax expenditure cost, and number of claimants (2010-2019)



Note: X indicates the data are suppressed for confidentiality reasons.

Source: Department of Finance calculations.

As shown in Chart 1, the number of claimants is small, varying between roughly 600 and 800 per year. The fiscal impact of the measure is similarly small, but varies significantly from year to year, as does the overall value of the deferrals. As it turns out, this volatility is driven by a small number of large claims. Table 1 provides a breakdown of the size of deferrals made by claimants, by year, and shows that a majority of claimants defer no more than $10,000 (with the exception of 2017). To emphasize the impact of large claims, the rightmost columns of Table 1 show the gap between the median deferral and the mean deferral. The former is comparatively stable and modest, ranging between $3,900 and $10,300, while the latter ranges from a low of $58,200 to $344,000.

[5] While data for 2020 and 2021 were available at the time of writing, these years are outliers due to the COVID-19 pandemic.

Table 1

Count of claimants by size of deferral, and value of deferral, by year

	Size of deferral					Value of deferral	
	Under $1,000	$1,000 to $10,000	$10,000 to $100,000	$100,000 and over	Under $10,000	Median	Mean
Tax year	**N**	**N**	**N**	**N**	**%**	**$**	**$**
2010	169	222	179	85	59.7	5,800	58,200
2011	202	224	185	91	60.7	4,800	64,800
2012	X	X	X	X	X	X	X
2013	178	181	140	91	60.8	5,100	78,400
2014	147	210	151	96	59.1	6,000	96,800
2015	X	X	X	X	X	X	X
2016	184	234	162	123	59.5	5,300	344,000
2017	120	170	143	151	49.7	10,300	117,000
2018	203	255	192	163	56.3	5,600	123,300
2019	195	213	144	114	61.3	3,900	85,500

Notes: X indicates the data are suppressed for confidentiality reasons. Dollar values rounded to the nearest hundred.

Although the typical claimant defers less than $10,000, there is an important caveat. This could follow from small dispositions, or it could be that the dispositions are large, but each claimant only reinvested a small portion of the proceeds in eligible replacement shares. While it is not possible to determine the portion of a given disposition that is being rolled over, Table 2 shows that small claimants did not have large net capital gains remaining after claiming their deferral. The 408 claimants that claimed rollovers of less than $10,000 had about $1.8 million in total capital gains among them, for an average capital gain of about $4,400.[6]

Table 2

Number of claims and reported capital gains, by size of rollover, 2019

	Claims	Capital gain / loss	
		Total	Mean
Size of deferral	**Number**	**$**	**$**
Under $1,000	195	594,100	3,000
$1,000 to $10,000	213	1,173,300	5,500
$10,000 to $100,000	144	5,589,500	38,800
$100,000 and over	114	85,850,300	753,100
Total	666	93,207,200	140,000

Note: Dollar values rounded to the nearest hundred.

These patterns are repeated in Table 3, which shows the distribution of deferrals by total income group in 2019. It reveals three subgroups of interest. The first encompasses the majority of claimants (52.3%), who had income under $100,000 and deferrals not exceeding $10,000. These claimants are potentially more limited in their investment means (although the data do not allow for such a determination), in which case the measure could increase the availability of capital and influence their investment decisions. These may be contrasted with the second subgroup, namely claimants with income exceeding $100,000 and deferrals of at least $10,000, characteristic of the angel investor community. A third notable group are those individuals with high deferrals ($10,000 or more) but who report total income not exceeding $100,000; for these individuals, their total income would be substantially higher in the absence of the measure.

[6] It is important to note that the capital gains figures include all types of capital gains, not only capital gains that would have been eligible for the rollover if the proceeds were reinvested.

Table 3
Size of deferral, by total income group, 2019

	Size of deferral			
	Under $1,000	$1,000 to $10,000	$10,000 to $100,000	$100,000 and over
Total income group	Number			
Under $50,000	100	102	53	25
$50,000 to $100,000	70	76	49	29
$100,000 to $150,000	17	23	18	14
$150,000 to $250,000	X	10	14	16
$250,000 and over	X	X	10	30

Note: X indicates the data are suppressed for confidentiality reasons.

Continuing with 2019 as an example year, there is no correlation between the size of deferral and net capital gains (losses) reported (Table 4). In fact, irrespective of the deferral value, the most common net capital gain across all property types is zero. While this may owe to deferrals or losses on other assets,[7] this reinforces the notion that the typical claimant does not derive large amounts of income from capital gains. However, claimants deferring larger amounts ($10,000 or more) also tend to have zero net capital gains – possibly due to the deferral.

Table 4
Size of deferral, by net capital gain/loss group, 2019

	Size of deferral			
	Under $1,000	$1,000 to $10,000	$10,000 to $100,000	$100,000 and over
Net capital gain (loss)	Number			
Loss	X	X	X	X
$0	51	81	82	47
$0.01 to $1,000	112	47	X	X
$1,000 to $10,000	23	66	24	X
$10,000 to $100,000	X	18	22	27
$100,000 and over	X	X	X	33

Note: X indicates the data are suppressed for confidentiality reasons.

Taken together, these results suggest that the cost of the measure, and the high average deferral, is driven by a relatively small number of claimants with characteristics resembling that of angel investors. Moreover, while it is not possible to determine the investment means of a claimant, it is notable that a majority of claimants defer relatively modest amounts (less than $10,000) and have total income not exceeding $100,000. For this group, the measure could potentially influence investment decisions.

Corporations owned by rollover claimants

Private corporations are required to report any shareholder who owns 10% or more of the corporation's common or preferred shares via Schedule 50 of the T2 (defined henceforth as "substantial shareholders"). It is therefore pertinent to ask with what frequency the claimants of the rollovers measure appear as substantial shareholders in private corporations, and whether these corporations are likely those for which the rollovers are being used.

[7] Noting that all gains (losses) reported on Schedule 3 of the T1 are net values.

Depending on the year under consideration, between 13.6% and 24.5% of claimants show up in Schedule 50 of the T2, as substantial shareholders of private corporations (Table 5). In other words, the vast majority of rollover claimants are not substantial shareholders of the corporations for which they elect to defer capital gains. This is consistent with the limited deferrals declared by most claimants.

Table 5
Count of claimants, by substantial shareholder status and tax year

	Claims				
	Not a substantial shareholder		Substantial shareholder of at least one corporation		Total
Tax year	N	%	N	%	N
2010	566	86.4	89	13.6	655
2011	576	82.1	126	18	702
2012	457	80.7	109	19.3	566
2013	477	80.9	113	19.2	590
2014	496	82.1	108	17.9	604
2015	480	76	152	24.1	632
2016	579	82.4	124	17.6	703
2017	441	75.5	143	24.5	584
2018	664	81.7	149	18.3	813
2019	558	83.8	108	16.2	666

In addition, the claimants who are substantial shareholders of corporations via Schedule 50 account for a disproportionate amount of the capital gains being deferred through the rollovers measure, as seen in Table 6. In all years except 2010, despite representing a minority of claimants, they are responsible for most of the gains being deferred. This is consistent with the angel investor profile.

Table 6
Value of deferrals, by substantial shareholder status and tax year

	Deferrals				
	Not a substantial shareholder		Substantial shareholder of at least one corporation		
Tax year	Total ($)	%	Total ($)	%	Total ($)
2010	20,893,300	54.8	17,257,200	45.2	38,150,500
2011	21,521,200	47.3	23,970,500	52.7	45,491,700
2012	X	X	X	X	X
2013	17,538,100	37.9	28,689,000	62.1	46,227,100
2014	22,790,200	39	35,692,400	61	58,482,400
2015	X	X	X	X	X
2016	26,544,300	11	215,294,600	89	241,838,900
2017	27,964,700	40.9	40,354,000	59.1	68,318,700
2018	39,452,900	39.4	60,773,100	60.6	100,226,000
2019	26,242,300	46.1	30,676,800	53.9	56,919,200

Notes: X indicates the data are suppressed for confidentiality reasons. Dollar values rounded to the nearest hundred.
Source: Department of Finance calculations.

It is then useful to assess whether the substantial shareholders are associated to corporations that are likely a) eligible small business corporations and b) the very corporations for which the rollovers measure is being used. As a counter-example, a claimant may be a substantial shareholder in one or more corporations, some (or all) of which may not be eligible small business corporations, i.e., with no relation to the capital gains deferral claim. Likewise, the claimant could also be a substantial shareholder in an eligible small business corporation but not have sold and acquired new shares that year. The claimant may further be a non-substantial shareholder in either eligible small business corporations or other corporations, neither of which would be picked up by Schedule 50. These possibilities are summarized in Table 7.

Table 7
Classification of claimants, by shareholder status, rollover status, and corporation type

	Eligible small business corporation (ESBC)		**Other private corporation**
Type of shareholder	**(likely) Rollover**	**No rollover**	**No rollover**
Substantial shareholder (10% or more)	• Observed • Meets ESBC criteria • Increase in common share ownership (potentially from zero, i.e., unobserved in the previous year)	• Observed • Meets ESBC criteria • No increase in common share ownership compared to previous year	• Observed • Does not meet ESBC criteria • Common or preferred share ownership can change
Non-substantial shareholder (less than 10%) or non-shareholder	• Not observed	• Not observed	• Not observed

Notes: Observed means the shareholder appears in Schedule 50 of the T2. The criteria used to determine whether a corporation is an eligible small business corporation are: "small size", assets not exceeding $50 million, CCPC, and not a professional corporation, specified financial corporation, corporation that primarily trades in or develops real property, or corporation in the public sector. Rollovers are identified based on whether the claimant was a shareholder in a previous year and, if so, by a positive change in ownership of common shares.

To help classify claimants according to the table above, it is necessary to identify eligible small business corporations. Thus, a flag was created for T2 Schedule 50 matches of corporations that are CCPCs, of small size, whose assets do not exceed $50 million, and outside of the excluded classifications (professional corporations, specified financial corporations, real estate corporations, and corporations in the public administration domain). The subset of these matches that likely owe to a rollover are those where either a) the substantial shareholder did not appear in Schedule 50 for that corporation in the previous year, or b) the substantial shareholder did appear but has increased their holding of common shares.[8] Analysis of this data reveals that the linked corporations for these matches are most commonly in the Professional, scientific and technical services 2-digit North American Industry Classification System (NAICS) code, which includes certain "high-technology industries" targeted by the rollovers measures.[9]

Overall, while most of the value of rollovers comes from a relatively small number of claimants, the measure is mostly accessed by claimants with lower income and capital gains in the year of deferral (and for whom the measure may potentially influence their investment behaviour). Moreover, to the extent rollovers are identifiable in the data, they are most often associated to corporations in the Professional, scientific and technical services NAICS group, consistent with the measure's targeting of "high-technology industries".

[8] However, it is not possible to observe with certainty whether the previous shares were held for a minimum of 185 days nor the replacement shares acquired within the year of disposition or the 120 days following.

[9] For confidentiality reasons, these data are not shown. The corporations identified as belonging to the Professional, scientific and technical services NAICS group exclude those offering legal services, and accounting, tax preparation, bookkeeping and payroll services.

3.3 Equity

In this section, equity is considered by reference to the distribution of federal benefits that result from claiming rollovers in a given tax year. Generally, claimants of tax expenditures such as the rollovers measure are considered beneficiaries if claiming leads to a reduction in net federal income tax payable, all else being equal.[10]

Table 8
Average claim and benefit, and benefit-to-claim ratio, by demographic characteristics, 2019

	Claimants		Beneficiaries			
	Number	**Claim ($, average)**	**Number**	**Benefit ($, average)**	**Benefit as % of claim**	**% of overall benefits**
Gender						
Male	381	107,600	353	15,800	14.7	73.9
Female	285	55,900	244	7,500	13.4	26.1
Total income group						
Under $50,000	280	30,400	211	3,300	10.9	11.3
$50,000 to $100,000	224	55,700	224	7,400	13.3	20.3
$100,000 to $150,000	72	112,600	72	16,700	14.8	14.8
$150,000 to $250,000	45	129,300	45	18,800	14.5	10.4
$250,000 and over	45	489,900	45	78,500	16	43.4
Age group						
Under 45	98	125,900	93	18,100	14.4	21.8
45 to 65	265	106,200	236	15,400	14.5	50.2
65 and above	303	54,300	268	7,500	13.8	28
Total	666	85,500	597	12,200	14.3	

Notes: Benefits include both direct and indirect benefits (defined in footnote 10), the latter constituting less than 0.5% of overall benefits. Due to rounding, percentages may not add up to 100. Dollar values rounded to the nearest hundred.
Source: T1 data; Department of Finance calculations.

Table 8 considers the number and value of both claims and benefits for the rollovers measure in 2019, by gender, total income group, and age group. Overall, in 2019 the average claim stood at $85,500, with an average federal benefit across all claimants of $12,200 (or 14.3% of claim value). Average claim and benefit amounts also varied most dramatically across total income groups: those with total income under $50,000 had an average claim of $30,400 and average benefit of $3,300, whereas claimants with income of $250,000 or more had an average claim of $489,900 and average benefit of $78,500. There was also a substantial difference by gender, with men's average claims and benefits approximately twice that of women's ($107,600 vs. $55,900, and $15,800 vs. $7,500, respectively). The benefit to claim ratio, however, was only modestly higher among men (14.7% vs. 13.4%). Variability was relatively muted when considering different age groups, but at $54,300 and $7,500, the claims and benefits of those 65 and above were roughly half that of younger claimants.

Disparities were also seen in the distribution of total benefits. Along the gender dimension, men accounted for 57.2% of claimants but received 73.9% of total benefits. In addition, 75.7% of claimants had total income not exceeding $100,000 but received only 31.6% of total benefits. Finally, the 45-65 age group accounted for 39.7% of claimants and received just over half of all benefits. On the other hand, benefits as a percentage of the claim value varied only modestly (ranging between 10.9% and 16%), with the most substantial differences reported by total income group.

[10] Benefits have a direct and indirect component: the direct component is equal to the value of the reduction in net federal income tax payable, while the indirect component is equal to the increase in refundable credits (the Goods and Services Tax Credit, the Refundable Medical Expense Supplement, the Canada Workers Benefit, and the Canada Child Benefit) that results from claiming. Both components were computed for this analysis, but the indirect portion accounted for less than 0.5% of total benefits – almost all of which was captured by those with less than $50,000 in total income – and as such a breakdown between direct and indirect benefits is not provided.

The results shown here are consistent with the Gender-based Analysis Plus in the 2019 and 2021 editions of the *Report on Federal Tax Expenditures*, which found that the rollovers measure especially benefited men and claimants with higher income. However, there are other important considerations. First, the measure mostly attracts claimants in lower income brackets whose deferrals are modest (as seen in Table 1's median claim). Second, benefits as a proportion of the claimed rollover were relatively stable across all dimensions considered. Finally, as will be addressed in more detail in the next section, the benefits accrued in a given taxation year are the result of a deferral of taxation as opposed to a concrete reduction in net federal tax payable: once the taxpayer shifts the value of the assets out of an eligible small business corporation – or otherwise realizes the latent capital gains being rolled over – the amounts at hand then become taxable.

3.4 Efficiency

Cost over time

Tax measures are considered efficient insofar as they meet their stated objectives in a cost-minimizing fashion. Alternatively, efficiency may be achieved when, for a given cost, the benefits of the measure are maximized.

In the case of the rollovers measure, the first definition is the most pertinent. In a given calendar year, the cost of the measure per investor is equal to the capital gains deferral multiplied by the inclusion rate multiplied by the marginal tax rate. However, once the deferral ends and there is a final realization of the capital gains, the gains become taxable, and the measure's cost becomes limited to the time value of money. Moreover, to the extent the measure assists in directing capital towards corporations with high growth potential, its cost is further minimized.

Indeed, there may even be gains in tax revenue over time. This can occur because of the "lock-in" effect owing to capital gains taxation upon realization (as opposed to accrual), where individuals may hold on to assets with a low rate of return to defer taxation, instead of selling and reinvesting in a more productive asset (Mintz and Wilson, 2006). Allowing the rollover of capital gains gives individuals an opportunity to defer taxation by selling and reinvesting, which encourages the reallocation of capital within the small business sector, to where it can be most productively deployed.

A stylized example in Table 9 illustrates such a scenario. Consider an investor prepared to make a $100,000 investment. In the first year, the investor purchases shares in a low-growth corporation, with yearly returns of 5%. In the absence of the rollovers measure, there may be a lock-in effect such that the investor retains shares in the low-growth corporation for a second year. Capital gains are realized at the end of year two and the tax revenue yielded is $2,562.50 (assuming for simplicity a 50% inclusion rate and 50% marginal tax rate). Under the rollovers measure, however, in the second year the investor may apply for a deferral and move the proceeds of disposition to a high-growth corporation (10% returns per year). At the end of the second year, the capital gains are realized, and the tax revenue is $3,875.

Table 9
Stylized comparison of tax revenue after two years, no rollover vs. rollover

No rollovers (5% growth both years)	Year 1 $	Year 2 $
Investment, beginning of year	100,000	105,000
Value of shares / proceeds of disposition, end of year	105,000	110,250
Capital gains, end of year	0 (lock-in)	10,250
Tax revenue, end of year	0	2,562.50
Rollovers (5% growth first year, 10% second)		
Investment, beginning of year	100,000	105,000
Value of shares / proceeds of disposition, end of year	105,000	115,500
Capital gains, end of year	0 (deferral)	15,500
Tax revenue, end of year	0	3,875

Notes: This example assumes a 50% capital gains inclusion rate and 50% marginal tax rate. It does not account for inflation.

Replacement period

As illustrated above, assisting investors in finding an appropriate, high-growth investment enhances the efficiency of the measure. Currently, the rollover requires that replacement shares be purchased during the year of disposition or within 120 days after the end of that year. However, it may be that the right subsequent investment is not always available within this period. It could be argued that expanding the replacement period could assist investors in finding an appropriate, high-growth replacement investment, but on the other hand, the current approach minimizes tax compliance risks by ensuring the replacement shares are acquired by the tax filing deadline. While the risks under a longer replacement period could be managed by having the taxpayer post security until the new shares are purchased,[11] this would leave investors with fewer funds in the interim. To the extent that an individual investor has limited liquidity, a requirement to post security and wait for a refund could reduce the capital available for reinvestment. As has been demonstrated in the effectiveness section, the majority of claimants make relatively small deferrals and have limited total income, so this may be a salient concern.

Eligible shares at time of issue

It is a core feature of the measure that it is limited to small businesses. The economic rationale for the special tax treatment for small business shares relative to other assets is based on the presumption that, absent government support, these businesses would receive less capital than optimal or incur high capital costs. In principle, limited access to capital markets may reflect: market failures relating to informational asymmetries, the lack of liquidity or collateral to secure financing, and under-developed venture capital markets in Canada. The larger a business is, the less these constraints apply and the less relevant the measure is.[12] Thus, extending the measure to larger businesses would likely be inefficient.

[11] That is, providing a financial guarantee to the Canada Revenue Agency in the interim.

[12] For example, in a survey of small and medium-sized businesses conducted by Innovation, Science and Economic Development Canada, financing was more likely to be requested and approved by larger firms (D'Souza et al., 2021). This finding is consistent with earlier analyses conducted by Beck et al. (2008) and which covered 48 countries, including Canada.

In addition, shares from professional corporations, specified financial corporations, rental or leasing corporations and real estate corporations are excluded from the rollovers measure. These businesses are often not capital constrained and they are not considered the type of innovative, high-growth potential corporations that the measure is designed to help. This raises a more general question about whether the measure should be more narrowly targeted to "fast-growing high-technology" industries described in Budget 2000. As shown previously, however, the favoured type of business for a rollover appears to be of the Professional, scientific and technical services variety. It also remains that this sector is an imperfect predictor of growth potential and, with limited exceptions, the most efficient allocation of resources is expected to be found by allowing individual investors to find small businesses with the highest expected returns, within and across sectors.

Other potential expansions to eligible dispositions

Under the current rules, both the shares being disposed of and the replacement shares must meet certain criteria, as described above (and subject to timing considerations). In particular, other types of dispositions, such as a capital gain from a disposition of ineligible equity shares (or more generally any capital gain) may not be deferred. While allowing such dispositions could potentially encourage more individuals that have realized a capital gain to reinvest the proceeds in a qualifying small business, the measure would then no longer provide an incentive to choose a small business over a larger more established business for the initial investment.

The considerations addressed in this section point to the measure being efficient overall. While the measure incurs a cost in the short term, over a long enough time horizon, this is recouped as the capital gains are shifted away from eligible small businesses or otherwise realized. Moreover, to the extent that the rollovers encourage an efficient allocation of resources, they may generate additional taxable capital gains compared to a no-rollovers scenario. The existing replacement period, meanwhile, strikes a balance between affording investors the flexibility to find a new business in which to invest, while minimizing compliance and administrative concerns. Finally, the targeting of eligible small businesses is also efficient, considering other small businesses (e.g., professional corporations) are less likely to have high growth potential, and given that larger businesses are less likely to face financial or funding constraints that rollovers could alleviate.

4. Conclusion

This study has examined the rollovers of investments in small businesses measure against the criteria of relevance, effectiveness, equity, and efficiency. Overall, the measure is found to be relevant as it addresses a potential gap in the funding continuum, sits alongside other small business and capital gains tax benefits, and is in line with international practices. With respect to effectiveness, most of the value of rollovers comes from a relatively small number of claimants who have many of the characteristics of angel investors, while the balance is mainly claimants with lower income and limited capital gains in the year of deferral, for whom the measure could potentially influence their investment behaviour (although claimants' overall investment means are not seen in the data). In addition, insofar as rollovers can be identified, a plurality of the associated corporations are in professional, scientific and technical services, which corresponds to the industries targeted by the measure. On the equity front, important discrepancies were noted in terms of the proportion of benefits captured by different groups – in particular, along the gender and total income dimensions – but benefits as a share of the value claimed was both modest and only somewhat sensitive to total income. The measure is also efficient in that the benefit is generally limited to the time value of money as tax will be payable in the longer run upon realization of any capital gains. The measure's efficiency is further reinforced by its design elements: an appropriately long replacement period for shares, and more generally a focus on eligible small businesses who are more likely to face funding or liquidity constraints.

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Appendix

Table A1

Overview of rollover measures for small businesses across selected countries

	Canada	**United States (US)**	**Australia[1]**
Who can claim the rollover	All individuals other than a trust.	All taxpayers other than a corporation.	A small business entity (SBE), a partner (carrying a business) in a SBE partnership, or any taxpayer with net assets ≤$6 million Australian dollars (AUD).
Requirements for the original share	The share must be a common share issued by a Canadian-controlled private corporation (CCPC).	The share must be issued by a domestic C corporation.	The corporation issuing the share must be a small business entity or have net assets ≤$6 million AUD.
	The corporation must be an eligible small business at the time the share is issued.	The corporation must be a qualified small business at the time the share is issued.	At the time a capital gain is made, the taxpayer must be a concession stakeholder in the company (have a participation of at least 20% in the company or have a participation in the company greater than 0% and be the spouse of an individual that has a participation of at least 20% in the company).
	The corporation must meet the active business requirement during the time the taxpayer owned the share.	The corporation must meet the active business requirement during substantially all the time the taxpayer holds the share.	The corporation must meet the active asset test.
	The corporation must have gross assets ≤$50 million Canadian dollars immediately before and immediately after issuance of the share.	-	-
Requirements for the replacement share	Same requirements as for the original share issuance.	Same requirements as for the original share issuance, except that the active business requirement must only be met for 6 months after the sale of the replacement share.	No requirements.
Small business definition	A CCPC that uses 90% of its assets in an active business carried on primarily in Canada.	A corporation that has aggregate gross assets ≤$50 million US dollars before and immediately after issuance of the share.	An individual, a partnership, a company, or a trust that is carrying a business and has an aggregate gross income <$2 million AUD.

	Canada	United States (US)	Australia[1]
Active business/asset requirement	A taxable Canadian corporation that uses 90% of its assets in an active business carried on primarily in Canada while the taxpayer owns the share or for at least 730 days of the ownership period.	The corporation is a C corporation and at least 80% of the assets of the corporation are used in the active conduct of a trade or business.	The share must have been an active asset for at least half the time it was held by the taxpayer[2] and at least 80% of the market value of the assets of the company or trust (or a later entity[3]) is made up of the active assets of the company or trust (or a later entity) and of the financial instruments and cash that are inherently connected with a business carried on by the company or trust (or a later entity).
Minimum holding period of the share (before the taxpayer can claim a rollover)	185 days.	6 months.	No minimum.
Maximum amount that can be deferred	Capital gain made on the sale of share.	Capital gain made on the sale of share.	Capital gain made on the sale of share.
Period during which the replacement asset has to be purchased	Up to 120 days after the end of the year in which the share was sold.	Up to 60 days after the sale of the share.	1 year before or up to 2 years after the sale of the asset.
Can claim a rollover multiple times	Yes.	Yes.	Yes.
The holding period of the replacement share includes the holding period of the share that was sold to purchase it.	No (except in particular cases related to the death of an individual, the breakdown of relationships, or the exchange of share).	Yes.	No (except in particular cases related to compulsory acquisition, the death of an individual, the breakdown of a relationship, or loss or destruction).

Notes: [1] Requirements for an asset that is a share in a company or an interest in a trust. However, the rollover can be applied to any type of asset (e.g., land). The requirements are less restrictive for assets other than a share in a company or an interest in a trust.
[2] Or for at least 7.5 years if the asset was held for more than 15 years.
[3] A later entity is an entity in which the company or trust has a participation of at least 20%. The assets of a later entity are calculated as the assets of the entity multiplied by the participation percentage of the company or the trust in that entity.

Medical Expense Tax Credit: A Statistical Analysis of Claims and Benefits[1]

1. Introduction

The Medical Expense Tax Credit (METC) is a non-refundable tax credit available to individuals who spend a higher-than-average amount on itemizable medical expenses for themselves and their family members. The objective of this tax expenditure is to recognize "the effect of above-average medical and disability-related expenses on the ability of an individual to pay income tax."[2] The METC promotes horizontal equity by recognizing that individuals who have high out-of-pocket medical expenses have a lower ability to pay taxes than individuals with similar incomes without this same financial burden. The METC was introduced first as a tax deduction in 1942 and was replaced by a non-refundable credit in 1987, as part of a more general tax reform.[3] The design of its claim components and eligibility rules was last modified in 2011 when the $10,000 limit was removed for medical expenses incurred on behalf of a dependent relative. Qualifying medical expenses for the METC are continually being reviewed in light of evolving medical treatments and research developments. For example, recent changes to the METC as part of Budget 2022 relate to certain expenses incurred to conceive a child, including medical expenses for a surrogate as well as fees paid to acquire ova and sperm. In 2020, about 5.0 million individuals claimed this credit and its cost was estimated to be around $1.6 billion.

Section 2 presents some background on the METC, including details on the process of claiming the tax credit, family components of the measure as well as information on related federal, provincial and territorial tax expenditures. Section 3 outlines the key datasets and variables used and the main tax unit selected for the analysis, i.e., the individual taxfiler. Section 4 presents a cross-sectional analysis of claimants and beneficiaries of the METC including a trend analysis of total METC claims between 2008 and 2020. The section also includes an in-depth examination of METC use in the most recent year for which tax data were available when the study was conducted, i.e., 2019.[4] Section 5 presents a longitudinal analysis of claims by looking at the history of individuals with a positive METC amount in 2019. It explores the persistence and intensity of their claims year to year as well as the main reasons for which individuals start or stop claiming the METC. Section 6 summarizes the main findings of the paper.

[1] The analysis presented in this study was prepared by Sophia Lebeau, Tax Policy Officer, Tax Policy Branch, Department of Finance Canada, with support from Dominique Fleury, Senior Tax Policy Officer. Enquiries regarding Department of Finance Canada publications can be sent to finpub@canada.ca.

[2] Department of Finance Canada. 2023. *Report on Federal Tax Expenditures—Concepts, Estimates and Evaluations* 2023. Medical Expense Tax Credit, at https://www.canada.ca/en/department-finance/services/publications/federal-tax-expenditures/2023/part-5.html#Medical-Expense-Tax-Credit.

[3] Department of Finance Canada. 1987. The White Paper—Tax Reform 1987, at https://publications.gc.ca/site/archivee-archived.html?url=https://publications.gc.ca/collections/collection_2016/fin/F2-75-1987-2-eng.pdf. June 18, 1987.

[4] Although the most recent available data are for 2020, we chose to use 2019 data for the analysis in Section 4. This is due to irregularities in claiming patterns observed in 2020 given that it was the first year of the COVID-19 pandemic and access to certain types of medical services was limited.

2. Background

2.1 Description of the Credit and its Eligibility Rules

The METC is a non-refundable tax credit that aims to provide tax relief for medical expenses related to the purchase of specific goods and services whose costs can be detailed using invoices. Like for any other non-refundable credit, taxfilers generally need to have sufficient taxable income and above-zero federal tax payable (above and beyond other claimed tax credits) to benefit from the METC. The amount of allowable medical expenses claimed on the T1 Income Tax and Benefit Return is multiplied by 15% (i.e., the percentage corresponding to the marginal tax rate of the lowest tax bracket). The result is the amount of taxes that individuals can save by claiming the METC.

Taxfilers can claim medical expenses that either they or their partner paid for in any 12-month period ending in the current taxation year, as long as they did not claim these same expenses in the previous year. For example, taxfilers can claim all eligible medical expenses they incurred between November 1, 2020 and October 31, 2021 on their 2021 tax return if they did not claim these expenses in 2020. Exceptionally, taxfilers can claim medical expenses in any 24-month period ending in the current taxation year for a deceased person. Individuals can also claim certain medical expenses incurred outside Canada. Importantly, they can claim only expenses for which they or their partner will not be reimbursed through either an employer or an insurance benefit plan. The types of eligible medical expenses include prescribed medical devices, dental services, physiotherapy, psychotherapy, optometry, prescription medication, hospital, nursing home and attendant care expenses, and many others. For a detailed list of all eligible expenses, qualifying practitioners in each province or territory, and required documentation for each type of expense, information can be found on the Canada Revenue Agency website.

The METC has two claim portions. The first includes eligible medical expenses incurred for oneself, spouse or common-law partner, and dependant children under 18 years old. Throughout this analysis, the spouse or common-law partner and children under 18 years old are referred to as the immediate family members of the taxfiler. The second portion, which was introduced in 2004 to provide greater tax relief to caregivers,[5] covers medical expenses incurred for other dependants. Other dependants are individuals that, at any time in the year, are dependent on the taxfiler or their partner for support. These dependants can include the taxfiler or partner's grandchildren or adult children, as well as parents, grandparents, brothers, sisters, uncles, aunts, nephews, or nieces who were residents of Canada at any time in the year.

Because the purpose of the METC is to provide support to individuals with above-average health and medical expenses, all eligible medical expenses are subject to certain thresholds, which are subject to indexation, when calculating the total amount of allowable expenses that can be claimed.

After entering the total amount of eligible medical expenses for self, partner and children under 18 years old, taxfilers need to subtract the lesser of 3% of their net income or a maximum indexed threshold amount ($2,352 in 2019). For instance, if the taxfiler's total eligible expenses are $3,000 and 3% of their net income is equal to $2,000, they would be entitled to claim $1,000 in allowable expenses for immediate family members. If the taxfiler is in a couple with another taxfiler, either they or their spouse will be able to claim all eligible medical expenses on their tax return for the entire family, regardless of who paid for each expense. To maximize benefits from the METC from a family standpoint, it is often most advantageous for the lower-income spouse to claim the credit. Indeed, in many cases, the lower-income spouse has a lower threshold to cross to start receiving benefits from the measure (i.e., 3% of a lower net income is a smaller amount). Thus, a higher proportion of the money spent on medical expenses will be subject to tax relief.

5 Department of Finance Canada. 2004. The Budget Plan 2004, at https://www.budget.canada.ca/pdfarch/budget04/pdf/bp2004e.pdf.

Allowable medical expenses on behalf of other dependants are subject to the lesser of 3% of each dependant's net income or a maximum indexed threshold ($2,352 in 2019). These are the same thresholds as those for the expenses claimed on behalf of immediate family members. Claims of eligible medical expenses on behalf of other dependants are also transferable between spouses or common-law partners.

All details about the eligibility criteria and rules for the METC are set out in section 118.2 of the *Income Tax Act* as well as sections 5700 and 5701 of the *Income Tax Regulations*.

2.2 Related Tax Expenditures

At the federal level, there are other personal income tax expenditures related to health and medical expenses:

- The Refundable Medical Expense Supplement is a refundable tax credit that provides tax relief to low-income workers with medical expenses;
- The Disability Tax Credit is a non-refundable tax credit that provides tax relief to individuals with certain severe and prolonged disabilities as well as the family members that support them;
- The Disability Supports Deduction is a tax deduction that recognizes the cost of certain medical expenses for persons with disabilities in order to engage in education, work or research;
- The Home Accessibility Tax Credit is a non-refundable tax credit that helps eligible seniors and persons with disabilities who incur expenses to renovate their homes to make them more accessible; and
- The Canada Caregiver Credit is a non-refundable tax credit that helps taxfilers who support a spouse or common-law partner and/or eligible dependants with physical and/or mental infirmities.

While the specific objectives and target populations of these tax expenditures differ from those of the METC, there might be some overlap in the groups of taxfilers making use of them and benefitting from them. Further, many provinces and territories provide additional tax support to those facing significant health and medical expenses. The claim and benefit patterns of these provincial and territorial tax expenditures are outside the scope of this paper. For additional information on provincial and territorial tax expenditures, individuals can consult various sources provided by the Canada Revenue Agency or the Government of Quebec.[6]

3 Data and Variables Used in the Study

This study uses data from the T1 Income Tax and Benefit Return (T1) for years 2008 to 2020. Specifically, the trend analysis uses data from 2008 to 2020, the cross-sectional analysis focuses on data from 2019, and the longitudinal analysis uses data from 2014 to 2020. Although 2020 data was available when the study was initiated, we chose to use 2019 data in Section 4 for the cross-sectional analysis and in Section 5 as the reference point for the longitudinal analysis. This is due to irregularities in claiming patterns observed in 2020 given that it was the first year of the COVID-19 pandemic and access to certain types of in-person medical services was limited.

[6] Canada Revenue Agency. 2023. Provincial and territorial tax and credits for individuals, at https://www.canada.ca/en/revenue-agency/services/tax/individuals/topics/about-your-tax-return/tax-return/completing-a-tax-return/provincial-territorial-tax-credits-individuals.html.

Key variables from the T1 used to analyze METC claims and benefits are the following:

- Line 33099 (line 330 for tax years before 2019): Medical expenses for self, spouse or common-law partner, and dependant children aged 17 and under.
- Line 33199 (line 331 for tax years before 2019): Allowable amount of medical expenses for other dependants.
- Line 33200 (line 332 for tax years before 2019): Eligible amount of medical expenses for the METC.

The study uses the individual taxfiler as the unit of analysis. Although the METC has a family component, in that spouses or common-law partners can choose who should claim the expenses for themselves and family members, ultimately only the claiming individual(s) can directly benefit from the METC from an income tax standpoint. However, some results are presented from a family lens in Section 4 to highlight how METC benefits can be distributed differently based on the presence of a filing partner and the selected intra-household benefit-sharing assumption.

4. Cross-Sectional Analysis of Claims and Benefits

4.1 Trend Analysis of Claims

This section discusses trends in annual total METC claims over the 2008 to 2020 period, distinguishing between gross claims and eligible claims for immediate family members (portion 1) and other dependants (portion 2). Based on trends in the total number of METC claimants and amount of METC claims (presented in the annex), Chart 1 illustrates the evolution of METC claim rates over the past decade or so. In the charts and descriptions that follow, the term "gross medical expenses" is used to refer to the amount of expenses reported by a taxfiler before subtracting the eligibility threshold (i.e., the lesser of 3% of their net income or an annually indexed dollar amount). The term "eligible medical expenses" is used to refer to the net amount claimed after subtracting this threshold.

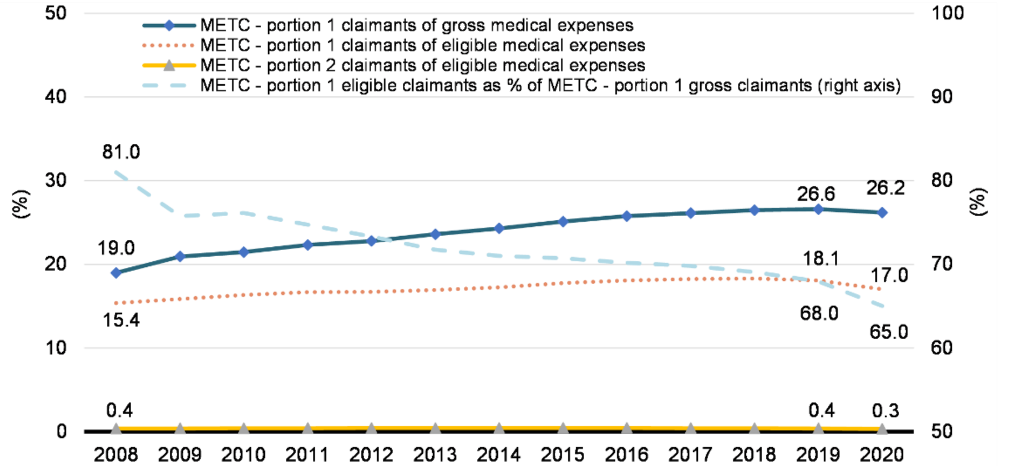
Chart 1 shows that the proportion of taxfilers who reported eligible medical expenses under portion 1 of the METC follows a continuous upward trend between 2008 and 2019, followed by a slight decrease in 2020 – the year the COVID-19 pandemic began. During this same period, the claim rates for portion 2 of the METC remained stable.

According to Chart 1, there was a more important increase in the proportion of taxfilers who claimed at least some gross medical expenses under portion 1 of the METC (i.e., a 40.1% increase between 2008 and 2019) than in the proportion of those who claimed eligible medical expenses (17.4%). As a result, and as the dashed blue line shows, the share of taxfilers eligible for portion 1 of the METC as a share of those who claimed some gross medical expenses decreased from 81% in 2008 to 65% in 2020.

This declining trend is not the result of more restrictive METC eligibility criteria. On balance, the list of expenses eligible for the credit has been regularly reviewed and expanded considering new health-related developments. Further, the proportion of claimants for whom 3% of their net income was above the minimum dollar amount increased during this period (from 12.9% in 2008 to 14.4% in 2019). This also suggests that the eligibility threshold became relatively less restrictive between 2008 and 2019.

Chart 1

Proportion of taxfilers with METC claims (portion 1 and portion 2), and METC – portion 1 eligible claimants as a share of METC – portion 1 gross claimants, 2008 to 2020

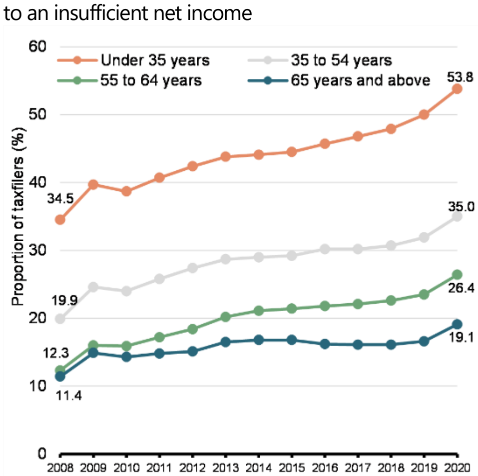


A possible explanation for this trend might be a greater propensity among taxfilers to claim the credit without knowing whether their total meets the eligibility threshold. When we look at the claimed amounts of gross medical expenses, we see an increase in all age groups in the proportion of claimants for whom the claimed amount does not exceed their respective eligibility threshold (Chart 2). This finding is true regardless of the threshold applicable to their situation (i.e., a percentage or dollar threshold). This supports the idea that taxfilers could be automatically claiming the METC regardless of whether they think they will be eligible for the credit. Contributing factors could include a better awareness of this credit or a change in the way tax software or tax professionals incentivize taxfilers to claim medical expenses. Greater access to electronic medical receipts in recent years could also help explain this trend. These factors may also explain why the average amount of gross medical expenses slightly decreased during the period, while the average amount of eligible medical expenses remained stable.

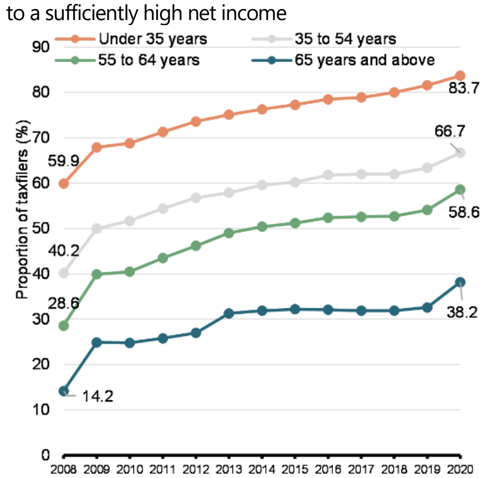
Chart 2

Proportion (%) of taxfilers who claimed an amount of gross medical expenses lower than their respective METC thresholds (i.e., as a percentage or in dollars), by age group, 2008-2020

Claimants for which the % METC threshold applies – due to an insufficient net income



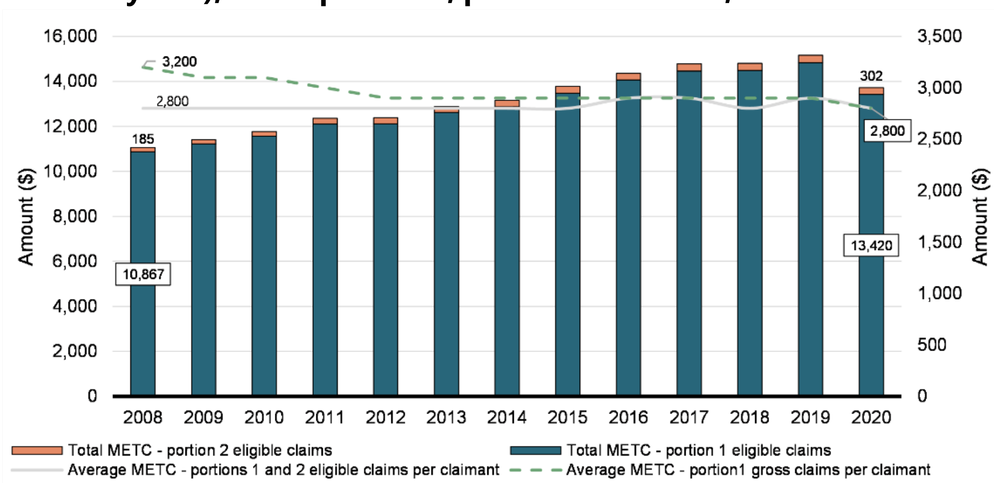
Claimants for which the $ METC threshold applies – due to a sufficiently high net income



The average amount of eligible medical expenses claimed under the METC each year has remained stable. Despite this, a constant rise in the number of METC claimants as a proportion of all taxfilers has increased the total amount of METC claims between 2008 and 2019 (Chart 3), from $11.1 billion to $15.2 billion (in 2019 dollars).

Chart 3

Total amount of eligible METC claims (in millions of 2019 dollars – primary axis) and average amount claimed per claimant (in 2019 dollars – secondary axis), under portion 1, portion 2 and total, 2008 to 2020



Note: In some tax years, a few outlier observations have been excluded from the trend analysis to minimize results distortion (i.e., reported medical expenses above $25 million). No such exclusions were required for the 2019 tax year.

4.2 Cross-Sectional Profile of Claimants and Beneficiaries in 2019

This section takes a closer look at the profile of taxfilers who claimed and benefitted from the METC in 2019.

4.2.1 Profile of Claimants

Overall, 7,685,000 taxfilers claimed gross medical expenses for their immediate family, representing approximately 27% of all taxfilers in 2019 (Table 1). Of these, 5,223,000 (or 68% of them) could claim eligible medical expenses (i.e., after subtracting the lesser of 3% of their net income or $2,352 from their gross medical expenses). An additional 109,900 taxfilers claimed eligible medical expenses for other dependants, for a total of 5,272,900 taxfilers (or 18.2% of all taxfilers) who claimed eligible expenses as part of the METC. Further, 59,900 taxfilers claimed both portions of the METC in 2019.

Looking at the gender[7] distribution of METC claimants in Table 1, we can see that women are more likely than men to claim medical expenses for all portions of the METC. They are also overrepresented among claimants relative to their share among all taxfilers (51.4%). This is linked to women generally being the lower-income spouse in a couple,[8] who would face a lower METC threshold, since it is based on individual income. With respect to age groups, taxfilers aged 65+ make up a large share of eligible portion 1 claimants (40.6%), whereas taxfilers below 35 make up a small share (12.5%) relative to their share in the overall T1 population (23.3% and 28.2%, respectively). This is linked to older individuals generally requiring more medical goods and services than younger individuals. As for portion 2, taxfilers aged 35 to 54 make up more than half of claimants (53.4%), followed by taxfilers aged 55 to 64 who make up nearly a third. Individuals in these age groups are more likely to be supporting dependants, such as adult children or elderly parents and siblings, with their medical expenses compared to younger or elderly individuals. For the METC overall, results are similar to those for portion 1 with taxfilers aged 65 and above being significantly overrepresented among claimants.

Regarding family situation, taxfilers who are the lower-income spouses in a couple are slightly more likely to claim portion 1 and the total METC relative to taxfilers in other family situations. This makes sense given that the couple may benefit from higher tax relief if the lower-income spouse – who faces a lower METC portion 1 eligibility threshold – claims the medical expenses for all immediate family members. Results are slightly different for portion 2 of the METC. First, unattached individuals are less likely to be claimants relative to their share among all taxfilers (20.7% and 40.7%, respectively). Second, higher-income spouses in a couple without children account for the highest share of claimants (25.5%). Eligibility to portion 2 of the METC is not dependent on the claimant's net income, but on the dependants' net income (one or multiple dependants), which is the same regardless of the claiming spouse. Therefore, the higher-income spouse, who is more likely to have sufficient federal tax to pay before applying the credit, is more likely to claim portion 2 of the METC.

Looking at personal and adjusted family pre-tax income distributions, a few results stand out. Individuals in the first income quintile (Q1) are much less likely to claim medical expenses for immediate family members or other dependants relative to other income groups. In general, lower-income individuals have a lower ability to pay for medical expenses. Additionally, they may be aware that their income will not be sufficient to have tax payable and benefit from the METC. Claimants in quintile Q3 are slightly overrepresented among portion 1 and overall claimants (32.1% by personal income quintile and 27.2% by adjusted family income quintile for the total METC) relative to their share of the taxfiler population (20.0%). In contrast, the likelihood of claiming expenses for other dependants under portion 2 increases with income. Specifically, individuals in the top personal and adjusted family income quintiles (Q5) account for a large share of portion 2 claimants (39.5% and 43.1%, respectively). Higher-income individuals are often better able to support dependants outside their immediate family with medical costs.

Finally, looking at region of residence, METC claimants in all portions appear to be overrepresented in Quebec and in the Atlantic provinces (51.2%) in comparison to the proportion of all taxfilers living in these regions (29.8%). The relatively high percentage of claims in Quebec could be partly explained by the eligibility of premiums paid for coverage under the Public Prescription Drug Insurance Plan, since other provinces do not have universal prescription drug insurance coverage which involves a minimum annual premium.

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

[8] In cisgender, different-gender couples composed of a man and a woman, the woman is generally the lower-income spouse.

Table 1

Distribution of METC claimants for each portion of the METC, by sociodemographic characteristics, 2019

%

	All taxfilers	METC portion 1 claimants, gross medical expenses	METC portion 1 claimants, eligible medical expenses	METC portion 2 claimants, eligible medical expenses	Total METC claimants, eligible medical expenses
All Individuals (#)	28,903,800	7,685,000	5,223,000	109,900	5,272,900
Gender*					
Men	48.4	43.7	39.6	47.0	39.7
Women	51.4	56.3	60.4	53.0	60.3
Age group					
Under 35	28.2	17.9	12.5	1.9	12.4
35-54	31.5	29.6	26.9	53.4	27.2
55-64	17.0	18.9	20.0	32.8	20.1
65 and above	23.3	33.6	40.6	11.7	40.3
Family situation**					
Unattached (no spouse)	40.7	39.7	33.5	20.7	33.4
One-parent family (no spouse)	3.5	3.8	3.5	4.5	3.5
In a couple, 1+ children, higher-income spouse	9.7	7.0	5.1	13.5	5.2
In a couple, 1+ children, lower-income spouse	9.6	10.2	12.0	12.4	12.0
In a couple, no children, higher-income spouse	19.1	15.7	15.6	25.5	15.8
In a couple, no children, lower-income spouse	17.5	23.6	30.2	23.5	30.1
Personal pre-tax income quintile					
Q1 (under $13,563)	19.9	7.4	9.7	2.8	9.6
Q2 (from $13,563 to $26,377)	20.1	19.0	22.0	9.0	21.9
Q3 (from $26,377 to $45,247)	20.0	29.4	32.3	21.8	32.1
Q4 (from $45,247 to $73,733)	20.0	25.1	22.9	26.9	22.9
Q5 (at or above $73,733)	20.0	19.1	13.1	39.5	13.5
Adjusted family pre-tax income quintile***					
Q1 (under $18,348)	20.0	7.3	8.3	3.7	8.2
Q2 (from $18,348 to $33,638)	20.0	21.2	22.8	9.6	22.7
Q3 (from $33,638 to $54,148)	20.0	26.3	27.3	18.4	27.2
Q4 (from $54,148 to $83,918)	20.0	24.2	23.4	25.2	23.5
Q5 (at or above $83,918)	20.0	21.0	18.2	43.1	18.5
Regions of residence****					
Atlantic provinces	6.6	8.2	8.5	8.2	8.4
Quebec	23.2	39.0	43.0	30.9	42.8
Ontario	38.1	27.2	24.6	34.2	24.7
Prairies	17.4	14.8	13.5	13.9	13.5
BC and the territories	14.0	10.7	10.4	12.6	10.4

Notes: All population figures in this table are rounded to the nearest 100. Totals (percentages) may not add up to 100% due to rounding.

* Gender: Taxfilers whose gender cannot be identified in the data have been excluded from the table.

** Family situation: Taxfilers who are in a couple but do not have a filing spouse are automatically classified as the higher-income spouse. For couples in which both taxfilers have the same net income, the first taxfiler to appear in the data by assigned family identifier is classified as the higher-income spouse. The second taxfiler to appear in the data is classified as the lower-income spouse.

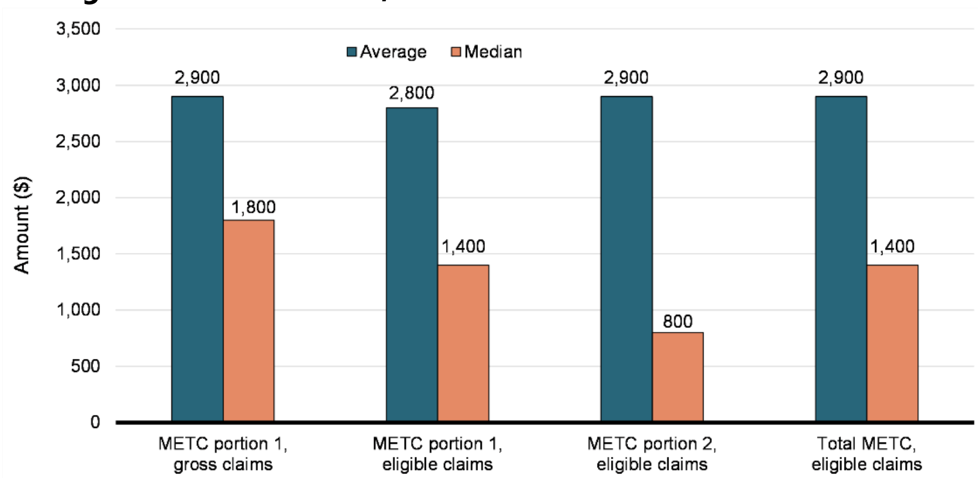
*** Income is adjusted for the presence of a partner as well as the presence of children under 18 in the family. The adjusted family pre-tax income of an individual is obtained by dividing the individual's total pre-tax family income by the square root of the number of family members in the household.

**** Regions of residence: Taxfilers for whom region of residence is "non-resident", "multiple jurisdiction", unknown or missing have been excluded from the table.

Source: T1 data; Department of Finance calculations.

Chart 4 shows the average and median amounts of claims for each portion of the METC, indicating much higher amounts for averages than medians. The difference between the average and median values indicates that claim amounts are skewed for each portion of the METC, with a few individuals claiming high amounts of medical expenses and pulling up the average relative to the median. This is particularly true for portion 2 claimants where the difference between the average and median claim amount is larger than for portion 1. This means that some portion 2 claimants claim very high medical expenses. For example, looking at the claim distribution for portion 2, the top 5% of claimants claim over $13,100 and the top 1% of claimants claim over $32,300 in medical expenses for other dependants.

Chart 4
Average and median claims, 2019



4.2.2 Profile of Beneficiaries

Not all eligible claimants of a tax expenditure ultimately benefit from it. They must have a high enough taxable income to benefit from tax savings as a result of claiming this specific tax expenditure. In this study, beneficiaries and the amount of benefits are determined by subtracting the amount of net federal tax that claimants would have to pay in the absence of the METC from the amount payable in the presence of the METC.[9] The difference between the two amounts is called the tax benefit, or the amount of net federal taxes saved by METC claimants.[10] Table 2 presents the number of claimants, number of beneficiaries, the benefit rate (defined as the proportion of beneficiaries among claimants) as well as total benefits as a share of total claims.

Overall, there were 4,263,100 beneficiaries of the METC in 2019. They represented about 80.8% of all eligible METC claimants (i.e., of all taxfilers who claimed medical expenses exceeding the expense threshold for portion 1 and/or portion 2). The remaining 19.2% are non-benefitting claimants, which is due to some individuals not having sufficient taxable income to benefit from the credit. The benefit rate is higher among portion 2 claimants (91.7%) than among portion 1 claimants (80.7%). Total METC benefits represent 11.9% of total claims, with portion 1 benefits also representing 11.9% of portion 1 claims and portion 2 benefits representing 13.7% of portion 2 claims.

[9] This assumes that the behaviour of claimants in terms of claiming other tax expenditures is not affected by the absence/presence of the METC.

[10] The concept of net federal tax appears before the consideration of social benefits repayment, Refundable Quebec abatement and refundable credits in the 2019 T1 Income Tax and Benefit Return. The provincial/territorial tax systems are not taken into account in this study.

Table 2

Number of claimants, number of beneficiaries, benefit rate, and total benefits as a share of total claims for each portion of the METC, 2019

	Claimants (#)	Beneficiaries (#)	Benefit rate (%)	Total benefits as a share of total claims (%)
METC portion 1 eligible expenses	5,223,000	4,215,400	80.7	11.9
METC portion 2 eligible expenses	109,900	100,800	91.7	13.7
Total METC eligible expenses	5,272,900	4,263,100	80.8	11.9

Notes: The sum of portion 1 and portion 2 beneficiaries does not add up to the total number of beneficiaries because some taxfilers benefit from both portions.
Source: T1 data; Department of Finance calculations.

Table 3 displays differences in the benefit rate, average benefit, and median benefit among METC claimants pertaining to various sociodemographic groups. It shows that benefit rates in different groups are more or less the same as the benefit rate for all METC claimants (80.8%), except for when we disaggregate different income quintiles. Taxfilers benefit from the METC at higher rates as income increases, which reflects the fact that many individuals in lower income quintiles do not have sufficient taxable income to benefit from the METC. Because younger, older and unattached filers tend to have lower incomes, they also have slightly lower benefit rates. Further, many older filers have access to other large tax credits (such as the age amount and the pension income amount) that can reduce their tax liability to zero. Interestingly, among older filers who are beneficiaries, average benefits from the METC are higher than average benefits for beneficiaries in other age groups.

As with claims, the amount of benefits received within each group is skewed to varying degrees, as evidenced by higher average amounts relative to median amounts. This indicates that some individuals within each group are receiving high benefit amounts (as a result of high claim amounts) and pulling up the average benefit in these groups.

Table 3
Distribution of claimants, benefit rate, average benefit, and median benefit by sociodemographic characteristics, total METC, 2019

	All claimants	Benefit rate (%)	Average benefit ($)	Median benefit ($)
All Individuals	5,272,900	80.8	420	230
Gender				
Men	39.7	81.6	440	240
Women	60.3	80.4	410	230
Age group				
Under 35	12.4	73.6	210	120
35-54	27.2	86.2	350	210
55-64	20.1	88.4	370	230
65 and above	40.3	75.7	580	310
Family situation				
Unattached (no spouse)	33.4	74.9	390	140
One-parent family (no spouse)	3.5	68.5	250	150
In a couple, 1+ children, higher-income spouse	5.2	90.0	420	240
In a couple, 1+ children, lower-income spouse	12	85.3	340	240
In a couple, no children, higher-income spouse	15.8	79.2	560	310
In a couple, no children, lower-income spouse	30.1	86.4	440	310
Personal pre-tax income quintile				
Q1 (under $13,563)	9.6	18.8	390	310
Q2 (from $13,563 to $26,377)	21.9	59.1	260	170
Q3 (from $26,377 to $45,247)	32.1	93.4	340	220
Q4 (from $45,247 to $73,733)	22.9	99.1	450	250
Q5 (at or above $73,733)	13.5	99.4	730	320
Adjusted family pre-tax income quintile				
Q1 (under $18,348)	8.2	20.2	130	70
Q2 (from $18,348 to $33,638)	22.7	57.8	220	140
Q3 (from $33,638 to $54,148)	27.2	93.0	360	220
Q4 (from $54,148 to $83,918)	23.5	96.8	450	270
Q5 (at or above $83,918)	18.5	97.9	650	330
Regions of residence				
Atlantic provinces	8.4	83.4	370	220
Quebec	42.8	79.6	350	230
Ontario	24.7	80.9	510	230
Prairies	13.5	81.6	440	230
BC and the territories	10.4	83.0	530	260

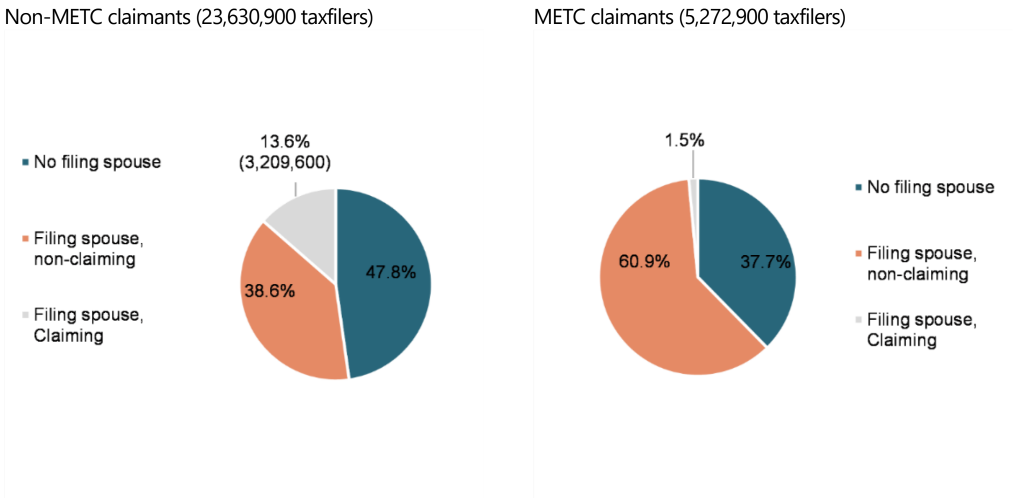
4.3 Claimants and Beneficiaries from a Family Lens

The METC has a family component. Spouses or common-law partners can choose who should claim the medical expenses incurred for the family regardless of who paid for them. So far, the study assumed that claiming spouses are the only potential beneficiaries of the METC among couples. While claiming spouses have no legal obligation to share their METC benefits some may decide to do so.

Chart 5 looks at the number and shares of METC claimants and non-METC claimants by spouse filing and claiming status.

Chart 5

Distribution of METC claimants and non-METC claimants by spouse filing and claiming status, 2019



* The category of non-METC claimants with a filing spouse who claims the METC mirrors the category of METC claimants with a filing spouse who does not claim the METC.

Chart 5 shows that on top of the 5.3 million METC claimants in 2019, an additional 3.2 million taxfilers may have indirectly benefited from the METC through their spouse. Indeed, 13.6% of all non-METC claimants were in a couple with a filing spouse who claimed the METC, and potentially shared with them the tax savings resulting from their claim. Chart 5 also indicates that 62.4% of METC claimants were in a couple with a filing spouse, but that very few of these spouses also claimed the METC.

4.4 Interactions with Other Federal Tax Expenditures Related to Health and Medical Expenses

This section focuses on the interactions between the METC and other federal tax expenditures related to health and medical expenses. These tax expenditures are the Refundable Medical Expense Supplement, the Disability Tax Credit, the Disability Supports Deduction, the Home Accessibility Tax Credit, and the Canada Caregiver Credit. Table 4 shows the overlaps in the number of individuals who claim the METC in addition to these other tax expenditures as well as in the total amounts claimed. Overall, 16.6% of all METC claimants also claimed any of the five above-mentioned measures, compared to 3.8% among non-METC claimants. Furthermore, the percentage of all claims made under these other measures by METC claimants (varying from 27.4% for the Disability Tax Credit to 99.9% for the Refundable Medical Expense Supplement) is significantly higher than the 18.2% proportion that METC claimants represent among all taxfilers in 2019.

Looking at the Refundable Medical Expense Supplement more specifically, one in ten METC claimants also claimed the supplement, and essentially all supplement claimants are METC claimants. It makes sense that the Refundable Medical Expense Supplement is closely related to the METC because the supplement amount depends on amounts claimed as part of the METC and the Disability Supports Deduction. Next, the Disability Supports Deduction and the Home Accessibility Tax Credit are much smaller, more targeted measures than the METC. The Disability Supports Deduction applies to specific types of disability expenses for education and work purposes, whereas the Home Accessibility Tax Credit applies to eligible home renovation expenses made by persons with disabilities and individuals aged 65 and older (as well as the individuals that support them). The list of medical expenses eligible for the METC is much broader than that under these tax expenditures. This explains why the Disability Supports Deduction and Home Accessibility Tax Credit claim rates are very small among both METC claimants and the rest of taxfilers. With respect to the Canada Caregiver Credit, the higher claim rate of this credit among METC claimants (2.4% in comparison to 1.3% among non-METC claimants) suggests that some taxfilers with above-average medical expenses are also supporting individuals with physical and mental impairments.

Finally, 4.3% of METC claimants also claimed the Disability Tax Credit for themselves, a proportion higher than among non-METC claimants (2.5%). Intuitively, this suggests an overrepresentation of individuals with above-average medical expenses who live with a disability. This result is supported by a 2023 study that shows that over one in five individuals with a disability claimed the METC.[11] While there is a relatively high claim rate for persons with disabilities generally, the METC claim rate for those also claiming the Disability Tax Credit for themselves is relatively small, at 4.3%. There are three notable explanations for this. First, the Disability Tax Credit provides non-refundable tax relief to individuals with a severe and prolonged disability in recognition of expenses related to that disability that cannot be detailed. An individual does not need to prove that they have incurred expenses related to their disability to be eligible for the Disability Tax Credit; and, in fact, they may not incur any METC-eligible medical expenses in a given year. Second, individuals with severe disabilities tend to have lower incomes and may not have sufficient taxes owing to claim the METC. Individuals claiming the Disability Tax Credit for themselves are more likely to have low incomes relative to those claiming the METC and taxfilers more generally.[12] Finally, for certain expenses (such as fees paid for full-time care in a nursing home or for a full-time attendant at home), individuals may claim either the METC for their full care expenses or the Disability Tax Credit amount (alongside up to $10,000 in attendant care, or $20,000 in the year of death of the patient), but not both. Given that there is no upper bound on expenses that may be claimed under the METC, it may be more advantageous for individuals to forgo claiming the Disability Tax Credit in order to claim the full amount of their care expenses under the METC.

[11] Department of Finance Canada. 2023. *Report on Federal Tax Expenditures—Concepts, Estimates and Evaluations 2023*. Gender-Based Analysis Plus of Tax Expenditures: A Closer Look at Persons with Disabilities, at https://www.canada.ca/en/department-finance/services/publications/federal-tax-expenditures/2023/part-8.html.

[12] Canada Revenue Agency. 2021. *Income Statistics 2021 (2019 tax year)*. Final Table 2 for all Canada. All returns by total income class, at https://www.canada.ca/content/dam/cra-arc/prog-policy/stats/t1-final-stats/2019-tax-year/table2_ac.pdf.

Table 4
Number of individuals claiming the Refundable Medical Expense Supplement, Disability Supports Deduction, Home Accessibility Tax Credit, Disability Tax Credit and Canada Caregiver Credit, by METC claiming status, 2019

	Non-METC claimants				METC claimants			
	Number of claimants	Total amount of claims ($ million)	% among non-METC claimants	% of all claims	Number of claimants	Total amount of claims ($ million)	% among METC claimants	% of all claims
Claimed the Refundable Medical Expense Supplement	380	0	0.0	0.1	544,600	162	10.3	99.9
Claimed the Disability Supports Deduction	2,100	8	0.0	59.5	1,200	6	0.0	40.5
Claimed the Home Accessibility Tax Credit	15,200	67	0.1	58.2	11,700	48	0.2	41.8
Claimed the Canada Caregiver Credit	307,800	1,477	1.3	70.6	128,200	615	2.4	29.4
Claimed the Disability Tax Credit*	600,400	5,110	2.5	72.6	226,700	1,926	4.3	27.4
Claimed any of the five above tax expenditures	908,100	6,663	3.8	70.7	876,400	2,757	16.6	29.3

* Refers to taxfilers who claimed the disability amount for self in 2019.

5. Longitudinal Analysis of Claims

This section examines individuals' METC claiming patterns over more than one tax year. It is divided in two main parts. The first examines the group of METC claimants in 2019, looking at their claim persistence over a six-year period, from 2014 to 2019. The second part looks at the dynamic of METC claims over two consecutive years, from 2018 to 2019 and from 2019 to 2020.

5.1 Claim Persistence over Six Years

To study claim persistence over several consecutive years, a longitudinal sample must first be selected. Like for the cross-sectional analysis, the reference point for determining the longitudinal sample was all individuals who filed their taxes in 2019. Because the objective is to look at individuals' METC claiming patterns in the years preceding their claims, and because METC claims are less frequent at younger ages, an inferior limit of 25 years of age was imposed in 2019. As the timescale below shows, imposing this age limit ensures that individuals were at least 20 years of age in 2014. By excluding taxfilers under 25 in 2019, 156,900 (5,272,900-5,116,000) taxfilers or 3.0% of METC claimants in 2019 were dropped from the longitudinal sample (Table 5).

Figure 1
Illustration of the longitudinal sample selected for studying the persistence of claims in the five years preceding 2019

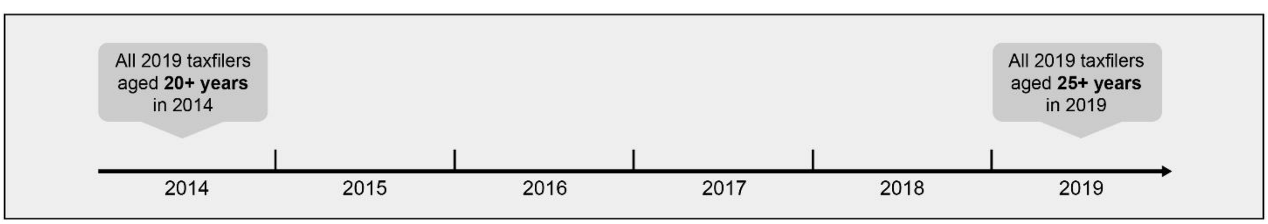


Table 5

Number of individuals in the longitudinal sample

Subsample criteria	(#)	(%)
All taxfilers in 2019	28,903,800	100.0
- All METC claimants in 2019	5,272,900	18.2
Taxfilers who were 25 years and above in 2019	25,601,600	88.6
- Taxfilers aged 25+ who were METC claimants in 2019 [**longitudinal sample 1**]	5,116,000	17.7

Note: METC claimants refers to those with eligible METC – portion 1 or portion 2 claims.

Filing and claiming are two factors that may explain METC use over years. A non-filer will automatically not claim, while a filer may claim or not claim depending on their level of medical expenses. Table 6 compares filing patterns between METC claimants aged 25 and above and all taxfilers aged 25 and above. It shows that METC claimants in 2019 are more likely to have filed their taxes for all years between 2014 and 2019, probably due to their higher age on average (older taxfilers have higher tax filing rates). Close to 93% of them filed all 6 years in comparison to 84% of all taxfilers.

Table 6

Statistics on filing over the 2014-2019 period for all individuals in the longitudinal sample

From 2014 to 2019	Taxfilers aged 25+ in 2019		METC claimants aged 25+ in 2019	
Distribution by number of filing years	**(#)**	**(%)**	**(#)**	**(%)**
- Only filed in 2019	570,400	2.2	26,800	0.5
- Filed 2 to 3 years from 2014 to 2019	1,307,200	5.1	106,200	2.1
- Filed 4 to 5 years from 2014 to 2019	2,222,401	8.7	242,200	4.7
- Filed all 6 years from 2014 to 2019	21,501,500	84.0	4,740,700	92.7

Table 7 divides 2019 METC claimants into four mutually exclusive groups depending on their claiming frequency between 2014 and 2019. According to this table, slightly more than one fifth of them claimed the METC all six years. These individuals are categorized as persistent claimants. By definition, claimants who did not file all years during the six-year observation period cannot be categorized as persistent claimants. On the contrary, less than one fifth of 2019 METC claimants only claimed in 2019. This group is called new claimants. The remaining 60% are intermittent claimants, categorized as either occasional (i.e., claimed 2 to 3 years) or frequent claimants (i.e., claimed 4 to 5 years).

Table 7

Frequency of METC claims over the 2014-2019 period, among all individuals in the longitudinal sample

From 2014 to 2019	METC claimants aged 25+ in 2019	
Distribution by number of claiming years	**(#)**	**(%)**
- Only claimed in 2019 [**NEW** claimants]	897,300	17.5
- Claimed 2 to 3 years from 2014 to 2019 [**INTERMITTENT/OCCASIONAL** claimants]	1,624,600	31.8
- Claimed 4 to 5 years from 2014 to 2019 [**INTERMITTENT/FREQUENT** claimants]	1,511,200	29.5
- Claimed all 6 years from 2014 to 2019 [**PERSISTENT** claimants]	1,082,800	21.2

Table 8 finds some differences in the sociodemographic profiles of low- and high-frequency METC claimants. Interestingly, the characteristics that are more closely associated with being a frequent or persistent METC claimant are almost the same as the characteristics that increase the probability of a taxfiler claiming the METC in a given year. These characteristics are to be a woman, to be aged 65 years or more, to be part of the middle-income quintiles (i.e., quintiles 2, 3 and 4, but especially the third), and to live in the Atlantic provinces and Quebec. Being unattached is the only characteristic that increases the probability of being a high-frequency METC claimant, while not necessarily being associated with a higher chance of claiming the METC in a given year.

Table 8

Profile of METC claimants aged 25+ in 2019, based on their claim frequency over the 2014-2019 period

	METC claimants aged 25+ in 2019			
	Low-frequency		High-frequency	
Characteristics in 2019	**New**	**Interm./ occasional**	**Interm./ frequent**	**Persistent**
Distribution in % by gender				
Men	46.7	42.5	37.4	33.4
Women	53.3	57.5	62.7	66.6
Average age (years)	52.8	57.1	61.2	65.1
Distribution in % by age group				
Between 25 and 34 years	18.5	12.0	6.8	3.1
Between 35 and 54 years	33.9	30.3	26.2	22.3
Between 55 and 64 years	20.3	21.2	20.8	20.4
65 years or more	27.3	36.6	46.2	54.2
Distribution in % by family situation				
Unattached (no spouse)	29.3	28.6	31.1	39.7
One-parent family (no spouse)	3.7	3.9	3.6	3.1
In a couple, 1+ children, higher-income spouse	8.4	6.7	4.5	2.1
In a couple, 1+ children, lower-income spouse	14.2	13.8	11.8	9.1
In a couple, no children, higher-income spouse	16.6	16.3	16.1	16.0
In a couple, no children, lower-income spouse	27.8	30.8	33.0	30.1
Average personal pre-tax income ($)	53,500	52,200	50,700	50,900
Distribution in % by personal pre-tax income quintile				
Q1 (under $13,563)	13.3	9.6	7.6	5.0
Q2 (from $13,563 to $26,377)	20.9	21.5	22.4	21.1
Q3 (from $26,377 to $45,247)	26.5	30.7	33.8	38.0
Q4 (from $45,247 to $73,733)	22.2	23.4	23.4	24.6
Q5 (at or above $73,733)	17.2	14.8	12.7	11.4
Average adjusted family pre-tax income ($)	65,400	65,200	64,800	65,200
Distribution in % by adjusted family pre-tax income quintile				
Q1 (under $18,348)	11.3	7.4	5.2	3.6
Q2 (from $18,348 to $33,638)	21.1	21.8	23.1	23.7
Q3 (from $33,638 to $54,148)	24.7	27.5	28.6	29.4
Q4 (from $54,148 to $83,918)	22.3	23.9	24.7	25.2
Q5 (at or above $83,918)	20.5	19.4	18.5	18.2
Distribution in % by region of residence				
Atlantic provinces	7.2	7.9	8.6	10.4
Quebec	28.9	37.4	47.0	55.3
Ontario	34.0	27.9	22.0	16.6
Prairies	17.0	15.1	12.5	9.9
BC and the territories	13.0	11.6	9.9	7.8

According to Table 9, the intensity of METC claims over the longer term (i.e., the percentage of total METC claims and average claim amount over multiple years), varies greatly among low- and high-frequency claimants. Overall, 2019 METC claimants claimed a total amount of about $53 billion under the METC from 2014 to 2019. Of this total amount, only 4% was claimed by new METC claimants, a proportion much lower than the proportion they represented among all 2019 METC claimants (i.e., 17.5%). On the other hand, frequent and persistent METC claimants claimed more than three quarters of total METC claims while they represented just above half of claimants. The average amount of yearly claims is also higher among frequent and persistent claimants than it is among new and occasional claimants.

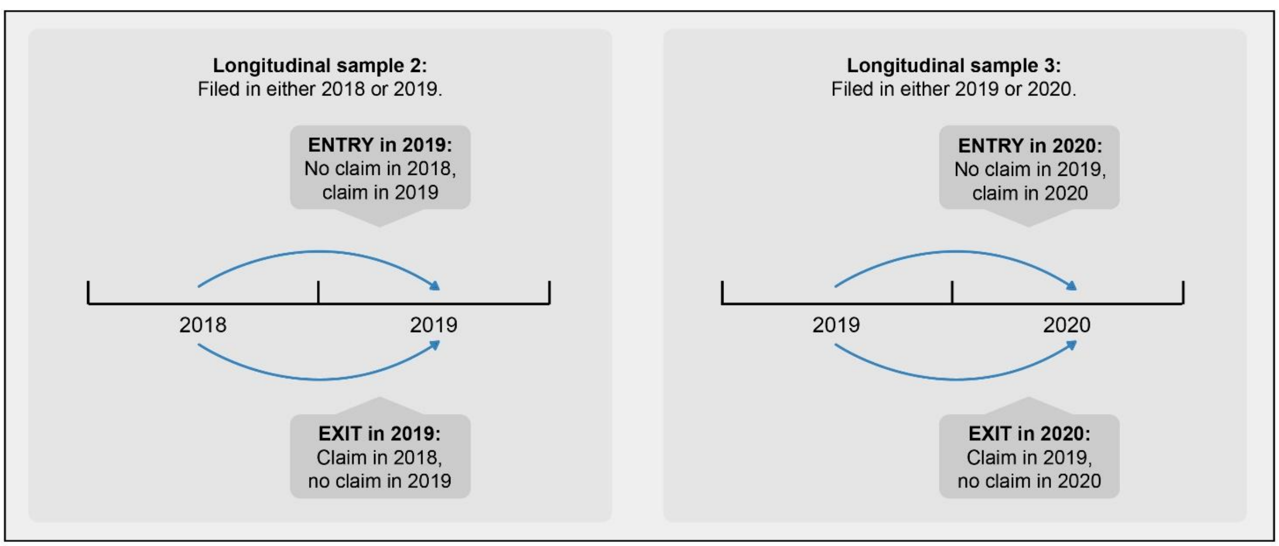
Table 9
Intensity of METC claims (i.e., percentage of total METC claims and average claim amount over the claiming years), among all individuals in the longitudinal sample, by claim frequency, 2014 to 2019

	METC claimants aged 25+ in 2019			
	Low-frequency		High-frequency	
	New	Interm./ occasional	Interm./ frequent	Persistent
Total amount claimed under the METC ($ million)	2,106	10,205	19,128	21,566
- Percentage of total METC amount claimed (%)	4.0	19.3	36.1	40.7
Average amount of METC claims over the claiming years ($)	2,300	2,500	2,800	3,300

5.2 Dynamic of Claims over Two Consecutive Years

To look at the dynamic of METC claims over two consecutive years, other longitudinal samples needed to be selected. Again, the reference point for this analysis is the 2019 tax year. As illustrated below, the new longitudinal samples are made up of all individuals who filed a tax return in either of the 2018 or 2019 tax years, and then in either of the 2019 or 2020 tax years. With such samples, it is possible to examine the patterns of entry into and exit from the METC in 2019, and then to compare these patterns with those that occurred in the first year of the pandemic.

Figure 2
Illustration of the two longitudinal samples selected for studying the dynamic of claims over two consecutive years, 2018-2019 and 2019-2020



As results in Table 10 indicate, of all individuals who filed a T1 return in either 2018 or 2019, 23.9% claimed the METC in at least one of these two years. About 10.8% of them claimed the METC in 2019 and the year prior, whereas similar proportions of them started (6.6%) and stopped (6.5%) claiming the METC in 2019. In comparison, the proportion of filers who continued to claim in 2020 – the first year of the pandemic – decreased to 10.3%, and the proportion of those who exited the METC (7.0%) was slightly above that who entered it (6.0%). This dynamic explains why the overall proportion of METC claims decreased between 2019 and 2020.

Table 10
Entry and exit rates (i.e., number and % of new* and former METC claimants), 2019 and 2020**

Reference year/Current year	2019	2020
Number of taxfilers in the longitudinal sample	30,301,200	30,620,800
Number of longitudinal taxfilers who did not claim the METC in previous and current years	23,057,200	23,500,200
Number of longitudinal taxfilers who claimed the METC in previous or current years (longitudinal claimants)	7,244,000	7,120,600
Among all longitudinal taxfilers		
% claimed in both previous and current years (i.e., % of continuous claimants)	10.8	10.3
% who did not claim in previous year, but claimed in current year (entry rate or % of new claimants)	6.6	6.0
% who claimed in previous year, but did not claim in current year (exit rate or % of former claimants)	6.5	7.0
Among all longitudinal METC claimants		
% of continuous METC claimants	45.1	44.1
% of new claimants	27.7	25.9
% of former claimants	27.2	30.0

* Refers to all taxfilers who were not METC claimants in previous year but were METC claimants in current year.
** Refers to all taxfilers who were METC claimants in previous year but were not METC claimants in current year.

Table 11 presents the potential reasons behind entries into and exits from the METC. It shows that most new METC claims are due to individuals starting to claim the credit on their T1 return (77.3% in 2019). Reporting a higher amount of gross medical expenses is the second most common reason. Less than 6% of new claims are mainly due to a significant change in taxfilers' net income level. The reverse situations are also the most likely explanations to stop being an METC claimant between two consecutive years. In other words, the two most common reasons to stop being an METC claimant are to stop claiming the credit and to experience a drop in gross medical expenses. However, the proportion who stop being METC claimants because they stop filing is slightly higher than the proportion who start being METC claimants because they start filing. Again, this is likely because of the older age profile of METC claimants.

Table 11
Main reasons for starting or stopping to claim the METC, 2019 and 2020

Reference year/Current year	2019	2020
Distribution in % of "new claimants" by main reason for starting to claim		
Started being a filer	4.7	5.4
Started to claim the METC (by reporting gross medical expenses)	77.3	77.0
Experienced a rise in gross medical expenses	17.3	16.8
Did not experience a rise in medical expenses, but a change in net income	0.8	0.8
Distribution in % of "former claimants" by main reason for stopping to claim		
Stopped being a filer	8.3	7.6
Stopped claiming the METC (by no longer reporting gross medical expenses)	72.7	71.3
Experienced a drop in gross medical expenses	17.9	19.9
Did not experience a drop in medical expenses, but a change in net income	1.1	1.2

6. Conclusion

The METC provides tax relief to individuals and their family members who have above-average medical expenses. This study uses data from 2008 to 2020 to highlight various trends and characteristics of claimants and beneficiaries.

The share of taxfilers who claimed the METC increases from 2008 to 2019 and drops slightly in 2020, coinciding with the beginning of the COVID-19 pandemic. Average eligible claim amounts for immediate family members and other dependants remained stable over the same period at approximately $2,800 combined (2019 dollars). The 5.3 million METC claimants in 2019 benefited from an average amount of $420 in tax savings as a result of their claims. An additional 3.2 million taxfilers may have indirectly benefited from the METC through their claiming spouse. In terms of their characteristics, METC claimants are overrepresented among women, individuals aged 65 and above, lower-income spouses in a couple without children, middle-income taxfilers, and residents of Quebec and the Atlantic provinces. Persistence of claims is also more common among most of these groups. About half of METC claimants in 2019 were either new claimants (i.e., they only claimed this tax expenditure in 2019 from 2014 to 2019) or occasional claimants (i.e., they claimed it 2 to 3 years over the 6-year period). The other half were more frequent claimants. While unattached taxfilers are not more likely to claim the METC in a given year, the longitudinal analysis suggests that, once they claim, they are especially likely to be high-frequency claimants.

Annex: Trends in the Number of METC Claimants and Total Amount of METC Claims

Table A1

Number of METC claimants, for METC – portion 1 (immediate family members), METC – portion 2 (other dependants), and total METC, from 2008 to 2020

Tax year	All taxfilers	METC – portion 1 claimants of gross medical expenses	METC – portion 1 claimants of eligible medical expenses	METC – portion 2 claimants of eligible medical expenses	METC – total claimants of eligible medical expenses
2008	24,963,800	4,737,700	3,836,600	89,300	3,878,500
2009	25,230,200	5,281,100	4,000,900	95,000	4,043,600
2010	25,460,900	5,463,200	4,158,900	100,100	4,203,800
2011	25,767,000	5,747,400	4,295,100	103,100	4,341,600
2012	26,119,000	5,951,300	4,362,400	109,800	4,413,500
2013	26,505,600	6,252,800	4,486,800	112,300	4,539,000
2014	26,909,500	6,536,100	4,640,200	113,300	4,692,800
2015	27,152,900	6,817,500	4,821,300	116,700	4,875,500
2016	27,445,100	7,071,500	4,963,000	117,700	5,017,500
2017	27,847,900	7,274,600	5,078,400	114,300	5,130,800
2018	28,359,000	7,509,300	5,186,500	112,500	5,237,600
2019	28,903,800	7,685,000	5,223,000	109,900	5,272,900
2020	29,019,100	7,598,100	4,939,800	94,100	4,986,400

Table A2

Total METC claims (in millions of 2019 constant $), for METC – portion 1 (i.e., for immediate family members), METC – portion 2 (for other dependants), and total METC, from 2008 to 2020

Tax year	METC – portion 1 claims of gross medical expenses	METC – portion 1 claims of eligible medical expenses	METC – portion 2 claims of eligible medical expenses	METC – total claims of eligible medical expenses
2008	15,173	10,867	185	11,052
2009	16,160	11,221	194	11,415
2010	16,696	11,562	203	11,765
2011	17,081	12,108	254	12,361
2012	17,423	12,120	265	12,385
2013	18,204	12,611	271	12,881
2014	18,753	12,874	282	13,155
2015	19,561	13,478	292	13,770
2016	20,304	14,059	301	14,360
2017	21,128	14,464	314	14,770
2018	21,920	14,480	324	14,804
2019	22,437	14,836	324	15,160
2020	20,956	13,420	302	13,723

Table A3 (derived from results in Table A1 and Table A2)

Average amount of claims per claimant (in 2019 constant $), for METC – portion 1 (i.e., for immediate family members), METC – portion 2 (for other dependants) and total METC, from 2008 to 2020

$

Tax year	METC – portion 1 – gross medical expenses	METC – portion 1 – eligible medical expenses	METC – portion 2 – eligible medical expenses	Total METC eligible medical expenses	For comparison: Expenditure on health care per household (SHS*)
2008	3,200	2,800	2,100	2,800	
2009	3,100	2,800	2,000	2,800	
2010	3,100	2,800	2,000	2,800	2,700
2011	3,000	2,800	2,500	2,800	2,600
2012	2,900	2,800	2,400	2,800	2,600
2013	2,900	2,800	2,400	2,800	2,800
2014	2,900	2,800	2,500	2,800	2,500
2015	2,900	2,800	2,500	2,800	2,600
2016	2,900	2,800	2,600	2,900	2,800
2017	2,900	2,800	2,700	2,900	2,700
2018	2,900	2,800	2,900	2,800	
2019	2,900	2,800	2,900	2,900	2,800
2020	2,800	2,700	3,200	2,800	

* Statistics Canada, Survey of Household Spending, Table 8-10-0222-01.

List of Tax Expenditures