Department of Finance Canada
Ministère des Finances Canada

Report on Federal Tax Expenditures
Concepts, Estimates and Evaluations

2025

Canada

Cette publication est également disponible en français.

Cat. No. F1-47E-PDF
ISSN 2370-6597

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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 2019 to 2026 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 by gender identity, immigration history, and ethnocultural identity using data from the 2021 Census of Population. This report also includes a profile of claimants and beneficiaries of the Spouse or Common-law Partner Credit and the Eligible Dependant 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 2019 to 2026 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 by gender identity, immigration history, and ethnocultural identity using data from the 2021 Census of Population. Part 4 also includes a profile of claimants and beneficiaries of the Spouse or Common-law Partner Credit and the Eligible Dependant 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 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 cooking, cleaning, and administrative tasks involved in managing a household.
  - 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.

[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.

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

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

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.

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 2026; 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). Tax expenditure estimates do not account for the impact of the Alternative Minimum Tax.

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 2022. 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 *2024 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.

With micro data now available for 2022, and most of the economic impacts and programs resulting from the COVID-19 pandemic elapsed by that time, T1 model projections will be based on the 2022 base year. This is a departure from the methodology of the previous two editions of the Report on Federal Tax Expenditures that used the 2019 base year to avoid forecast bias from the pandemic. Although data for the 2022 tax year will have some lingering impacts of the pandemic, the department's view is that projections based on the 2022 tax year would be more representative of future populations and economic conditions than the 2019 base year. These projections were completed using updated tax parameters based on federal and provincial announcements, as well as revised projections of income and certain deductions consistent with the *2024 Fall Economic Statement*. The methodology for this report marks a return to the norm in tax expenditure estimation and projecting for personal income tax measures. This return may lead to significant changes in some forecasted tax expenditures compared to last year's publication. In addition, further disruptions to forecasts may be prevalent in next year's publication as the base year moves to 2023 and pandemic impacts wane further.

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

Similarly 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 based on 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 several 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 2022. 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 *2024 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.

For fiscal years beginning on or after December 31, 2023, the Domestic Minimum Top-up Tax (enacted in Part 3 of the *Global Minimum Tax Act*) may apply to certain large multinational groups on their income earned in Canada that is taxed in Canada at an effective rate of less than 15%. Corporate income tax expenditures that reduce federal income tax payable below an effective tax rate of 15% may result in a Domestic Minimum Top-up Tax liability for a multinational group. When this arises, the Domestic Minimum Top-up Tax partially or entirely offsets the benefits that are derived from a corporate income tax expenditure. This interaction between the corporate income tax and the Domestic Minimum Top-up Tax is not presently taken into account when estimating corporate income tax expenditures, and work is ongoing to evaluate how this interaction could be captured in future editions.

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 2022 are derived from the most recent complete administrative data and forecasts of related economic variables provided in the Department of Finance Canada's *2024 Fall Economic Statement* or by third parties. As for GST expenditures estimated using the Goods and Services Tax Model, the values shown for 2019 and 2020 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 *2024 Fall Economic Statement* or by third parties. In many cases, preliminary aggregate data for 2021 and 2022 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 by gender identity, immigration history, and ethnocultural identity using data from the 2021 Census of Population.

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—*Statements and Schedules 2024*, Schedule I
https://www.gov.nl.ca/budget/2024/reports-and-publications/

Nova Scotia—*Budget 2024-25*, Estimates and Supplementary Detail: Budget 2024-25
https://beta.novascotia.ca/documents/budget-documents-2024-2025

New Brunswick—*Summary of New Brunswick Tax Expenditures 2022* (released in February 2024)
https://www2.gnb.ca/content/gnb/en/departments/finance/taxes.html#expenditures

Quebec—*Tax Expenditures, 2023 Edition* (released in March 2024, available in French only)
https://www.budget.finances.gouv.qc.ca/budget/outils/depenses-fiscales/index.asp

Ontario—*Taxation Transparency Report, 2024*
https://budget.ontario.ca/2024/fallstatement/transparency.html

Manitoba—*Budget 2024*, Estimates of Expenditure
https://www.gov.mb.ca/budget2024/index.html

Saskatchewan—*2024-25 Budget*, 2024-25 Estimates
https://budget.saskatchewan.ca/budget-materials

Alberta—*Budget 2024,* 2024-27 Fiscal Plan, Tax Expenditure Estimates, 2024
https://open.alberta.ca/publications/budget-2024

British Columbia—*Budget and Fiscal Plan 2024/25 – 2026/27,* Appendix A1, Tax Expenditures
https://www.bcbudget.gov.bc.ca/2024/downloads.htm

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 2019 to 2026. 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			
		2019	2020	2021	2022	2023	2024	2025	2026
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	S	S	S	3	3	n.a.	n.a.	n.a.
	CIT	S	S	S	4	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	-20	15	3	60	25	n.a.	n.a.	n.a.
	CIT	-20	25	4	80	35	n.a.	n.a.	n.a.
Patronage dividends paid as shares by agricultural cooperatives	PIT	S	S	-1	-1	S	1	1	n.a.
	CIT	1	1	-1	-2	S	2	2	n.a.
Tax treatment of farm savings accounts (AgriInvest and Agri-Québec)	PIT	S	3	10	5	10	n.a.	n.a.	n.a.
	CIT	S	1	2	1	1	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	4	45	15	40	30	30	30	30
Critical Mineral Exploration Tax Credit for Flow-Through Share Investors	PIT	–	–	–	85	255	225	225	225

Table
Estimates and Projections
millions of dollars

		Estimates				Projections			
		2019	2020	2021	2022	2023	2024	2025	2026
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	1	S	S	S	S	S	S
Flow-through share deductions	PIT	120	175	265	195	300	320	325	295
	CIT	20	25	55	55	80	85	80	65
Mineral Exploration Tax Credit for Flow-Through Share Investors (sunset in 2025)	PIT	60	100	145	60	45	60	-10	-4
Reclassification of expenses under flow-through shares (phased out)	PIT	-3	-2	-2	-1	-1	-1	S	S
	CIT	S	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	1,430	1,460	1,865	1,910	1,870	1,950	2,065	2,155
BUSINESS – SMALL BUSINESSES									
Structural									
Small suppliers' threshold	GST	270	180	210	260	275	280	285	295
Non-structural									
Deduction of allowable business investment losses	PIT	50	40	40	30	30	40	40	50
	TRU	1	S	S	1	1	1	1	1
	CIT	10	15	15	5	10	10	15	15
Non-taxation of provincial assistance for venture investments in small businesses	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Preferential tax rate for small businesses	CIT	4,895	5,345	6,430	6,580	6,570	6,295	6,040	6,530
Rollovers of investments in small businesses	PIT	10	10	15	10	10	10	10	15
BUSINESS – OTHER									
Structural									
Deductibility of costs of capital assets and eligibility for investment tax credits before asset is put in use	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Deductibility of earthquake reserves	CIT	S	S	-1	S	S	1	1	1
Deferral through five-year capital gain reserve	PIT	15	20	35	25	25	25	25	30
	TRU	-3	S	3	20	S	S	S	S
	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			
		2019	2020	2021	2022	2023	2024	2025	2026
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	X	X	X	X	X	X	X	X
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	65	65	100	140	185	190	200	205
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 productivity-enhancing assets	PIT	–	–	–	–	–	965	675	525
	CIT	–	–	–	–	–	20	15	10
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	PIT/ CIT	4,130	2,565	2,695	2,475	1,910	-790	2,135	2,120
Additional Tax on Banks and Life Insurers	CIT	–	–	–	-250	-305	-325	-405	-490
Atlantic Investment Tax Credit (non-refundable portion for CIT)	PIT	10	10	10	10	10	10	10	10
	CIT	230	100	190	330	155	150	145	155
Canada Recovery Dividend	CIT	–	–	–	-695	-695	-695	-695	-695
Canadian Entrepreneurs' Incentive	PIT	–	–	–	–	–	–	125	270
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 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.
Deferral through ten-year capital gain reserve	PIT	45	35	95	75	70	70	70	70

Table
Estimates and Projections
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		Estimates				Projections			
		2019	2020	2021	2022	2023	2024	2025	2026
BUSINESS – OTHER *(cont'd)*									
Employee Ownership Capital Gains Exemption	PIT	–	–	–	–	S	10	15	35
Expensing of employee training costs	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Foreign Convention and Tour Incentive Program	GST	5	1	S	2	5	5	5	5
Immediate expensing for small businesses	PIT	–	–	–	335	260	210	-205	-150
	CIT	–	–	690	1,210	1,000	-410	-740	-560
Lifetime Capital Gains Exemption	PIT	1,805	1,725	2,550	2,625	2,550	2,630	2,705	3,410
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
Tax on Repurchases of Equity	CIT	–	–	–	–	–	-425	-600	-635
DONATIONS, GIFTS, CHARITIES AND NON-PROFIT ORGANIZATIONS									
Non-structural									
Additional deduction for gifts of medicine (repealed)	CIT	X	X	X	X	–	–	–	–
Charitable Donation Tax Credit	PIT	3,060	3,290	3,615	3,690	3,925	3,930	3,995	4,240
	TRU	45	70	65	45	45	50	50	50
Deductibility of charitable donations	CIT	915	775	1,090	1,045	910	875	840	905
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	1,405	1,490	1,530	1,610	1,735	1,860	1,930	1,995
Non-taxation of capital gains on donations of cultural property	PIT	3	5	5	4	4	4	4	5
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Non-taxation of capital gains on donations of ecologically sensitive land	PIT	2	2	3	4	3	3	3	4
	TRU	S	S	S	S	S	S	S	S
	CIT	1	S	1	2	10	5	5	5
Non-taxation of capital gains on donations of publicly listed securities	PIT	125	100	135	95	175	80	85	125
	TRU	1	1	3	1	2	1	1	1
	CIT	225	170	200	95	110	150	125	160
Non-taxation of non-profit organizations	PIT/CIT	90	50	100	210	260	270	260	280
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	85	80	90	100	105	105	110	115
Rebate for registered charities	GST	335	300	340	395	435	450	470	490

Table
Estimates and Projections
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		Estimates				Projections			
		2019	2020	2021	2022	2023	2024	2025	2026
EDUCATION									
Structural									
Deduction for tuition assistance for adult basic education	PIT	2	3	3	5	10	5	5	5
Education Tax Credit (phasing out)	PIT	230	190	115	45	S	S	S	S
Textbook Tax Credit (phasing out)	PIT	35	30	20	5	S	S	S	S
Tuition Tax Credit	PIT	1,735	2,100	2,065	2,030	2,255	2,295	2,315	2,350
Non-structural									
Exemption from GST for tuition and educational services	GST	945	935	975	1,060	1,120	1,200	1,250	1,305
Exemption of scholarship, fellowship and bursary income	PIT	585	705	690	725	760	770	735	750
Rebate for book purchases made by certain organizations	GST	15	10	10	10	10	10	15	15
Rebate for schools, colleges and universities	GST	860	795	875	1,000	1,110	1,150	1,185	1,225
Registered Education Savings Plans	PIT	125	110	130	170	220	290	400	490
Student Loan Interest Credit	PIT	55	25	20	15	25	25	25	25
EMPLOYMENT									
Structural									
Apprentice vehicle mechanics' tools deduction	PIT	3	4	5	5	5	5	5	5
Canada Employment Credit	PIT	2,595	2,750	2,755	2,830	3,090	3,305	3,405	3,495
Child Care Expense Deduction	PIT	1,325	975	1,210	1,280	1,260	1,200	1,170	1,095
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	4	4	4	4
Deduction of other employment expenses	PIT	920	1,145	1,270	1,265	1,320	1,350	1,395	1,440
Deduction of union and professional dues	PIT	1,075	1,075	1,160	1,210	1,310	1,335	1,370	1,420
Labour Mobility Deduction for Tradespeople	PIT	–	–	–	2	1	1	2	2
Moving expense deduction	PIT	110	105	150	165	145	140	140	140
Non-taxation of allowances for diplomats and other government employees posted abroad	PIT	35	35	35	30	35	40	n.a.	n.a.
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	40	40	45	45	50	50	55

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Estimates and Projections
millions of dollars

		Estimates				Projections			
		2019	2020	2021	2022	2023	2024	2025	2026
EMPLOYMENT *(cont'd)*									
Non-structural									
Apprenticeship Job Creation Tax Credit	PIT	1	1	1	1	1	1	1	1
	CIT	85	95	95	90	100	105	105	110
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	920	920	1,645	1,130	870	1,015	960	820
Non-taxation of income earned by military and police deployed to international operational missions	PIT	40	30	35	35	40	40	n.a.	n.a.
Northern Residents Deductions	PIT	230	220	230	240	245	245	250	255
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	50	50	45	50	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	1	4	5	15	10	10	15	10
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	–	–	–	1	20	40	45	55
FAMILIES AND HOUSEHOLDS									
Structural									
Adoption Expense Tax Credit	PIT	2	1	2	2	2	2	2	2
Canada Caregiver Credit	PIT	235	240	245	250	270	285	295	305
Eligible Dependant Credit	PIT	1,025	1,270	1,290	1,230	1,315	1,410	1,470	1,520
Goods and Services Tax/Harmonized Sales Tax Credit	GST	4,935	10,450	5,030	7,335	8,120	6,170	6,420	6,555
Spouse or Common-Law Partner Credit	PIT	1,740	1,685	1,840	2,090	2,230	2,380	2,460	2,530

Table
Estimates and Projections
millions of dollars

		Estimates				Projections			
		2019	2020	2021	2022	2023	2024	2025	2026
FAMILIES AND HOUSEHOLDS *(cont'd)*									
Non-structural									
Deferral of capital gains through transfers to a spouse, spousal trust or alter ego trust	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Exemption from GST for child care	GST	220	150	200	235	245	265	275	290
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	10	10	10
Targeted Temporary GST/HST Relief	GST	–	–	–	–	–	460	1,180	–
Tax treatment of alimony and maintenance payments	PIT	120	100	105	105	110	115	120	125
Zero-rating of feminine hygiene products	GST	45	45	50	50	55	55	55	60
HEALTH									
Structural									
Disability supports deduction	PIT	3	3	3	3	3	3	3	3
Disability Tax Credit	PIT	1,145	1,205	1,340	1,435	1,545	1,635	1,720	1,810
Medical Expense Tax Credit	PIT	1,700	1,530	1,805	1,925	2,200	2,330	2,475	2,650
Non-structural									
Exemption from GST for health care services	GST	1,065	885	1,020	1,095	1,155	1,245	1,310	1,385
Exemption from GST for hospital parking	GST	15	10	15	15	15	15	20	20
Home Accessibility Tax Credit	PIT	15	15	25	40	35	35	40	40
Non-taxation of benefits from private health and dental plans	PIT	3,170	3,150	3,530	4,145	4,590	4,825	5,020	5,280
Rebate for hospitals, facility operators and external suppliers	GST	750	985	975	1,055	1,205	1,245	1,285	1,325
Rebate for specially equipped motor vehicles	GST	S	S	S	S	S	S	S	S
Registered Disability Savings Plans	PIT	70	65	90	90	90	105	120	135
Zero-rating of face masks and face shields (repealed)	GST	–	5	85	70	50	45	–	–
Zero-rating of medical and assistive devices	GST	520	620	690	750	785	820	845	870
Zero-rating of prescription drugs	GST	920	945	1,000	1,090	1,160	1,225	1,285	1,350

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Estimates and Projections
millions of dollars

		Estimates				Projections			
		2019	2020	2021	2022	2023	2024	2025	2026
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									
Accelerated capital cost allowance for purpose-built rental housing	PIT	–	–	–	–	–	S	1	5
	CIT	–	–	–	–	–	S	20	120
Enhanced rebate for new residential rental property	GST	–	–	–	–	S	20	520	960
Exemption from GST for certain residential rent	GST	2,075	1,980	2,000	2,250	2,530	2,650	2,805	2,880
Exemption from GST for short-term accommodation	GST	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
First-Time Home Buyers' Tax Credit	PIT	110	130	150	240	220	235	255	260
Non-taxation of capital gains on principal residences	PIT	4,890	6,930	12,175	10,595	7,365	8,405	10,745	13,020
Rebate for new housing	GST	420	425	465	400	455	420	410	420
Rebate for new residential rental property	GST	220	225	245	265	285	335	390	455
Tax-Free First Home Savings Account	PIT	–	–	–	–	125	465	595	595
INCOME SUPPORT									
Non-structural									
Non-taxation of certain veterans' benefits	PIT	200	185	190	180	180	180	175	175
Non-taxation of Guaranteed Income Supplement and Allowance benefits	PIT	235	245	210	225	380	400	425	485
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	50	55	70	80	100	110	125	140
Non-taxation of social assistance benefits	PIT	340	425	370	300	340	330	345	365
Non-taxation of workers' compensation benefits	PIT	755	830	855	880	935	955	980	1,000

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Estimates and Projections
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		Estimates				Projections			
		2019	2020	2021	2022	2023	2024	2025	2026
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	2,765	2,735	2,855	3,120	3,570	3,775	3,875	3,975
Refunds for Indigenous self-governments	GST	10	10	15	15	15	15	15	15
Non-structural									
	PIT	1	1	2	3	3	3	3	3
Logging Tax Credit	TRU	X	X	X	X	X	X	X	X
	CIT	25	60	265	195	55	65	70	65
INTERNATIONAL									
Structural									
Deductibility of countervailing	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
and anti-dumping duties when paid	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Exemption for international shipping	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
and aviation by non-residents	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	330	80	100	290	340	365	380	400
Non-structural									
Exemption for income of Canadian resident companies from international shipping	CIT	–	–	–	–	–	n.a.	n.a.	n.a.
Exemptions from non-resident withholding tax	PIT/ CIT	8,840	8,975	11,585	13,385	12,835	13,355	13,840	14,420
Tax treatment of active business income of foreign affiliates of Canadian corporations and deductibility of expenses incurred to invest in foreign affiliates	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
RETIREMENT									
Non-structural									
Deferred Profit-Sharing Plans	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Partial inclusion of U.S. Social Security benefits	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Pension Income Credit	PIT	1,255	1,270	1,300	1,335	1,365	1,400	1,435	1,485
Pension income splitting	PIT	1,415	1,470	1,520	1,615	1,645	1,755	1,895	2,040
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	26,155	22,755	27,735	19,500	22,085	24,815	25,165	25,700
Registered Retirement Savings Plans	PIT	16,195	15,430	19,440	12,090	13,460	14,720	14,785	14,855
Saskatchewan Pension Plan	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

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		Estimates				Projections			
		2019	2020	2021	2022	2023	2024	2025	2026
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	230	235	230	245	270	305	325	380
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	160	180	175	185	190	200	205	215
Partial inclusion of capital gains	PIT	8,095	9,970	19,535	14,045	13,410	14,010	12,750	11,885
	TRU	1,225	1,525	2,465	1,415	1,125	1,810	1,220	1,270
	CIT	12,100	11,090	18,110	18,840	14,375	25,190	16,285	11,505
Tax-Free Savings Account	PIT	1,895	1,700	3,220	2,005	2,685	3,675	4,325	5,010
SOCIAL									
Non-structural									
Age Credit	PIT	3,820	3,945	3,990	4,140	4,665	5,060	5,385	5,705
Credit for subscriptions to Canadian digital news media	PIT	–	10	15	15	15	15	15	15
Deduction for clergy residence	PIT	95	95	100	100	105	105	110	110
Exemption from GST and rebate for legal aid services	GST	50	45	50	55	55	60	60	65
Exemption from GST for ferry, road and bridge tolls	GST	15	10	10	15	15	15	15	15
Exemption from GST for municipal transit	GST	235	110	110	165	195	210	220	230
Exemption from GST for water, sewage and basic garbage collection services	GST	335	365	385	410	440	475	500	520
Political Contribution Tax Credit	PIT	45	30	40	30	35	35	45	35
Search and Rescue Volunteers Tax Credit	PIT	2	2	2	2	2	5	5	5
Tax-free amount for emergency services volunteers	PIT	3	3	3	3	3	3	3	3
Volunteer Firefighters Tax Credit	PIT	15	15	20	15	20	35	35	35
Zero-rating of basic groceries	GST	4,885	5,375	5,470	5,800	6,235	6,510	6,785	7,060
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.

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Estimates and Projections
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		Estimates				Projections			
		2019	2020	2021	2022	2023	2024	2025	2026
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	270	175	205	305	240	230	220	240
	CIT	8,650	8,735	11,230	14,595	12,130	11,535	11,175	11,830
Partial deduction of and partial input tax credits for meals and entertainment	PIT	200	135	170	215	220	225	225	225
	CIT	335	225	195	325	395	375	360	390
	GST	190	125	115	170	170	175	175	180
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	11,540	11,845	13,860	15,720	17,565	18,990	20,300	21,010
Tax treatment of Employment Insurance and Quebec Parental Insurance Plan premiums and benefits	PIT	4,330	4,180	4,615	5,075	5,550	5,935	6,080	6,265
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	5,415	5,515	6,270	6,655	6,985	7,470	7,750	8,005
	TRU	90	135	215	120	130	165	185	185
Transfer of income tax points to provinces	PIT	25,270	26,130	29,155	30,800	32,800	34,785	36,120	37,335
	TRU	875	1,050	1,470	825	945	1,255	1,315	1,330
	CIT	3,435	3,680	5,250	5,380	5,365	5,605	5,995	6,295
INTERNATIONAL									
Structural									
Foreign tax credit for individuals	PIT	1,975	1,925	2,075	2,310	2,435	2,565	2,640	2,730
	TRU	45	45	85	60	60	65	65	65

Table
Estimates and Projections
millions of dollars

		Estimates				Projections			
		2019	2020	2021	2022	2023	2024	2025	2026
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	995	785	1,930	410	475	495	460	595
	CIT	560	1,015	915	955	820	1,065	845	1,055
Deduction of interest and carrying charges incurred to earn investment income	PIT	1,950	1,900	2,280	2,465	2,850	2,955	2,990	3,085
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Dividend gross-up and tax credit	PIT	4,895	4,660	5,225	5,820	6,425	6,700	7,275	7,580
	TRU	280	280	350	460	510	530	550	570
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	5,275	6,140	8,325	3,475	4,555	4,765	4,415	5,735
	CIT	1,085	1,115	1,985	1,210	495	1,150	1,190	1,655
OTHER									
Structural									
Credit for the Basic Personal Amount	PIT	38,780	44,575	46,200	47,720	51,360	55,110	57,015	58,815
Non-taxation of payments to Canadian Armed Forces members and veterans in respect of pain and suffering	PIT	295	300	395	400	445	460	420	350
Refundable taxes on investment income of private corporations	CIT	-2,925	-3,105	-5,290	-6,445	-5,255	-7,810	-9,045	-8,365
Special tax computation for certain retroactive lump-sum payments	PIT	2	S	1	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	25	30	30	30	30	35
Canada Child Benefit	PIT	24,300	26,800	24,500	24,600	26,300	28,200	29,600	30,600
Quarterly payments for families with young children entitled to the Canada Child Benefit (2021) – Children's Benefits	PIT	–	560	1,680	–	–	–	–	–
Canada Emergency Rent Subsidy and Lockdown Support	PIT/CIT	–	2,060	5,495	–	–	–	–	–

Table
Estimates and Projections
millions of dollars

		Estimates				Projections			
		2019	2020	2021	2022	2023	2024	2025	2026
REFUNDABLE TAX CREDITS CLASSIFIED AS TRANSFER PAYMENTS *(cont'd)*									
Canada Emergency Wage Subsidy	PIT/ CIT	–	70,400	29,480	–	–	–	–	–
Canada Recovery Hiring Program	PIT/ CIT	–	–	950	475	–	–	–	–
Canada Training Credit	PIT	S	100	180	215	245	270	290	310
Canada Workers Benefit	PIT	2,005	900	2,400	3,290	4,410	4,880	5,055	5,135
Canadian Film or Video Production Tax Credit	CIT	300	255	295	375	405	520	540	565
Canadian Journalism Labour Tax Credit	PIT	n.a.	1	S	S	S	S	S	S
	CIT	35	35	40	40	70	70	75	75
Carbon Capture, Utilization, and Storage Investment Tax Credit	CIT	–	–	–	25	100	300	720	1,365
Clean Electricity Investment Tax Credit	CIT	–	–	–	–	–	970	1,175	1,455
Clean Hydrogen Investment Tax Credit	CIT	–	–	–	–	75	150	840	2,090
Clean Technology Investment Tax Credit	CIT	–	–	–	–	795	1,000	1,205	1,395
Clean Technology Manufacturing Investment Tax Credit	PIT	–	–	–	–	–	S	S	S
	CIT	–	–	–	–	–	805	1,035	1,150
EV Supply Chain Investment Tax Credit	CIT	–	–	–	–	–	–	–	–
Film or Video Production Services Tax Credit	CIT	330	355	435	480	475	540	560	585
Hardest-Hit Business Recovery Program	PIT/ CIT	–	–	305	340	–	–	–	–
Local Lockdown Program	PIT/ CIT	–	–	n.a.	n.a.	–	–	–	–
Multigenerational Home Renovation Tax Credit	PIT	–	–	–	–	25	25	25	25
Refundable Medical Expense Supplement	PIT	170	120	150	185	215	235	245	255
Scientific Research and Experimental Development Investment Tax Credit (refundable portion)	CIT	1,840	1,845	1,980	2,295	2,385	2,480	2,830	2,940
Small Businesses Air Quality Improvement Tax Credit	PIT	–	–	–	2	5	–	–	–
	CIT	–	–	–	1	S	–	–	–
Teacher and Early Childhood Educator School Supply Tax Credit	PIT	5	5	10	10	10	10	15	15
Tourism and Hospitality Recovery Program	PIT/ CIT	–	–	1,050	1,650	–	–	–	–

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			
		2019	2020	2021	2022	2023	2024	2025	2026
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	1	S	S	S	S	S	S
Flow-through share deductions for oil and gas and coal mining (phased out)[3]	PIT	5	3	3	3	2	2	1	1
	CIT	10	5	5	5	5	4	3	2
Reclassification of expenses under flow-through shares (phased out)[4]	PIT	-3	-2	-2	-1	-1	-1	S	S
	CIT	S	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 2024–2025

	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, *2024 Fall Economic Statement*.

Federal Personal Income Tax Brackets and Rates, Taxfilers and Taxes Paid, 2022

	Tax Brackets		Taxfilers		Taxes Paid	
	Income range	Rate	Number (millions)	Share (%)	Amount (billions of dollars)	Share (%)
First bracket	Under $50,197	15%	8.3	27	16.8	9
Second bracket	$50,197- $100,392	20.5%	8.1	26	61.4	33
Third bracket	$100,392 - $155,625	26%	2.0	7	35.7	19
Fourth bracket	$155,625 - $221,708	29%	0.6	2	19.4	10
Fifth bracket	Over $221,708	33%	0.5	2	54.8	29
Taxable filers			19.4	63	188.1	100
Non-taxable filers			10.8	37		
All taxfilers			30.2	100		

Notes: These statistics are presented on a public accounts basis and calculated using the T1 microdata from individual tax returns for the 2022 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), 2022

	Taxable Income		Corporations Reporting Income		Taxes Paid	
	Amount (billions of dollars)	Share (%)	Number (thousands)	Share (%)	Amount (billions of dollars)	Share (%)
Canadian-controlled private corporations	**298.9**	**51**	**1,146.3**	**98**	**42.1**	**51**
Business income taxed at the preferential tax rate for small businesses	103.8	18	906.6	77		
Other business income taxed at the general rate	142.7	24	173.6	15		
Other income	52.0	9	411.0	35		
Other corporations	**283.9**	**49**	**24.6**	**2**	**40.0**	**49**
Business income taxed at the general rate	278.8	48	24.4	2		
Other income	5.0	1	12.2	1		
Total	**582.4**	**100**	**1,170.9**	**100**	**82.2**	**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 2024 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, 2024, changes announced in Budget 2024 as well as the 2024 *Fall Economic Statement* are included below even if the enacting legislation has not received Royal Assent by the time of production of this edition of the report.

Personal Income Tax

Canada Child Benefit

Budget 2024 extended eligibility for the Canada Child Benefit (including the Child Disability Benefit) in respect of a child for six months after the child's death, if the individual would have otherwise been eligible for the benefit in respect of the particular child, effective for deaths that occur after 2024.

Canadian Entrepreneurs' Incentive

Budget 2024 proposed to introduce the Canadian Entrepreneurs' Incentive (CEI). The CEI would reduce the tax rate on eligible capital gains realized by individuals on the disposition of qualifying CEI property through a one-third inclusion rate, up to a lifetime limit of $2 million. The CEI would be effective for 2025, and subsequent tax years, with the limit phased in over 5 years in $400,000 increments. This measure was subject to Parliamentary approval at the time of preparation of this report.

Capital Gains Rollover on Business Investment

The *2024 Fall Economic Statement* proposed to expand what qualifies as an eligible small business corporation (ESBC) share by allowing preferred shares to qualify for the rollover. It also proposed to relax the rules by increasing the asset limit for ESBCs that qualify for investment to $100 million, and by increasing the length of the period to acquire new investments to within the year of disposition and one full calendar year following the year of disposition. This measure was subject to Parliamentary approval at the time of preparation of this report.

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

In June 2024, eligibility to the tax deferral was expanded to include farmers in adjacent regions to those experiencing drought, flood or excessive moisture that may also be experiencing similar conditions. This measure is effective for the 2024 and subsequent taxation years.

Disability Supports Deduction and Medical Expense Tax Credit

Budget 2024 proposed to expand the list of expenses recognized under the Disability Supports Deduction, to include certain expenses, such as for a service animal or a navigation device for low vision, subject to specified conditions, effective for the 2024 and subsequent taxation years. A consequential change was subsequently proposed to the Medical Expense Tax Credit, to expand the list of eligible expenses for that credit to include a navigation device for low vision, effective for the 2024 and subsequent taxation years. The government also committed to consulting on the list of expenses eligible under the Disability Supports Deduction every four years, beginning in 2028. These measures were subject to Parliamentary approval at the time of preparation of this report

Employee Ownership Capital Gains Exemption

The *2023 Fall Economic Statement* introduced a $10 million exemption on capital gains realized by individuals on a qualifying business transfer to an employee ownership trust. This measure would be effective for the 2024, 2025, and 2026 tax years. Budget 2024 proposed to extend this exemption on capital gains realized by individuals on a qualifying cooperative conversion to a worker cooperative. This change was subject to Parliamentary approval at the time of preparation of this report.

Employee Stock Option Deduction

As a result of the changes to the capital gains inclusion rate proposed in Budget 2024, the deduction rate on the taxable benefit on employee stock options was reduced from one-half to one-third. This change would be in effect for stock options exercised on, or after June 25, 2024, or in case of a CCPC share, where the share is disposed or exchanged on or after June 25, 2024. The deduction could be increased to one half on up to a combined annual limit of $250,000 for both employee stock options benefits and capital gains. Where the total employee stock option benefits and capital gains exceed $250,000, the allocation of the preferential treatment would be at the taxpayer's discretion. This measure was subject to Parliamentary approval at the time of preparation of this report.

Lifetime Capital Gains Exemption

Budget 2024 proposed to increase the Lifetime Capital Gains Exemption (LCGE) limit for the disposition of qualified small business corporation shares and qualified farm or fishing property to $1.25 million of eligible capital gains. This measure would apply to dispositions occurring on or after June 25, 2024, with indexing of the LCGE resuming in 2026. This measure was subject to Parliamentary approval at the time of preparation of this report.

Mineral Exploration Tax Credit for Flow-Through Share Investors

Budget 2024 extended the 15-per-cent Mineral Exploration Tax Credit for investors in flow-through shares for an additional year, until March 31, 2025.

Partial Inclusion of Capital Gains

Budget 2024 proposed to increase the capital gains inclusion rate from one-half to two-thirds on the portion of capital gains and employee stock options benefit above $250,000 for capital gains realized by individuals on or after June 25, 2024. On January 31, 2025, the government announced the deferral in implementation of this change to the capital gains inclusion rate to January 1, 2026. Capital gains realized prior to this date would be subject to a one-half inclusion rate. This measure was subject to Parliamentary approval at the time of preparation of this report.

Volunteer Firefighters Tax Credit & Search and Rescue Volunteers Tax Credit

Budget 2024 increased the amounts of the Volunteer Firefighters Tax Credit and the Search and Rescue Volunteers Tax Credit from $3,000 to $6,000, effective for the 2024 and subsequent taxation years.

Corporate Income Tax

Accelerated Capital Cost Allowance for Productivity-Enhancing Assets

Budget 2024 announced immediate expensing for new additions of property included in Classes 44, 46, and 50, if the property is acquired on or after April 16, 2024, and becomes available for use before January 1, 2027. The enhanced allowance provides a 100-per-cent first-year deduction and is available for the year in which the property becomes available for use. This measure was subject to Parliamentary approval at the time of preparation of this report.

Accelerated Capital Cost Allowance for Purpose-Built Rental Housing

Budget 2024 announced an accelerated capital cost allowance of ten per cent for new eligible purpose-built rental projects that begin construction on or after April 16, 2024, and before January 1, 2031, and are available for use before January 1, 2036. This measure was subject to Parliamentary approval at the time of preparation of this report.

Accelerated Investment Incentive and Immediate Expensing

The *2024 Fall Economic Statement* proposed to fully reinstate the Accelerated Investment Incentive, as well as immediate expensing for manufacturing or processing machinery and equipment, clean energy generation and energy conservation equipment and zero-emission vehicles. These incentives would apply to qualifying property acquired on or after January 1, 2025, and that becomes available for use before 2030. The full re-instatement of these measures would be followed by a four-year phase-out between 2030 and 2033. These measures were subject to Parliamentary approval at the time of preparation of this report.

Clean Electricity Investment Tax Credit

Budget 2024 announced the design and implementation details for a 15-per-cent refundable tax credit for the capital cost of investments in:

- Low-emitting electricity generation systems using energy from wind, solar, water, geothermal, waste biomass, nuclear, or natural gas with carbon capture and storage.
- Stationary electricity storage systems that do not use fossil fuels in operation, such as batteries and pumped hydroelectric storage.
- Transmission of electricity between provinces and territories.

Investors would 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 15-per-cent rate. If the labour requirements are not met, investments would receive a 5-per-cent tax credit rate.

The Clean Electricity Investment Tax Credit could be claimed in addition to the Atlantic Investment Tax Credit, but generally not with any other investment tax credit.

Both new projects and the refurbishment of existing facilities would be eligible for the Clean Electricity Investment Tax Credit. Taxable and certain non-taxable entities including corporations owned by municipalities or Indigenous communities, and pension investment corporations would be eligible.

Provincial and territorial Crown corporations would be able to access the Clean Electricity investment tax credit within jurisdictions that are determined by the Minister of Finance to have satisfied certain conditions, detailed in the *2024 Fall Economic Statement*.

The Clean Electricity investment tax credit would generally be available as of April 16, 2024, for projects that did not begin construction before March 28, 2023. The Clean Electricity investment tax credit would be unavailable after 2034. The availability of the tax credit for provincial and territorial Crown corporations for investments within a particular province or territory would differ depending on whether that jurisdiction's government had satisfied certain conditions by June 30, 2025. This measure was subject to Parliamentary approval at the time of preparation of this report.

Clean Hydrogen Investment Tax Credit – Methane Pyrolysis

The *2024 Fall Economic Statement* announced the expansion of eligible pathways under the Clean Hydrogen investment tax credit to include hydrogen produced through methane pyrolysis. Previously announced design details and credit rates would apply along with several pathway specific design details, including: a cap on pyrolysis reactor system expenses, the requirement for an "end-use plan" for solid carbon, and a restriction on hydrogen venting/flaring.

The expansion would apply to eligible property that is acquired and becomes available for use in an eligible methane pyrolysis project on or after December 16, 2024. This measure was subject to Parliamentary approval at the time of preparation of this report.

Clean Technology Manufacturing Investment Tax Credit

Budget 2024 proposed to modify eligible expenditures to include investments in eligible property used in qualifying mineral activities, which includes extraction and certain processing activities, that are expected to produce "primarily" (i.e., 50% or more) qualifying materials at mine or well sites. This measure was subject to Parliamentary approval at the time of preparation of this report.

EV Supply Chain Investment Tax Credit

Budget 2024 announced the government's intention to introduce a new EV Supply Chain investment tax credit for investments in buildings used in three key segments of the electric vehicle supply chain, the design and implementation details of which were provided in the *2024 Fall Economic Statement*:

- A 10 per cent refundable tax credit rate for Canadian taxable corporations for eligible building property related to three segments of the EV supply chain: EV assembly, EV battery production, and cathode active material production.
- To be eligible for the credit, a corporation (or a group of related corporations) would have to either:
    - Acquire at least $100 million in property eligible for the Clean Technology Manufacturing investment tax credit in each of the three segments, or,
    - Acquire at least $100 million in property eligible for the Clean Technology Manufacturing investment tax credit in two of the three segments and hold a qualifying minority interest in another corporation that acquires at least $100 million in property eligible for the Clean Technology Manufacturing investment tax credit in the remaining segment.

The credit would apply to eligible building property that is acquired and becomes available for use on or after January 1, 2024. The credit rate would be reduced to 5 per cent for 2033 and 2034, and the credit would no longer be in effect after 2034. This measure was subject to Parliamentary approval at the time of preparation of this report.

Exemption for income of Canadian resident companies from international shipping

The *2023 Fall Economic Statement* proposed an extension of the income tax exemption for income earned from international shipping to certain corporations resident in Canada, effective for taxation years beginning on or after December 31, 2023. To be eligible for the exemption in a given taxation year, the corporation must be resident under the common law test of central management and control, its principal business in the year must consist of the operation of ships used primarily in transporting passengers or goods in international traffic and all or substantially all of its gross revenue for the year must be from the operation of ships in transporting such passengers and goods.

Expensing of capital expenditures on scientific research and experimental development

The *2024 Fall Economic Statement* proposed to restore the eligibility of capital expenditures for the deduction against income component of the Scientific Research and Experimental Development (SR&ED) tax incentive program. An eligible capital expenditure could be fully deducted for the purpose of determining taxable income in the year the eligible property becomes available for use or carried forward to the extent it is not deducted in the tax year.

This change would apply to property acquired on or after December 16, 2024, and, in the case of lease costs, to amounts that first become payable on or after December 16, 2024. This measure was subject to Parliamentary approval at the time of preparation of this report.

Scientific Research and Experimental Development (SR&ED) Investment Tax Credit

The *2024 Fall Economic Statement* proposed to increase the generosity of, and expand eligibility for, the enhanced SR&ED investment tax credit currently available to Canadian-controlled private corporations (CCPCs). It proposed to:

- Increase the expenditure limit on which enhanced credits can be earned from $3 million to $4.5 million, as well as increase the prior-year taxable capital phase-out thresholds for determining a business' expenditure limit from $10 million and $50 million to $15 million and $75 million, respectively.
- Extend eligibility for the enhanced refundable tax credit to eligible Canadian public corporations. Access to the $4.5 million expenditure limit for any given tax year would be phased out based on a corporation's gross revenue. Specifically, the expenditure limit would be reduced on a straight-line basis when the corporation's average gross revenue over the three preceding years is between $15 million and $75 million.
- Provide CCPCs the option to elect to have their expenditure limit for the enhanced SR&ED credit determined based on the same gross revenue phase-out structure proposed for eligible Canadian public corporations.

The proposed new rules to determine eligibility for the enhanced SR&ED credit would apply for taxation years that begin on or after December 16, 2024. These measures were subject to Parliamentary approval at the time of preparation of this report.

Partial Inclusion of Capital Gains

Budget 2024 proposed to increase the capital gains inclusion rate from one-half to two-thirds for corporations and most types of trusts, applicable to capital gains realized on or after June 25, 2024. For tax years that begin before and end on or after June 25, 2024, generally, a blended inclusion rate may apply. On January 31, 2025, the government announced the deferral in implementation of this change to the capital gains inclusion rate to January 1, 2026. This measure was subject to Parliamentary approval at the time of preparation of this report.

Goods and Services Tax

Extension of Enhanced Rental Rebate for Student Residences

Budget 2024 announced that eligibility conditions for the removal of GST for purpose-built rental housing projects would be relaxed for not-for-profit universities, public colleges, and school authorities for new student residences. This measure would apply to projects that begin construction after September 13, 2023 and before 2031, and complete construction before 2036. This measure was subject to Parliamentary approval at the time of preparation of this report.

GST/HST on Face Masks and Face Shields

Budget 2024 proposed to amend the Excise Tax Act to repeal the temporary zero-rating of certain face masks or respirators and certain face shields under the GST/HST. The temporary relief announced in the *2020 Fall Economic Statement* was proposed to be in effect until the use of face coverings was no longer broadly recommended by public health officials for the COVID-19 pandemic. This temporary relief was repealed effective May 1, 2024.

Targeted Temporary GST/HST Relief

The Government announced on November 21, 2024 that the GST/HST would be fully and temporarily relieved on select essential goods from December 14, 2024, to February 15, 2025. Specifically, the following goods qualify for the relief.

- Children’s clothing, footwear, diapers, car seats and booster seats;
- Print newspapers and printed books;
- Christmas trees, whether natural or artificial, including items sold or marketed as such during the holiday season;
- Food and beverages for human consumption that are currently not zero-rated, including restaurant meals and alcohol beverages (excluding those containing spirits), but excluding cannabis and food or beverages sold in vending machines;
- Select toys designed for use by children under 14 years of age in learning or play that are board games, card games, a toy that imitates another item (e.g., a doll house or a toy car), plush or soft toys, dolls or construction toys;
- Jigsaw puzzles, for all ages; and
- Video-game consoles, controllers or physical game media.

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, 2024 (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	About 328,000 employers claimed this subsidy in 2020.

Cost Information:

Millions of dollars	**2019**	**2020**	**2021**	**2022**	**2023 (P)**	**2024 (P)**	**2025 (P)**	**2026 (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 that becomes available for use before 2024 would be eligible for immediate expensing, with a phase-out for property that becomes available for 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"). The *2024 Fall Economic Statement* proposed to fully re-instate immediate expensing for clean energy generation and energy conservation equipment (Class 43.1). Further details are provided below.
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 that becomes available for use before 2024. This measure would be gradually phased out starting in 2024, and would no longer be in effect for investments that become available for 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. • The *2024 Fall Economic Statement* proposed to fully re-instate immediate expensing for clean energy generation and energy conservation equipment (Class 43.1) acquired on or after January 1, 2025 and that becomes available for use before 2030, with a four-year phase out for property that becomes available for use after 2029 and before 2034. As of December 31, 2024, this change has not been legislated.
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 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	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* and for the changes announced in the *2024 Fall Economic Statement*, see the Accelerated Investment Incentive.
Projection method	No projection is available.
Number of beneficiaries	About 1,200 businesses made additions to Classes 43.1 and 43.2 in 2022. No data is available for unincorporated businesses.

Accelerated capital cost allowance for liquefied natural gas facilities

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

Cost Information:

Millions of dollars	**2019**	**2020**	**2021**	**2022**	**2023 (P)**	**2024 (P)**	**2025 (P)**	**2026 (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 that becomes available for use before 2024 would be eligible for immediate expensing, with a phase-out for property that becomes available for 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. The *2024 Fall Economic Statement* proposed to fully re-instate immediate expensing for manufacturing or processing machinery equipment (Class 53 and Class 43). Further details are provided below.
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. • The *2024 Fall Economic Statement* proposed to fully re-instate immediate expensing for manufacturing or processing machinery equipment (Class 53 and Class 43) acquired on or after January 1, 2025 and that becomes available for use before 2030, with a four-year phase out for property that becomes available for use after 2029 and before 2034. As of December 31, 2024, this change has not been legislated.
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* and for the changes announced in the *2024 Fall Economic Statement*, see the Accelerated Investment Incentive.
Projection method	No projection is available.
Number of beneficiaries	About 16,600 corporations made additions to the relevant CCA class in 2022. 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 2022 the additional allowance was only available for mining assets under Class 41.2. About 60 corporations made additions to Class 41.2 in 2022. No data is available for unincorporated businesses.

Accelerated capital cost allowance for productivity-enhancing assets

Description	Budget 2024 proposed immediate expensing for new additions of property in respect of assets included in Classes 44, 46, and 50, if the property is acquired on or after April 16, 2024, and becomes available for use before January 1, 2027. The enhanced allowance would provide a 100-per-cent first-year deduction and would be available only for the year in which the property becomes available for use.
Tax	Personal and corporate income tax
Beneficiaries	Businesses
Type of measure	Timing preference
Legal reference	Not yet legislated as of December 31, 2024.
Implementation and recent history	• Announced in Budget 2024.
Objective – category	To encourage or attract investment
Objective	This measure was introduced to encourage Canadian businesses to invest in the capital that will help them boost productivity.
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure would 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	Personal income tax: Data on Classes 44, 46, and 50 expenditures by unincorporated businesses is not available. Corporate income tax: T2 Corporation Income Tax Return T5013 Statement of Partnership Income
Estimation method	T2 micro-simulation model, T5013 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.
Number of beneficiaries	No data is available.

Cost Information:

Millions of dollars	2019	2020	2021	2022	2023 (P)	2024 (P)	2025 (P)	2026 (P)
Personal and corporate income tax	–	–	–	–	–	985	690	535
Personal income tax	–	–	–	–	–	20	15	10
Corporate income tax	–	–	–	–	–	965	675	525

Accelerated capital cost allowance for purpose-built rental housing

Description	Budget 2024 proposed an accelerated capital cost allowance (CCA) of ten per cent for new eligible purpose-built rental projects that begin construction on or after April 16, 2024, and before January 1, 2031, and are available for use before January 1, 2036. Eligible property would be new purpose-built rental housing that is a building: • with at least four private apartment units (i.e., a unit with a private kitchen, bathroom, and living areas), or 10 private rooms or suites; and • in which at least 90 per cent of residential units are held for long-term rental. Projects that convert existing non-residential real estate, such as an office building, into a residential complex would be eligible if the conditions above are met. The accelerated CCA would not apply to renovations of existing residential complexes. However, the cost of a new addition to an existing structure would be eligible, provided that addition meets the conditions above.
Tax	Personal (including trusts) and corporate income tax
Beneficiaries	Businesses and individuals
Type of measure	Timing preference
Legal reference	Not yet legislated as of December 31, 2024.
Implementation and recent history	• Introduced in Budget 2024.
Objective – category	To encourage or attract investment
Objective	This measure was introduced to increase investment in purpose-built rental housing.
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 Housing
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified 70619 - 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	Personal income tax: Data on Class 1 expenditures by unincorporated businesses are not available. Corporate income tax: T2 Corporation Income Tax Return T5013 Statement of Partnership Income
Estimation method	N/A
Projection method	Projections reflect investment data and related projections for PBR housing and parameters derived from the T2 data.
Number of beneficiaries	No data is available.

Cost Information:

Millions of dollars	**2019**	**2020**	**2021**	**2022**	**2023 (P)**	**2024 (P)**	**2025 (P)**	**2026 (P)**
Personal and corporate income tax	–	–	–	–	–	S	20	125
Personal income tax	–	–	–	–	–	S	1	5
Corporate income tax	–	–	–	–	–	S	20	120

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 25 corporations made additions to the relevant CCA class in 2022. 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). The *2024 Fall Economic Statement* proposed to fully re-instate immediate expensing for zero-emission vehicles (Classes 54, 55 and 56). Further details are provided below.
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. • The *2024 Fall Economic Statement* proposed to fully re-instate immediate expensing for zero-emission vehicles (Classes 54, 55 and 56) acquired on or after January 1, 2025 and that become available for use before 2030, with a four-year phase out for property that becomes available for use after 2029 and before 2034. As of December 31, 2024, this change has not been legislated.
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, Transport 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	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 2022, about 2,770 corporations made additions to Class 54, about 925 corporations made additions to Class 55, and about 160 corporations made additions to Class 56. No data is available for unincorporated businesses.

Cost Information:

Millions of dollars	**2019**	**2020**	**2021**	**2022**	**2023 (P)**	**2024 (P)**	**2025 (P)**	**2026 (P)**
Personal and corporate income tax								
On-road zero-emission vehicles	1	3	5	15	10	10	15	10
Other types of zero-emission automotive equipment and vehicles	–	S	S	1	1	1	1	1
Total – personal and corporate income tax	1	4	5	15	10	10	15	10

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 135 corporations incurred Canadian Renewable and Conservation Expenses in 2022. 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 1,980 corporations incurred Canadian Exploration Expenses in 2022. 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); Classes 43.1 and 43.2 (clean energy equipment); and Classes 54, 55 and 56 (zero-emission vehicles), which are eligible for immediate 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 *2018 Fall Economic Statement* introduced the Accelerated Investment Incentive, making it available for property acquired after November 20, 2018 and that becomes available for use before 2028, subject to a four-year 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. The *2024 Fall Economic Statement* announced the full re-instatement of the Accelerated Investment Incentive. Further details are provided below.
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* for property acquired after November 20, 2018 and that becomes available for use before 2028, subject to a four-year phase-out for property that becomes available for use after 2023. • The *2024 Fall Economic Statement* announced the full re-instatement of the Accelerated Investment Incentive for property acquired on or after January 1, 2025 and that becomes available for use before 2030. This would be followed by a four-year phase-out for property that becomes available for use after 2029, and the measure would be fully eliminated for property that becomes available for use after 2033. As of December 31, 2024, this change has not been legislated.
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. The incremental cost of the changes announced in the *2024 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 355,000 corporations made new additions under the accelerated investment incentive in 2022. No data is available for unincorporated businesses.

Cost Information:

Millions of dollars	**2019**	**2020**	**2021**	**2022**	**2023 (P)**	**2024 (P)**	**2025 (P)**	**2026 (P)**
Personal and corporate income tax	4,130	2,565	2,695	2,475	1,910	-790	2,135	2,120

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	2019	2020	2021	2022	2023 (P)	2024 (P)	2025 (P)	2026 (P)
Corporate income tax	X	X	X	X	–	–	–	–

Additional Tax on Banks and Life Insurers

Description	Bank and life insurer groups are subject to an additional 1.5% tax on their taxable income. 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. 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	**2019**	**2020**	**2021**	**2022**	**2023 (P)**	**2024 (P)**	**2025 (P)**	**2026 (P)**
Corporate income tax	–	–	–	-250	-305	-325	-405	-490

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 $19,066 per child (in 2024, 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 and indexed this amount to inflation for the 2015 and subsequent taxation years.
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 1,610 individuals claimed this credit in 2022.

Cost Information:

Millions of dollars	**2019**	**2020**	**2021**	**2022**	**2023 (P)**	**2024 (P)**	**2025 (P)**	**2026 (P)**
Personal income tax	2	1	2	2	2	2	2	2

Age Credit

Description	The Age Credit is provided to individuals aged 65 and over. The value of the credit is calculated by applying the lowest personal income tax rate to the annually indexed credit amount ($8,790 for 2024). The credit is income-tested—the credit amount is reduced by 15% of net income in excess of an annually indexed threshold amount ($44,325 for 2024). The credit is completely phased out at an income level of $102,925 in 2024. 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 6.9 million individuals claimed this credit in 2022.

Cost Information:

Millions of dollars	2019	2020	2021	2022	2023 (P)	2024 (P)	2025 (P)	2026 (P)
Personal income tax	3,820	3,945	3,990	4,140	4,665	5,060	5,385	5,705

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 ($1,433 in 2024) 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 2022.

Cost Information:

Millions of dollars	2019	2020	2021	2022	2023 (P)	2024 (P)	2025 (P)	2026 (P)
Personal income tax	3	4	5	5	5	5	5	5

Apprenticeship Job Creation Tax Credit

Description	Employers can claim a 10% non-refundable tax credit in respect of wages paid to qualifying apprentices in the first two years of their contract, to a maximum of $2,000 per apprentice per year. A qualifying apprentice is defined as someone working in a prescribed trade in the first two years of their apprenticeship contract. This contract must be registered with the federal government or a provincial or territorial government under an apprenticeship program designed to certify or license individuals in the trade. Prescribed trades include the trades currently listed as Red Seal Trades. Unused credits can be carried back 3 years or forward 20 years to reduce taxes payable in those years.
Tax	Personal (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 11,600 corporations claimed this credit in 2022. The number of trusts having claimed this credit in 2022 is not disclosed due to confidentiality restrictions.

Cost Information:

Millions of dollars	2019	2020	2021	2022	2023 (P)	2024 (P)	2025 (P)	2026 (P)
Personal income tax	1	1	1	1	1	1	1	1
Corporate income tax								
Earned and claimed in current year	60	60	60	65	75	75	75	80
Claimed in current year but earned in prior years	20	30	35	20	25	25	25	30
Earned in current year but carried back to prior years	5	2	2	4	3	3	3	3
Total – corporate income tax	85	95	95	90	100	105	105	110
Total	85	95	95	90	105	105	110	110

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 3,700 individuals and 6,950 corporations claimed this credit in 2022. The number of trusts having claimed this credit in 2022 is not disclosed due to confidentiality restrictions.

Cost Information:

Millions of dollars	2019	2020	2021	2022	2023 (P)	2024 (P)	2025 (P)	2026 (P)
Personal income tax	10	10	10	10	10	10	10	10
Corporate income tax								
Non-refundable portion								
Earned and claimed in current year	35	45	55	100	65	60	60	65
Claimed in current year but earned in prior years	185	45	130	220	75	70	70	75
Earned in current year but carried back to prior years	15	10	4	10	15	15	15	20
Total – non-refundable portion	230	100	190	330	155	150	145	155
Refundable portion	25	25	25	30	30	30	30	35
Total – corporate income tax	260	125	215	360	185	180	175	190
Total	270	135	225	370	195	190	185	200

Canada Caregiver Credit

Description	The Canada Caregiver Credit consolidated and replaced the previous system of caregiver credits (which included the Caregiver Credit, Infirm Dependant Credit and Family Caregiver Tax Credit). The credit can be claimed in respect of an infirm spouse or common-law partner or an infirm dependant (i.e., the parent, grandparent, sibling, aunt/uncle, niece/nephew or child/grandchild of the claimant or of the claimant's spouse or common-law partner). In 2024, the amount of the credit is: • $8,375 in respect of an infirm adult for whom neither the Spouse or Common-Law Partner Credit nor the Eligible Dependant Credit is claimed.; • $2,616 in respect of an infirm dependent who is a minor child or for whom either the Spouse or Common-Law Partner Credit or the Eligible Dependant Credit is claimed. Where greater tax relief would have been available to the taxpayer by foregoing the Spouse or Common-Law Partner Credit or the Eligible Dependant Credit in order to claim the higher amount for the Canada Caregiver Credit, an additional amount is 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 $19,666 (in 2024) and is fully phased out when the dependant's income reaches $28,041 (in 2024). 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 576,000 were entitled to an amount for the Canada Caregiver Credit for 2022. This includes about 208,000 who were caring for an infirm spouse or common-law partner, 50,000 who were caring for an eligible dependant, 165,000 individuals who claimed the credit in respect of an infirm dependant age 18 or older, and 153,000 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	**2019**	**2020**	**2021**	**2022**	**2023 (P)**	**2024 (P)**	**2025 (P)**	**2026 (P)**
Personal income tax	235	240	245	250	270	285	295	305

Canada Child Benefit

Description	For the 2024-25 benefit year, the Canada Child Benefit provides a maximum benefit of $7,787 per child under the age of 6 and $6,570 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 2023 adjusted family net income between $36,502 and $79,087, 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 2023 adjusted family net income exceeds $79,087, 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 $79,087. 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 2024-25 benefit year, the Child Disability Benefit provides up to $3,322 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 2023 adjusted family net income in excess of $79,087. 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 as that term is defined pursuant to 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. • Budget 2024 extended eligibility for the Canada Child Benefit (including the Child Disability Benefit) in respect of a child for six months after the child's death, if the individual would have otherwise been eligible for the benefit in respect of the particular child, effective for deaths that occur after 2024.
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 2024.

Cost Information:

Millions of dollars	**2019**	**2020**	**2021**	**2022**	**2023 (P)**	**2024 (P)**	**2025 (P)**	**2026 (P)**
Canada Child Benefit – Children's Benefits	24,300	26,800	24,500	24,600	26,300	28,200	29,600	30,600
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 223,530 for the CERS and 94,030 for Lockdown Support (data as of September 3, 2024).

Cost Information:

Millions of dollars	2019	2020	2021	2022	2023 (P)	2024 (P)	2025 (P)	2026 (P)
Personal and corporate income tax	–	2,060	5,495	–	–	–	–	–

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 amendments 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 447,270 (data as of September 3, 2024).

Cost Information:

Millions of dollars	**2019**	**2020**	**2021**	**2022**	**2023 (P)**	**2024 (P)**	**2025 (P)**	**2026 (P)**
Personal and corporate income tax	–	70,400	29,480	–	–	–	–	–

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 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 $1,433 (in 2024) 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 19.5 million individuals claimed this credit in 2022.

Cost Information:

Millions of dollars	**2019**	**2020**	**2021**	**2022**	**2023 (P)**	**2024 (P)**	**2025 (P)**	**2026 (P)**
Personal income tax	2,595	2,750	2,755	2,830	3,090	3,305	3,405	3,495

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	2019	2020	2021	2022	2023 (P)	2024 (P)	2025 (P)	2026 (P)
Corporate income tax	–	–	–	-695	-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 58,960 (data as of September 3, 2024).

Cost Information:

Millions of dollars	2019	2020	2021	2022	2023 (P)	2024 (P)	2025 (P)	2026 (P)
Personal and corporate income tax	–	–	950	475	–	–	–	–

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 2024, a worker must have earnings of $11,511 or more (including maternity or parental leave benefits) and must have net income below the upper limit of the third federal tax bracket ($165,430 in 2023).
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 638,000 individuals claimed this credit in 2022.

Cost Information:

Millions of dollars	2019	2020	2021	2022	2023 (P)	2024 (P)	2025 (P)	2026 (P)
Personal income tax	S	100	180	215	245	270	290	310

Canada Workers 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 $1,590 for single individuals without dependants and $2,739 for families (couples and single parents) in 2024. The CWB is phased out at a rate of 15% of each dollar of adjusted net income above thresholds of $26,149 for single individuals without dependants and $29,833 for families in 2024. An additional CWB supplement of up to $821 in 2024 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 $36,748 for single individuals without dependants and $48,091 for families in 2024. 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 2024.
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	• The Working Income Tax Benefit (WITB) was 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 received the CWB for the 2022 tax year and consequently received automatic advance payment of the CWB for the 2023 taxation year.

Cost Information:

Millions of dollars	**2019**	**2020**	**2021**	**2022**	**2023 (P)**	**2024 (P)**	**2025 (P)**	**2026 (P)**
Canada Workers Benefit – personal income tax	2,005	900	2,400	3,290	4,410	4,880	5,055	5,135

Canadian Entrepreneurs’ Incentive

Description	The Canadian Entrepreneurs’ Incentive (CEI) reduces the tax rate on eligible capital gains realized by individuals on the disposition of qualifying CEI property through a one-third inclusion rate, up to a lifetime limit of $2 million. The CEI is effective for 2025, and subsequent tax years, with the limit phased in over 5 years in $400,000 increments.
Tax	Personal income tax
Beneficiaries	Individual owners of incorporated small businesses operating in particular sectors or incorporated or unincorporated farming and fishing businesses
Type of measure	Exemption
Legal reference	Not yet legislated as of December 31, 2024.
Implementation and recent history	• The CEI was proposed in Budget 2024.
Objective – category	To encourage or attract investment To achieve an economic objective - other
Objective	This measure was introduced to encourage Canadians to pursue entrepreneurial activity (Government announces details on new Canadian Entrepreneurs’ Incentive, August 12, 2024).
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 business
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 Returns
Estimation method	T1 micro-simulation model.
Projection method	T1 micro-simulation model.
Number of beneficiaries	No data is available.

Cost Information:

Millions of dollars	**2019**	**2020**	**2021**	**2022**	**2023 (P)**	**2024 (P)**	**2025 (P)**	**2026 (P)**
Personal income tax	–	–	–	–	–	–	125	270

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 1,550 corporations received this benefit in 2022.

Cost Information:

Millions of dollars	2019	2020	2021	2022	2023 (P)	2024 (P)	2025 (P)	2026 (P)
Corporate income tax	300	255	295	375	405	520	540	565

Canadian Journalism Labour Tax Credit

Description	A refundable tax credit in respect of salary or wages paid to eligible newsroom employees of certain qualified Canadian journalism organizations. This incentive currently allows qualifying journalism organizations to claim a 35% credit on up to $85,000 in labour costs per eligible newsroom employee per year, for a maximum credit of $29,750 per employee. The credit rate is set to return to 25%, as it was when this measure was introduced in Budget 2019, for tax years that begin after 2026.
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. • Effective January 1, 2023, the *2023 Fall Economic Statement* enhanced 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 is set to return to 25%.
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 220 individuals and 126 corporations claimed this tax credit in 2022. Information on the number of trusts claiming this tax credit is not available.

Cost Information:

Millions of dollars	**2019**	**2020**	**2021**	**2022**	**2023 (P)**	**2024 (P)**	**2025 (P)**	**2026 (P)**
Personal income tax	n.a.	1	S	S	S	S	S	S
Corporate income tax	35	35	40	40	70	70	75	75
Total	n.a.	35	40	40	70	70	75	75

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 433,000 individuals, 4,300 trusts and 69,710 corporations made use of this measure in 2022 (not counting individuals that carried back losses only).

Cost Information:

Millions of dollars	2019	2020	2021	2022	2023 (P)	2024 (P)	2025 (P)	2026 (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	435	550	940	510	530	530	545	655
Trusts	995	785	1,930	410	475	495	460	595
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	210	400	270	440	330	375	400	400
Applied to current year	355	610	645	515	490	690	445	655
Total – corporate income tax	560	1,015	915	955	820	1,065	845	1,055
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	The Carbon Capture, Utilization, and Storage (CCUS) investment tax credit is a refundable tax credit for businesses that incur eligible CCUS expenses, starting in 2022. The investment tax credit is 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	*Income Tax Act*, section 127.44
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 is designed to encourage businesses to invest in CCUS 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	2019	2020	2021	2022	2023 (P)	2024 (P)	2025 (P)	2026 (P)
Corporate income tax	–	–	–	25	100	300	720	1,365

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 2024, 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 $246,752 who may claim a 33% tax credit on the portion of total annual donations over $200 made from taxable income greater than $246,752. 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 3,400 trusts claimed this credit in 2022.

Cost Information:

Millions of dollars	**2019**	**2020**	**2021**	**2022**	**2023 (P)**	**2024 (P)**	**2025 (P)**	**2026 (P)**
Donations by individuals by type of donations								
Publicly listed securities	415	350	450	350	595	280	300	375
Ecologically sensitive land	5	10	10	15	10	10	10	10
Cultural property	10	15	15	15	15	15	15	10
Other	2,625	2,915	3,140	3,310	3,305	3,625	3,675	3,840
Subtotal – donations by individuals	3,060	3,290	3,615	3,690	3,925	3,930	3,995	4,240
Donations by trusts	45	70	65	45	45	50	50	50
Total – personal income tax	3,105	3,360	3,675	3,735	3,970	3,975	4,045	4,295

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 1.4 million individuals claimed this deduction in 2022.

Cost Information:

Millions of dollars	**2019**	**2020**	**2021**	**2022**	**2023 (P)**	**2024 (P)**	**2025 (P)**	**2026 (P)**
Personal income tax	1,325	975	1,210	1,280	1,260	1,200	1,170	1,095

Clean Electricity Investment Tax Credit

Description	As proposed, the Clean Electricity investment tax credit is a 15-per-cent refundable tax credit for the capital cost of investments in the following clean electricity generation and transmission technologies: • Low-emitting electricity generation systems using energy from wind, solar, water, geothermal, waste biomass, nuclear, or natural gas with carbon capture and storage. • Stationary electricity storage systems that do not use fossil fuels in operation, such as batteries and pumped hydroelectric storage. • Transmission of electricity between provinces and territories. Investors would 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 15-per-cent rate. If the labour requirements are not met, investments would receive a 5-per-cent tax credit rate. Both new projects and the refurbishment of existing facilities would be eligible for the Clean Electricity investment tax credit. Taxable and certain non-taxable entities, including corporations owned by municipalities or Indigenous communities, as well as pension investment corporations, would be eligible. Provincial and territorial Crown corporations would be able to access the Clean Electricity investment tax credit within jurisdictions that are determined by the Minister of Finance to have satisfied certain conditions. The credit would generally be available as of April 16, 2024, for projects that did not begin construction before March 28, 2023. The credit would be unavailable after 2034. The availability of the tax credit for provincial and territorial Crown corporations for investments within a particular province or territory would differ depending on whether that jurisdiction's government had satisfied certain conditions by June 30, 2025.
Tax	Corporate income tax
Beneficiaries	Asset owners investing in clean electricity generation and interprovincial transmission
Type of measure	Credit, refundable
Legal reference	Not yet legislated as of December 31, 2024.
Implementation and recent history	• Announced in Budget 2023. • Eligibility expansion to cover certain waste biomass energy generation systems announced in the *2023 Fall Economic Statement*. • Design details and eligibility expansion to geothermal energy generation systems announced in Budget 2024. • The *2024 Fall Economic Statement* announced the final conditions that provincial and territorial governments would need to satisfy for any provincial or territorial Crown corporation to claim the Clean Electricity investment tax credit for investments in their jurisdiction, as well as expanded eligibility to include the Canada Infrastructure Bank.
Objective – category	To encourage or attract investment To achieve a social objective
Objective	To accelerate the investments needed to expand the capacity of a clean electricity grid and ensure it delivers more sustainable, more secure, and more affordable electricity across Canada (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	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 clean electricity-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	Estimates of new investment in eligible assets required to achieve a net-zero carbon emissions electricity grid are combined with estimates of current investment in eligible assets.
Number of beneficiaries	No data is available.

Cost Information:

Millions of dollars	2019	2020	2021	2022	2023 (P)	2024 (P)	2025 (P)	2026 (P)
Corporate income tax	–	–	–	–	–	970	1,175	1,455

Clean Hydrogen Investment Tax Credit

Description	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 is 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 (CCUS). 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, reduces the credit rate by 10 percentage points. The credit applies to property that is acquired and becomes available for projects using an eligible hydrogen production pathway (electrolysis, reforming or partial oxidation of natural gas project (with CCUS)) on or after March 28, 2023. Once legislated, the list of eligible hydrogen production pathways would be expanded to include methane pyrolysis for property that is acquired and becomes available for use on or after January 1, 2025. The credit rate is reduced by one half in 2034 before being fully phased out by 2035.
Tax	Corporate income tax
Beneficiaries	Businesses investing in eligible clean hydrogen equipment
Type of measure	Credit, refundable
Legal reference	*Income Tax Act*, section 127.48
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. • The *2024 Fall Economic Statement* proposed to expand the list of eligible production pathways to include methane pyrolysis, subject to certain pathway specific conditions.
Objective – category	To encourage or attract investment To achieve a social objective
Objective	This measure is intended to encourage businesses to invest in hydrogen production equipment to create good middle class careers, help 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	2019	2020	2021	2022	2023 (P)	2024 (P)	2025 (P)	2026 (P)
Corporate income tax	–	–	–	–	75	150	840	2,090

Clean Technology Investment Tax Credit

Description	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 nuclear energy property, 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 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	*Income Tax Act*, section 127.45
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. • The *2024 Fall Economic Statement* proposed to modify the small nuclear energy eligibility under the Clean Technology investment tax credit. As of December 31, 2024, this change has not been legislated.
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	**2019**	**2020**	**2021**	**2022**	**2023 (P)**	**2024 (P)**	**2025 (P)**	**2026 (P)**
Corporate income tax	–	–	–	–	795	1,000	1,205	1,395

Clean Technology Manufacturing Investment Tax Credit

Description	The Clean Technology Manufacturing Investment Tax Credit is a refundable tax credit equal to 30% of the cost of investments in certain new machinery, equipment, and building additions 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	*Income Tax Act*, section 127.49
Implementation and recent history	• Announced in Budget 2023. • Budget 2024 proposed to modify eligible expenditures to include investments in eligible property used in qualifying mineral activities that are expected to produce "primarily" (i.e., 50% or more) qualifying materials at mine or well sites. Budget 2024 also proposed other modifications to provide greater clarity for businesses engaged in polymetallic activities. As of December 31, 2024, these changes have not been legislated.
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	**2019**	**2020**	**2021**	**2022**	**2023 (P)**	**2024 (P)**	**2025 (P)**	**2026 (P)**
Personal income tax	–	–	–	–	–	S	S	S
Corporate income tax	–	–	–	–	–	805	1,035	1,150
Total	–	–	–	–	–	805	1,035	1,150

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	2019	2020	2021	2022	2023 (P)	2024 (P)	2025 (P)	2026 (P)
Corporate income tax	4	45	15	40	30	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 435,000 individuals claimed this credit in 2022.

Cost Information:

Millions of dollars	2019	2020	2021	2022	2023 (P)	2024 (P)	2025 (P)	2026 (P)
Personal income tax	–	10	15	15	15	15	15	15

Credit for the Basic Personal Amount

Description	Individual taxpayers can claim a non-refundable credit in respect of the Basic Personal Amount, the value of which is calculated by applying the lowest personal income tax rate (15% in 2024) 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 ($173,205 in 2024), and is fully phased out by the fifth federal bracket threshold ($246,752 in 2024). The maximum credit amount (i.e., the base credit + supplement) for 2024 is $15,705, with the fully reduced amount being $14,156.
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 maximum 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 30.1 million individuals claimed this credit in 2022.

Cost Information:

Millions of dollars	**2019**	**2020**	**2021**	**2022**	**2023 (P)**	**2024 (P)**	**2025 (P)**	**2026 (P)**
Personal income tax	38,780	44,575	46,200	47,720	51,360	55,110	57,015	58,815

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 expanded the 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	About 5,400 individuals claimed the credit in 2022. No data is available on the number of corporations that renounced CEE eligible for the credit.

Cost Information:

Millions of dollars	**2019**	**2020**	**2021**	**2022**	**2023 (P)**	**2024 (P)**	**2025 (P)**	**2026 (P)**
Personal income tax	–	–	–	85	255	225	225	225

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 2,700 individuals claimed this deduction in 2022.

Cost Information:

Millions of dollars	**2019**	**2020**	**2021**	**2022**	**2023 (P)**	**2024 (P)**	**2025 (P)**	**2026 (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 101,700 corporations in 2022.

Cost Information:

Millions of dollars	2019	2020	2021	2022	2023 (P)	2024 (P)	2025 (P)	2026 (P)
By type of donations								
Ecologically sensitive land	2	1	1	5	15	5	5	5
Cultural property	4	2	2	2	2	2	2	2
Other	910	775	1,085	1,035	895	865	830	900
Total – corporate income tax	915	775	1,090	1,045	910	875	840	905

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 2022. No data is available for unincorporated businesses.

Cost Information:

Millions of dollars	2019	2020	2021	2022	2023 (P)	2024 (P)	2025 (P)	2026 (P)
Personal income tax	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Corporate income tax	50	50	45	50	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 2022.

Cost Information:

Millions of dollars	2019	2020	2021	2022	2023 (P)	2024 (P)	2025 (P)	2026 (P)
Corporate income tax	S	S	-1	S	S	1	1	1

Deductibility of expenses by employed artists

Description	Employed artists are allowed to deduct amounts paid in the year to earn income from their artistic activities up to the lesser of $1,000 or 20% of their income derived from employment in the arts. An amount deductible in a year under this measure is reduced by motor vehicle expenses and musical instrument costs that are also deducted against the taxpayer's income from the same artistic activity for the year.
Tax	Personal income tax
Beneficiaries	Employed artists
Type of measure	Deduction
Legal reference	*Income Tax Act*, paragraph 8(1)(q)
Implementation and recent history	• Introduced on May 16, 1990 (Government response to the *Report of the Standing Committee on Communications and Culture Respecting the Status of the Artist*). Effective for amounts paid after 1990.
Objective – category	To recognize expenses incurred to earn employment income
Objective	This measure provides greater certainty to employed artists with respect to the tax treatment of their professional expenses (Government response to the *Report of the Standing Committee on Communications and Culture Respecting the Status of the Artist*, 1990).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure provides tax recognition for an expense that is incurred to earn employment income.
Subject	Employment Arts and culture
CCOFOG 2014 code	70412 - Economic affairs - General economic, commercial, and labor affairs - General labor affairs 70829 - Recreation, culture, and religion - Cultural services
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support employment. Programs within the mandate of Canadian Heritage also support arts and culture. Additional information on the relevant government programs is provided in the table at the end of Part 3.
Source of data	T777 Statement of Employment Expenses
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 690 individuals claimed this deduction in 2022.

Cost Information:

Millions of dollars	2019	2020	2021	2022	2023 (P)	2024 (P)	2025 (P)	2026 (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 2022.

Cost Information:

Millions of dollars	2019	2020	2021	2022	2023 (P)	2024 (P)	2025 (P)	2026 (P)
Personal income tax	95	95	100	100	105	105	110	110

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 ($1,433 in 2024). 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 21,000 individuals claimed this deduction in 2022.

Cost Information:

Millions of dollars	**2019**	**2020**	**2021**	**2022**	**2023 (P)**	**2024 (P)**	**2025 (P)**	**2026 (P)**
Personal income tax	2	2	2	2	4	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 5,700 individuals received tuition assistance eligible for this deduction in 2022.

Cost Information:

Millions of dollars	**2019**	**2020**	**2021**	**2022**	**2023 (P)**	**2024 (P)**	**2025 (P)**	**2026 (P)**
Personal income tax	2	3	3	5	10	5	5	5

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. • Budget 2024 proposed to increase the deductible portion of an allowable business investment loss to two-thirds from the previous rate of one-half. As of December 31, 2024, this change has not been legislated.
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, 50 trusts and 1,275 corporations claimed this deduction in 2022.

Cost Information:

Millions of dollars	2019	2020	2021	2022	2023 (P)	2024 (P)	2025 (P)	2026 (P)
Personal income tax								
Individuals	50	40	40	30	30	40	40	50
Trusts	1	S	S	1	1	1	1	1
Total – personal income tax	50	40	40	30	30	40	40	50
Corporate income tax	10	15	15	5	10	10	15	15
Total	60	55	55	40	40	55	55	65

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 2022. No data is available for corporations.

Cost Information:

Millions of dollars	**2019**	**2020**	**2021**	**2022**	**2023 (P)**	**2024 (P)**	**2025 (P)**	**2026 (P)**
Personal income tax (excluding trusts)	1,950	1,900	2,280	2,465	2,850	2,955	2,990	3,085
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 3.2 million individuals claimed this deduction in 2022.

Cost Information:

Millions of dollars	**2019**	**2020**	**2021**	**2022**	**2023 (P)**	**2024 (P)**	**2025 (P)**	**2026 (P)**
Personal income tax	920	1,145	1,270	1,265	1,320	1,350	1,395	1,440

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 6.3 million individuals claimed this deduction in 2022.

Cost Information:

Millions of dollars	**2019**	**2020**	**2021**	**2022**	**2023 (P)**	**2024 (P)**	**2025 (P)**	**2026 (P)**
Personal income tax	1,075	1,075	1,160	1,210	1,310	1,335	1,370	1,420

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 2024 through 2026 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	**2019**	**2020**	**2021**	**2022**	**2023 (P)**	**2024 (P)**	**2025 (P)**	**2026 (P)**
Personal income tax	S	S	S	3	3	n.a.	n.a.	n.a.
Corporate income tax	S	S	S	4	4	n.a.	n.a.	n.a.
Total	1	S	S	5	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	Projections for 2024 to 2026 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	**2019**	**2020**	**2021**	**2022**	**2023 (P)**	**2024 (P)**	**2025 (P)**	**2026 (P)**
Personal income tax	-20	15	3	60	25	n.a.	n.a.	n.a.
Corporate income tax	-20	25	4	80	35	n.a.	n.a.	n.a.
Total	-40	40	5	140	55	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. • Expanded in June 2024 to ensure that affected farmers in adjacent regions to those experiencing drought, flood or excessive moisture can benefit from the measure. Effective for the 2024 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 capital gains that arise when a qualifying business transfer to an Employee Ownership Trust has occurred. • Budget 2024 announced the expansion of the scope of the measure to include capital gains that arise when a qualifying business transfer to a worker cooperative 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 and Cooperative Corporations to acquire shares of a business (Budget 2023 and Budget 2024).
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 7,700 individuals claimed a 10-year capital gain reserve in 2022.

Cost Information:

Millions of dollars	2019	2020	2021	2022	2023 (P)	2024 (P)	2025 (P)	2026 (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	45	35	95	75	70	70	70	70

Deferral through five-year capital gain reserve

Description	In some cases, a taxpayer may receive portions of the payment from the sale of a capital property over a number of years. Under those circumstances, realization of a portion of the capital gain may be deferred until the year in which the proceeds are received. A minimum of 20% of the gain must be brought into income per year, creating a maximum five-year deferral period.
Tax	Personal (including trusts) and corporate income tax
Beneficiaries	Individuals and corporations
Type of measure	Timing preference
Legal reference	*Income Tax Act*, subsection 40(1)
Implementation and recent history	• Budget 1981 proposed the elimination of capital gain reserves; however, this original proposal was later modified with the introduction of the five-year capital gain reserve (Department of Finance Canada news release 81-126). Effective for dispositions of property occurring after November 12, 1981.
Objective – category	To assess tax liability over a multi-year period
Objective	This measure, while limiting tax deferral opportunities, recognizes that where capital gain proceeds are receivable over time, fully taxing gains in the year of sale could result in significant liquidity problems for taxpayers (Explanatory Notes for *Act to Amend the Income Tax Act*, December 1982).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure permits the deferral of the recognition of income or gains for income tax purposes.
Subject	Business – other Savings and investment
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant government programs is provided in the table at the end of Part 3.
Source of data	Personal income tax: T1 Income Tax and Benefit Return and T3 Trust Income Tax and Information Return Corporate income tax: No data is available.
Estimation method	The value of this tax expenditure corresponds to the difference between the amount of tax that would have been payable if capital gain reserves were fully included in income in the year of disposition of the asset and the amount of tax that is payable as reserve amounts are included in income over time. Personal income tax: T1 and T3 micro-simulation models Corporate income tax: No estimate is available.
Projection method	Personal income tax: T1 micro-simulation model in the case of individuals. Projections for trusts are based on projected growth for individuals. Corporate income tax: No projection is available.
Number of beneficiaries	About 8,400 individuals and 1,200 trusts claimed a five-year capital gain reserve in 2022. No data is available for corporations.

Cost Information:

Millions of dollars	2019	2020	2021	2022	2023 (P)	2024 (P)	2025 (P)	2026 (P)
Personal income tax								
Individuals	15	20	35	25	25	25	25	30
Trusts	-3	S	3	20	S	S	S	S
Total – personal income tax	10	20	40	45	25	25	25	30
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 ($16,245 for 2024). 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 ($32,490 for 2024).
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. • Budget 2024 proposed to expand the list of eligible expenses to include certain expenses (e.g., in respect of a service animal) subject to specified conditions, for the 2024 and subsequent taxation years and to consult on the list every four years, beginning in 2028. As of December 31, 2024, this change has not been legislated.
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 4,900 individuals claimed this deduction in 2022.

Cost Information:

Millions of dollars	**2019**	**2020**	**2021**	**2022**	**2023 (P)**	**2024 (P)**	**2025 (P)**	**2026 (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 ($9,872 in 2024). 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 ($5,758 in 2024) and is reduced dollar-for-dollar by the amount of child care or attendant care expenses in excess of $3,373 (for 2024) 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 1.7 million individuals claimed an amount for the Disability Tax Credit for 2022. This includes about 1.1 million eligible persons who claimed all or some portion of the credit for themselves, 207,000 individuals who claimed all or some portion of the credit on behalf of an eligible spouse or common-law partner, 366,000 individuals who claimed all or some portion of the credit transferred from an eligible person (such as a parent for a minor child), and 43,000 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 2022 tax year and has been grossed up by 20 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	**2019**	**2020**	**2021**	**2022**	**2023 (P)**	**2024 (P)**	**2025 (P)**	**2026 (P)**
Personal income tax	1,145	1,205	1,340	1,435	1,545	1,635	1,720	1,810

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 2024) and gross-up (38% in 2024) 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 2024) and gross-up (15% in 2024) 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 4.0 million individuals claimed this credit in 2022, while about 38,000 trusts are projected to benefit from it.

Cost Information:

Millions of dollars	**2019**	**2020**	**2021**	**2022**	**2023 (P)**	**2024 (P)**	**2025 (P)**	**2026 (P)**
Personal income tax								
Individuals	4,895	4,660	5,225	5,820	6,425	6,700	7,275	7,580
Trusts	280	280	350	460	510	530	550	570
Total – personal income tax	5,175	4,940	5,570	6,280	6,930	7,225	7,820	8,150

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 2022. No data is available for unincorporated businesses.

Cost Information:

Millions of dollars	2019	2020	2021	2022	2023 (P)	2024 (P)	2025 (P)	2026 (P)
Personal income tax	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Corporate income tax	S	1	S	S	S	S	S	S
Total	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Education Tax Credit

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

Cost Information:

Millions of dollars	2019	2020	2021	2022	2023 (P)	2024 (P)	2025 (P)	2026 (P)
Personal income tax	230	190	115	45	S	S	S	S

EV Supply Chain Investment Tax Credit

Description	Budget 2024 announced a 10% tax credit for investments in buildings used in three key segments of the electric vehicle supply chain: • electric vehicle assembly; • electric vehicle battery production; and • cathode active material production To be eligible for the credit, a corporation (or a group of related corporations) would have to either: • Acquire at least $100 million in property eligible for the Clean Technology Manufacturing investment tax credit in each of the three segments, or, • Acquire at least $100 million in property eligible for the Clean Technology Manufacturing investment tax credit in two of the three segments and hold a qualifying minority interest in another corporation that acquires at least $100 million in property eligible for the Clean Technology Manufacturing investment tax credit in the remaining segment.
Tax	Corporate income tax
Beneficiaries	Canadian companies investing in three key segments of the electric vehicle supply chain
Type of measure	Credit, refundable
Legal reference	Not yet legislated as of December 31, 2024.
Implementation and recent history	• Announced in Budget 2024. • Design and implementation details announced in *Fall Economic Statement 2024*.
Objective – category	To encourage or attract investment To support competitiveness To support business activity
Objective	To support businesses that invest in Canada across three key supply chain segments (Budget 2024).
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	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	Acquisitions are projected using information including announced or expected major investments and government mandates for zero-emission vehicles.
Number of beneficiaries	No data is available.

Cost Information:

Millions of dollars	2019	2020	2021	2022	2023 (P)	2024 (P)	2025 (P)	2026 (P)
Personal income tax	–	–	–	–	–	–	–	–
Corporate income tax	–	–	–	–	–	–	–	–
Total	–	–	–	–	–	–	–	–

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 ($173,205 in 2024), and is fully phased out by the fifth federal bracket threshold ($246,752 in 2024). The maximum credit amount (i.e., the base credit + supplement) for 2024 is $15,705, with the fully reduced amount being $14,156.
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 maximum 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 2022.

Cost Information:

Millions of dollars	2019	2020	2021	2022	2023 (P)	2024 (P)	2025 (P)	2026 (P)
Personal income tax	1,025	1,270	1,290	1,230	1,315	1,410	1,470	1,520

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. • Budget 2024 proposed to reduce the deduction rate on the taxable benefit on employee stock options to one-third from one-half. This change would be in effect for stock options exercised on or after June 25, 2024, or in the case of a CCPC share, where the share is disposed of or exchanged on or after June 25, 2024. As of December 31, 2024, this change has not been legislated.
Objective – category	To achieve an economic objective – other To support competitiveness
Objective	This measure assists businesses in their efforts to attract and retain highly skilled employees and encourages employee participation in the ownership of the employer's business to promote increased productivity (Budget 1977; Budget 1984).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base.
Subject	Employment
CCOFOG 2014 code	70412 - Economic affairs - General economic, commercial, and labor affairs - General labor affairs
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support employment. Additional information on the relevant government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 37,000 individuals claimed this deduction in 2022.

Cost Information:

Millions of dollars	2019	2020	2021	2022	2023 (P)	2024 (P)	2025 (P)	2026 (P)
Personal income tax	920	920	1,645	1,130	870	1,015	960	820

Employee Ownership Capital Gains Exemption

Description	The Employee Ownership Capital Gains Exemption (EOCGE) provides a tax exemption in computing taxable income in respect of capital gains realized by individuals on a qualifying business transfer to an employee ownership trust. An individual may shelter up to $10 million in capital gains realized on a qualifying business transfer. This measure is effective for the 2024, 2025, and 2026 tax years.
Tax	Personal income tax
Beneficiaries	Individual owners of incorporated small businesses operating in particular sectors or incorporated or unincorporated farming and fishing businesses.
Type of measure	Exemption
Legal reference	*Income Tax Act*, section 110.61 and 110.62
Implementation and recent history	• The EOCGE was announced in the *2023 Fall Economic Statement*. Further details were released in Budget 2024. • Budget 2024 proposed to expand the EOCGE to also apply to capital gains realized by individuals on a qualifying business transfer to a worker cooperative. As of December 31, 2024, this change has not been legislated.
Objective – category	To achieve an economic objective - other
Objective	This measure was introduced to increase employee ownership of businesses, to enable greater worker participation in business decisions and profits. It was also intended to provide an alternative business succession option for retiring business owners (*2023 Fall Economic Statement*).
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 business
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	n/a
Source of data	T1 Income Tax and Benefit Returns
Estimation method	T1 micro-simulation model.
Projection method	T1 micro-simulation model.
Number of beneficiaries	No data is available.

Cost Information:

Millions of dollars	2019	2020	2021	2022	2023 (P)	2024 (P)	2025 (P)	2026 (P)
Personal income tax	–	–	–	–	S	10	15	35

Enhanced rebate for new residential rental property

Description	Builders or purchasers of certain newly constructed or substantially renovated multi-unit rental housing are eligible for a 100% rebate of the GST paid thereon. The 100% rebate applies to projects that begin construction after September 13, 2023, and before 2031, and complete construction before 2036.
Tax	Goods and Services Tax
Beneficiaries	Builders and purchasers of new residential rental property
Type of measure	Rebate
Legal reference	*Excise Tax Act*, section 256.2
Implementation and recent history	• Effective September 14, 2023.
Objective – category	To achieve a social objective
Objective	This measure incentivizes construction of multi-unit rental housing 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 Housing, Infrastructure and Communities Canada, 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. Canada Mortgage and Housing Corporation data on housing starts for apartment rentals.
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 and the increase in housing prices.
Number of beneficiaries	No data is available.

Cost Information:

Millions of dollars	2019	2020	2021	2022	2023 (P)	2024 (P)	2025 (P)	2026 (P)
Goods and Services Tax	–	–	–	–	S	20	520	960

Exemption for income of Canadian resident companies from international shipping

Description	Income from international shipping earned by a corporation resident in Canada (under the general common law test of central management and control) is exempt from Canadian income tax if international shipping is its principal business and all or substantially all of its gross revenue is from international shipping. This exemption is generally consistent with international practice.
Tax	Corporate income tax
Beneficiaries	Corporations in the shipping industry
Type of measure	Exemption
Legal reference	*Income Tax Act*, paragraph 81(1)(c.1)
Implementation and recent history	• Introduced in the *2023 Fall Economic Statement*, applicable to taxation years that begin on or after December 31, 2023.
Objective – category	To support competitiveness
Objective	This measure ensures consistency with international tax norms, as well as greater consistency between the international shipping provisions of the *Income Tax Act* and the proposed new *Global Minimum Tax Act.*
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	International
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	n/a
Source of data	No data is available.
Estimation method	No estimate is available.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

Exemption for 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	The number of corporations affected by this measure is not published in order to preserve taxpayer confidentiality. 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	**2019**	**2020**	**2021**	**2022**	**2023 (P)**	**2024 (P)**	**2025 (P)**	**2026 (P)**
Corporate income tax	X	X	X	X	X	X	X	X

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	2019	2020	2021	2022	2023 (P)	2024 (P)	2025 (P)	2026 (P)
Goods and Services Tax	50	45	50	55	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	**2019**	**2020**	**2021**	**2022**	**2023 (P)**	**2024 (P)**	**2025 (P)**	**2026 (P)**
Goods and Services Tax	2,075	1,980	2,000	2,250	2,530	2,650	2,805	2,880

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	2019	2020	2021	2022	2023 (P)	2024 (P)	2025 (P)	2026 (P)
Goods and Services Tax	1,405	1,490	1,530	1,610	1,735	1,860	1,930	1,995

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	**2019**	**2020**	**2021**	**2022**	**2023 (P)**	**2024 (P)**	**2025 (P)**	**2026 (P)**
Goods and Services Tax	220	150	200	235	245	265	275	290

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	2019	2020	2021	2022	2023 (P)	2024 (P)	2025 (P)	2026 (P)
Goods and Services Tax	15	10	10	15	15	15	15	15

Exemption from GST for health care services

Description	Basic health care services are exempt under the GST, including: • services provided by physicians, dentists and certain other health care practitioners whose profession is regulated by the governments of at least five provinces; • services covered by a provincial health insurance plan; and • institutional health care services provided in a health care facility, including accommodation, meals provided with accommodation, rentals of medical equipment to patients or residents of the facility, and a number of other supplies.
Tax	Goods and Services Tax
Beneficiaries	Individuals with medical conditions
Type of measure	Exemption
Legal reference	Part II of Schedule V to the *Excise Tax Act*
Implementation and recent history	• This measure has been in effect since the inception of the GST in 1991. • 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. • The list of exempt services is periodically amended. Most recently, the *2023 Fall Economic Statement* announced the addition of psychotherapists and counselling therapists to the list of health care practitioners whose professional services are exempt from the GST.
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	**2019**	**2020**	**2021**	**2022**	**2023 (P)**	**2024 (P)**	**2025 (P)**	**2026 (P)**
Goods and Services Tax	1,065	885	1,020	1,095	1,155	1,245	1,310	1,385

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	**2019**	**2020**	**2021**	**2022**	**2023 (P)**	**2024 (P)**	**2025 (P)**	**2026 (P)**
Goods and Services Tax	15	10	15	15	15	15	20	20

Exemption from GST for municipal transit

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

Cost Information:

Millions of dollars	2019	2020	2021	2022	2023 (P)	2024 (P)	2025 (P)	2026 (P)
Goods and Services Tax	235	110	110	165	195	210	220	230

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	**2019**	**2020**	**2021**	**2022**	**2023 (P)**	**2024 (P)**	**2025 (P)**	**2026 (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	**2019**	**2020**	**2021**	**2022**	**2023 (P)**	**2024 (P)**	**2025 (P)**	**2026 (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	**2019**	**2020**	**2021**	**2022**	**2023 (P)**	**2024 (P)**	**2025 (P)**	**2026 (P)**
Goods and Services Tax	945	935	975	1,060	1,120	1,200	1,250	1,305

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	**2019**	**2020**	**2021**	**2022**	**2023 (P)**	**2024 (P)**	**2025 (P)**	**2026 (P)**
Goods and Services Tax	335	365	385	410	440	475	500	520

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 2022.

Cost Information:

Millions of dollars	**2019**	**2020**	**2021**	**2022**	**2023 (P)**	**2024 (P)**	**2025 (P)**	**2026 (P)**
Personal income tax	585	705	690	725	760	770	735	750

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	2019	2020	2021	2022	2023 (P)	2024 (P)	2025 (P)	2026 (P)
By type of payments								
Dividends	5,390	5,585	7,560	8,385	8,195	8,525	8,835	9,205
Interest	1,545	1,410	1,695	2,070	1,935	2,015	2,090	2,175
Rents and royalties	890	895	990	1,235	1,145	1,190	1,235	1,285
Management fees	1,020	1,080	1,340	1,690	1,560	1,620	1,680	1,750
Total – personal and corporate income tax	8,840	8,975	11,585	13,385	12,835	13,355	13,840	14,420

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”). The *2024 Fall Economic Statement* proposed to reinstate expensing of expenditures on capital equipment used for SR&ED. Further details are provided below.
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	• Expensing of current expenditures on SR&ED was introduced in 1944. • The deductibility for capital expenditures in respect of SR&ED was first introduced in 1961 but was later eliminated for expenditures incurred after 2013. The *2024 Fall Economic Statement* proposed to reinstate expensing of expenditures on capital equipment used for SR&ED, effective for property acquired on or after December 16, 2024, and, in the case of lease costs, to amounts that first become payable on or after December 16, 2024. As of December 31, 2024, this change has not been legislated.
Objective – category	To encourage or attract investment
Objective	This measure is intended to encourage the performance of scientific research and experimental development in Canada by the private sector and to assist small businesses to perform scientific research and experimental development (Budget 1996).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure may permit the depreciation of a capital asset faster than its useful life.
Subject	Business - research and development
CCOFOG 2014 code	7048 - Economic affairs - R&D Economic affairs
Other relevant government programs	Programs within the mandates of Innovation, Science and Economic Development Canada, the National Research Council Canada and the federal granting councils also support research and development. Additional information on the relevant government programs is provided in the table at the end of Part 3.
Source of data	The calculation of the cost of this tax expenditure would require information on the intangible assets created through expenditures on SR&ED. Such information is not available. Information on current SR&ED expenditures by unincorporated businesses is also not available.
Estimation method	No estimate is available – see the Annex to Part 1 for an explanation as to why estimates are not available for this measure.
Projection method	No projection is available.
Number of beneficiaries	About 18,030 corporations incurred eligible expenditures in 2022. 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 670 corporations received this benefit in 2022.

Cost Information:

Millions of dollars	**2019**	**2020**	**2021**	**2022**	**2023 (P)**	**2024 (P)**	**2025 (P)**	**2026 (P)**
Corporate income tax	330	355	435	480	475	540	560	585

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 2024). 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 2022.

Cost Information:

Millions of dollars	**2019**	**2020**	**2021**	**2022**	**2023 (P)**	**2024 (P)**	**2025 (P)**	**2026 (P)**
Personal income tax	110	130	150	240	220	235	255	260

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 expanded the 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 32,100 individuals and 455 corporations in 2022.

Cost Information:

Millions of dollars	**2019**	**2020**	**2021**	**2022**	**2023 (P)**	**2024 (P)**	**2025 (P)**	**2026 (P)**
Personal income tax	120	175	265	195	300	320	325	295
Corporate income tax	20	25	55	55	80	85	80	65
Total	140	200	315	250	380	410	405	360

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	2019	2020	2021	2022	2023 (P)	2024 (P)	2025 (P)	2026 (P)
Goods and Services Tax	5	1	S	2	5	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 and 13,600 trusts claimed this credit in 2022.

Cost Information:

Millions of dollars	**2019**	**2020**	**2021**	**2022**	**2023 (P)**	**2024 (P)**	**2025 (P)**	**2026 (P)**
Personal income tax								
Individuals	1,975	1,925	2,075	2,310	2,435	2,565	2,640	2,730
Trusts	45	45	85	60	60	65	65	65
Total – personal income tax	2,015	1,970	2,160	2,370	2,495	2,625	2,705	2,795

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 2024 to June 2025, based on net family income reported for the 2023 taxation year: • an adult receives a basic adult credit of $340 per year; • families with children aged 18 and under receive a basic child credit of $179 per year for each child; • single parents can claim, in lieu of the basic child credit, the full basic adult credit of $340 per year for one dependent child; • single parents are eligible for an additional credit of $179 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 $179 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 $44,324. 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 11.5 million individuals receive this benefit each year.

Cost Information:

Millions of dollars	**2019**	**2020**	**2021**	**2022**	**2023 (P)**	**2024 (P)**	**2025 (P)**	**2026 (P)**
Goods and Services Tax	4,935	10,450	5,030	7,335	8,120	6,170	6,420	6,555

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 10,760 and 20,650 for the wage and rent portions of the program, respectively (data as of September 3, 2024).

Cost Information:

Millions of dollars	2019	2020	2021	2022	2023 (P)	2024 (P)	2025 (P)	2026 (P)
Personal and corporate income tax	–	–	305	340	–	–	–	–

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 6,840 corporations claimed this deduction in 2022. No data is available for unincorporated businesses.

Cost Information:

Millions of dollars	2019	2020	2021	2022	2023 (P)	2024 (P)	2025 (P)	2026 (P)
Personal income tax	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Corporate income tax	65	65	100	140	185	190	200	205
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 50,000 individuals claimed this credit in 2022.

Cost Information:

Millions of dollars	**2019**	**2020**	**2021**	**2022**	**2023 (P)**	**2024 (P)**	**2025 (P)**	**2026 (P)**
Personal income tax	15	15	25	40	35	35	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 393,200 corporations made new additions under the immediate expensing measure in 2022. No data is available for unincorporated businesses.

Cost Information:

Millions of dollars	**2019**	**2020**	**2021**	**2022**	**2023 (P)**	**2024 (P)**	**2025 (P)**	**2026 (P)**
Corporate income tax	–	–	690	1,210	1,000	-410	-740	-560
Personal income tax	–	–	–	335	260	210	-205	-150
Total	–	–	690	1,545	1,260	-200	-945	-710

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 2022.

Cost Information:

Millions of dollars	2019	2020	2021	2022	2023 (P)	2024 (P)	2025 (P)	2026 (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 2022. The number of corporations and trusts having claimed this credit in 2022 is not disclosed due to confidentiality restrictions.

Cost Information:

Millions of dollars	2019	2020	2021	2022	2023 (P)	2024 (P)	2025 (P)	2026 (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	**2019**	**2020**	**2021**	**2022**	**2023 (P)**	**2024 (P)**	**2025 (P)**	**2026 (P)**
Personal income tax	–	–	–	2	1	1	2	2

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 2022.

Cost Information:

Millions of dollars	2019	2020	2021	2022	2023 (P)	2024 (P)	2025 (P)	2026 (P)
Personal income tax	160	180	175	185	190	200	205	215

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 $1,016,836 in 2024 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. • Budget 2024 announced the increase of the LCGE limit for qualified small business corporation shares and qualified farm or fishing property to $1.25 million of eligible capital gains. This limit would be effective on dispositions that occur on or after June 25, 2024, with indexing of the LCGE resuming in 2026. As of December 31, 2024, this change has not been legislated.
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 62,000 individuals claimed this deduction in 2022.

Cost Information:

Millions of dollars	2019	2020	2021	2022	2023 (P)	2024 (P)	2025 (P)	2026 (P)
Individuals, by type of property								
Small business shares	1,080	1,020	1,650	1,645	1,605	1,650	1,700	2,140
Farm and fishing property	725	705	900	975	945	975	1,005	1,270
Total – personal income tax	1,805	1,725	2,550	2,625	2,550	2,630	2,705	3,410

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 2022. The number of trusts having claimed this credit in 2022 is not disclosed due to confidentiality restrictions.

Cost Information:

Millions of dollars	**2019**	**2020**	**2021**	**2022**	**2023 (P)**	**2024 (P)**	**2025 (P)**	**2026 (P)**
Personal income tax								
Individuals	1	1	2	3	3	3	3	3
Trusts	X	X	X	X	X	X	X	X
Total – personal income tax	X	X	X	X	X	X	X	X
Corporate income tax	25	60	265	195	55	65	70	65
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 $2,759 (in 2024). 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 $2,759 (in 2024). 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. • Budget 2024 proposed to expand the list of eligible expenses to include a navigation device for low vision, for the 2024 and subsequent taxation years. As of December 31, 2024, this change has not been legislated. • 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 5.6 million individuals claimed this credit in 2022.

Cost Information:

Millions of dollars	**2019**	**2020**	**2021**	**2022**	**2023 (P)**	**2024 (P)**	**2025 (P)**	**2026 (P)**
Personal income tax	1,700	1,530	1,805	1,925	2,200	2,330	2,475	2,650

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. As part of the *2018 Fall Economic Statement*, the government extended the credit for an additional 5 years, until March 31, 2024. • Budget 2023 expanded the eligibility to include eligible expenditures related to lithium from brines exploration. • Budget 2024 extended the 15-per-cent Mineral Exploration Tax Credit for investors in flow-through shares for an additional year, until March 31, 2025.
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 200 companies issued flow-through shares and over 10,100 individuals claimed the credit in 2022.

Cost Information:

Millions of dollars	2019	2020	2021	2022	2023 (P)	2024 (P)	2025 (P)	2026 (P)
Personal income tax	60	100	145	60	45	60	-10	-4

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 107,000 individuals claimed this deduction in 2022.

Cost Information:

Millions of dollars	2019	2020	2021	2022	2023 (P)	2024 (P)	2025 (P)	2026 (P)
Personal income tax	110	105	150	165	145	140	140	140

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	2019	2020	2021	2022	2023 (P)	2024 (P)	2025 (P)	2026 (P)
Personal income tax	–	–	–	–	25	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 46,000 individuals, 5,000 trusts and 498,050 corporations made use of this measure in 2022 (not counting individuals that carried back losses only).

Cost Information:

Millions of dollars	2019	2020	2021	2022	2023 (P)	2024 (P)	2025 (P)	2026 (P)
Farm and fishing non-capital losses								
Personal income tax								
Individuals – carried back	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Individuals – applied to current year	15	20	25	30	30	30	35	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	35	30	20	35	30	30	30	30
Applied to current year	45	55	90	90	85	85	95	100
Total – corporate income tax	80	85	110	125	115	115	125	130
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	75	90	90	90	100	110	115	120
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	2,290	3,195	1,915	2,830	2,840	2,680	2,605	2,575
Applied to current year	6,280	5,455	9,205	11,640	9,175	8,735	8,445	9,125
Total – corporate income tax	8,570	8,650	11,120	14,475	12,015	11,415	11,050	11,700
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	95	110	115	120	130	145	145	155
Trusts	270	175	205	305	240	230	220	240
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	2,325	3,220	1,935	2,865	2,870	2,710	2,635	2,605
Applied to current year	6,325	5,515	9,295	11,730	9,260	8,825	8,540	9,225
Total – corporate income tax	8,650	8,735	11,230	14,595	12,130	11,535	11,175	11,830
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 330 corporations reported non-deductible advertising expenses in 2022. No data is available for unincorporated businesses.

Cost Information:

Millions of dollars	2019	2020	2021	2022	2023 (P)	2024 (P)	2025 (P)	2026 (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 9,100 individuals received non-taxable allowances in 2022.

Cost Information:

Millions of dollars	**2019**	**2020**	**2021**	**2022**	**2023 (P)**	**2024 (P)**	**2025 (P)**	**2026 (P)**
Personal income tax	35	35	35	30	35	40	n.a.	n.a.

Non-taxation of benefits from private health and dental plans

Description	Employer-paid benefits for private health and dental plans are deductible business expenses but are not a taxable employee benefit. In the case of self-employed individuals, they can claim a deduction in computing income from a business for amounts paid under a private health services plan for the benefit of the individual, the individual's spouse or common-law partner and members of the individual's household, subject to certain restrictions.
Tax	Personal income tax
Beneficiaries	Employees and self-employed individuals
Type of measure	Exemption (for employer-paid benefits); deduction (for self-employed individuals)
Legal reference	*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 2022.

Cost Information:

Millions of dollars	2019	2020	2021	2022	2023 (P)	2024 (P)	2025 (P)	2026 (P)
Personal income tax	3,170	3,150	3,530	4,145	4,590	4,825	5,020	5,280

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 264 certificates in respect of donations of cultural property to individuals and 9 to corporations in 2021-22.

Cost Information:

Millions of dollars	2019	2020	2021	2022	2023 (P)	2024 (P)	2025 (P)	2026 (P)
Personal income tax								
Individuals	3	5	5	4	4	4	4	5
Trusts	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total – personal income tax	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Corporate income tax	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

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

Millions of dollars	2019	2020	2021	2022	2023 (P)	2024 (P)	2025 (P)	2026 (P)
Charitable Donation Tax Credit	10	15	15	15	15	15	15	10
Deductibility of charitable donations	4	2	2	2	2	2	2	2
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 (20 or fewer) in 2022. 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	2019	2020	2021	2022	2023 (P)	2024 (P)	2025 (P)	2026 (P)
Personal income tax								
Individuals	2	2	3	4	3	3	3	4
Trusts	S	S	S	S	S	S	S	S
Total – personal income tax	2	2	3	4	3	3	3	4
Corporate income tax	1	S	1	2	10	5	5	5
Total	3	2	5	5	15	10	10	10

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	2019	2020	2021	2022	2023 (P)	2024 (P)	2025 (P)	2026 (P)
Charitable Donation Tax Credit	5	10	10	15	10	10	10	10
Deductibility of charitable donations	2	1	1	5	15	5	5	5
Non-taxation of capital gains – personal income tax	2	2	3	4	3	3	3	4
Non-taxation of capital gains – corporate income tax	1	S	1	2	10	5	5	5
Total	10	10	15	25	35	25	25	30

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 2,000 corporations in 2022. The number of individuals and trusts who obtained tax relief is unknown; however, about 8,600 individuals made donations of publicly listed shares in that year.

Cost Information:

Millions of dollars	2019	2020	2021	2022	2023 (P)	2024 (P)	2025 (P)	2026 (P)
Personal income tax								
Individuals	125	100	135	95	175	80	85	125
Trusts	1	1	3	1	2	1	1	1
Total – personal income tax	125	100	135	95	180	80	85	130
Corporate income tax	225	170	200	95	110	150	125	160
Total	350	270	335	190	290	225	210	290

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	2019	2020	2021	2022	2023 (P)	2024 (P)	2025 (P)	2026 (P)
Charitable Donation Tax Credit	415	350	450	350	595	280	300	375
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	125	100	135	95	180	80	85	130
Non-taxation of capital gains – corporate income tax	225	170	200	95	110	150	125	160
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 410,000 individuals claimed this exemption in 2022.

Cost Information:

Millions of dollars	2019	2020	2021	2022	2023 (P)	2024 (P)	2025 (P)	2026 (P)
Personal income tax	4,890	6,930	12,175	10,595	7,365	8,405	10,745	13,020

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.
Tax	Goods and Services Tax
Beneficiaries	Households, businesses, foreign diplomats, settlers
Type of measure	Other
Legal reference	Schedule VII to the *Excise Tax Act* *Non-Taxable Imported Goods (GST/HST) Regulations*
Implementation and recent history	• This measure has been in effect since the inception of the GST in 1991. • The list of non-taxable importations has been periodically amended. Most recently: 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 84,000 individuals did not include these amounts in income in 2023-24.

Cost Information:

Millions of dollars	2019	2020	2021	2022	2023 (P)	2024 (P)	2025 (P)	2026 (P)
Personal income tax	200	185	190	180	180	180	175	175

Non-taxation of Guaranteed Income Supplement and Allowance benefits

Description	The Guaranteed Income Supplement is an income-tested benefit payable to low-income seniors as part of the Old Age Security program. There is also an income-tested Allowance that is provided to an eligible spouse, common-law partner, widow or widower aged 60 to 64. The Guaranteed Income Supplement and Allowance benefits are effectively non-taxable. Although these benefits must be included in income, an offsetting deduction from net income is provided. This approach ensures that such payments are taken into account in determining other income-tested credits and benefits.
Tax	Personal income tax
Beneficiaries	Low-income seniors
Type of measure	Exemption
Legal reference	*Income Tax Act*, paragraph 110(1)(f)
Implementation and recent history	• Introduced in Budget 1971. Effective for the 1971 and subsequent taxation years.
Objective – category	To provide income support or tax relief
Objective	This measure recognizes that these income-tested payments provide a basic level of support to elderly Canadians with little income other than the Old Age Security pension (Budget 1971).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base.
Subject	Income support Retirement
CCOFOG 2014 code	71029 - Social protection - Old age
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada and Veterans Affairs Canada also support income security. Programs within the mandate of Employment and Social Development Canada also support retirement income security. Additional information on the relevant government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	Of the approximately 2.6 million beneficiaries of the Guaranteed Income Supplement and Allowance benefits in 2022, it is estimated that about 820,000 additional individuals would have been in a taxable position in the absence of this measure.

Cost Information:

Millions of dollars	**2019**	**2020**	**2021**	**2022**	**2023 (P)**	**2024 (P)**	**2025 (P)**	**2026 (P)**
Personal income tax	235	245	210	225	380	400	425	485

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 2022.

Cost Information:

Millions of dollars	2019	2020	2021	2022	2023 (P)	2024 (P)	2025 (P)	2026 (P)
Personal income tax	40	30	35	35	40	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 32,400 non-profit organizations with positive net assets filed a non-profit organization information return in 2022.

Cost Information:

Millions of dollars	**2019**	**2020**	**2021**	**2022**	**2023 (P)**	**2024 (P)**	**2025 (P)**	**2026 (P)**
Total – personal and corporate income tax	90	50	100	210	260	270	260	280

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 2023-24, there were about 42,000 Pain & Suffering beneficiaries and 30,000 Additional Pain & Suffering beneficiaries.

Cost Information:

Millions of dollars	**2019**	**2020**	**2021**	**2022**	**2023 (P)**	**2024 (P)**	**2025 (P)**	**2026 (P)**
Personal income tax	295	300	395	400	445	460	420	350

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 Indians and bands from direct taxation if that property is situated on a reserve. (For purposes of the tax exemption under section 87 of the *Indian Act,* the term "Indian" and "band" is used because the words have legal meaning under that Act. An "individual registered pursuant to the *Indian Act*" or "registered individual" is synonymous with the legal term "Indian".) 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. In respect of an individual, such connecting factors include the location (on or off a reserve) of the residence of the registered individual, the location at which employment duties are performed and the location of other income-earning activities. In respect of registered individuals and the GST or federal portion of the HST, the exemption applies if a registered individual makes a purchase of a good or service on a reserve, or if goods are purchased off-reserve by a registered individual and are delivered to a reserve by the vendor or vendor's agent.
Tax	Personal income tax Goods and Services Tax
Beneficiaries	Indians and bands
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 "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 of the *Indian Act*.
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 25,000 individuals did not include these amounts in income in 2023-24.

Cost Information:

Millions of dollars	**2019**	**2020**	**2021**	**2022**	**2023 (P)**	**2024 (P)**	**2025 (P)**	**2026 (P)**
Personal income tax	50	55	70	80	100	110	125	140

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 1.7 million individuals who reported having received social assistance payments in 2022, it is estimated that 444,000 individuals would have had an increase in net tax owing in the absence of this measure.

Cost Information:

Millions of dollars	**2019**	**2020**	**2021**	**2022**	**2023 (P)**	**2024 (P)**	**2025 (P)**	**2026 (P)**
Personal income tax	340	425	370	300	340	330	345	365

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 8,200 death benefits were paid in 2022. 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	**2019**	**2020**	**2021**	**2022**	**2023 (P)**	**2024 (P)**	**2025 (P)**	**2026 (P)**
Personal income tax	5	5	5	5	5	10	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 665,000 individuals reported having received workers' compensation benefits in 2022.

Cost Information:

Millions of dollars	**2019**	**2020**	**2021**	**2022**	**2023 (P)**	**2024 (P)**	**2025 (P)**	**2026 (P)**
Personal income tax	755	830	855	880	935	955	980	1,000

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 266,000 individuals claimed these deductions in 2022.

Cost Information:

Millions of dollars	**2019**	**2020**	**2021**	**2022**	**2023 (P)**	**2024 (P)**	**2025 (P)**	**2026 (P)**
Personal income tax	230	220	230	240	245	245	250	255

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 777,000 individuals and 1 million corporations in 2022.

Cost Information:

Millions of dollars	2019	2020	2021	2022	2023 (P)	2024 (P)	2025 (P)	2026 (P)
Personal income tax	200	135	170	215	220	225	225	225
Corporate income tax	335	225	195	325	395	375	360	390
Goods and Services Tax	190	125	115	170	170	175	175	180
Total	730	480	475	705	790	780	765	800

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). • Budget 2024 proposed to increase the capital gains inclusion rate from one-half to two-thirds for corporations and most types of trusts, and from one half to two-thirds on the portion of capital gains realized in the year that exceed $250,000 for individuals, applicable to capital gains realized on or after June 25, 2024. On January 31, 2025, the government announced the deferral in implementation of this change to the capital gains inclusion rate to January 1, 2026. This change has not been legislated yet.
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 individuals is estimated under the assumption that the repeal of this measure would lead to the inclusion of 100 per cent of net realized capital gains in income. 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 2.8 million individuals and 311,950 corporations reported capital gains in 2022. In addition, about 36,000 trusts are estimated to have benefited from this measure in 2022.

Cost Information:

Millions of dollars	2019	2020	2021	2022	2023 (P)	2024 (P)	2025 (P)	2026 (P)
Personal income tax								
Individuals	8,095	9,970	19,535	14,045	13,410	14,010	12,750	11,885
Trusts	1,225	1,525	2,465	1,415	1,125	1,810	1,220	1,270
Total – personal income tax	9,320	11,495	22,000	15,460	14,535	15,820	13,970	13,155
Corporate income tax	12,100	11,090	18,110	18,840	14,375	25,190	16,285	11,505
Total	21,420	22,585	40,110	34,305	28,910	41,010	30,255	24,660

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 2022. No data is available for unincorporated agricultural cooperatives.

Cost Information:

Millions of dollars	2019	2020	2021	2022	2023 (P)	2024 (P)	2025 (P)	2026 (P)
Personal income tax	S	S	-1	-1	S	1	1	n.a.
Corporate income tax	1	1	-1	-2	S	2	2	n.a.
Total	1	1	-2	-2	S	3	3	n.a.

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 5.8 million individuals claimed this credit in 2022.

Cost Information:

Millions of dollars	2019	2020	2021	2022	2023 (P)	2024 (P)	2025 (P)	2026 (P)
Personal income tax	1,255	1,270	1,300	1,335	1,365	1,400	1,435	1,485

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 1.5 million couples split pension income in 2022.

Cost Information:

Millions of dollars	**2019**	**2020**	**2021**	**2022**	**2023 (P)**	**2024 (P)**	**2025 (P)**	**2026 (P)**
Personal income tax	1,415	1,470	1,520	1,615	1,645	1,755	1,895	2,040

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 190,000 individuals in 2022. The number of trusts having claimed this credit in 2022 is not disclosed due to confidentiality restrictions.

Cost Information:

Millions of dollars	2019	2020	2021	2022	2023 (P)	2024 (P)	2025 (P)	2026 (P)
Personal income tax	45	30	40	30	35	35	45	35

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	**2019**	**2020**	**2021**	**2022**	**2023 (P)**	**2024 (P)**	**2025 (P)**	**2026 (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 910,100 corporations in 2022.

Cost Information:

Millions of dollars	**2019**	**2020**	**2021**	**2022**	**2023 (P)**	**2024 (P)**	**2025 (P)**	**2026 (P)**
Corporate income tax	4,895	5,345	6,430	6,580	6,570	6,295	6,040	6,530

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	2019	2020	2021	2022	2023 (P)	2024 (P)	2025 (P)	2026 (P)
Personal income tax								
Individuals	5,415	5,515	6,270	6,655	6,985	7,470	7,750	8,005
Trusts	90	135	215	120	130	165	185	185
Total – personal income tax	5,505	5,650	6,485	6,775	7,115	7,635	7,935	8,195

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	A small number of corporations (fewer than 20) claimed the reduced tax rates for zero emission technology manufacturers in 2022.

Cost Information:

Millions of dollars	**2019**	**2020**	**2021**	**2022**	**2023 (P)**	**2024 (P)**	**2025 (P)**	**2026 (P)**
Corporate income tax	–	–	–	1	20	40	45	55

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	2019	2020	2021	2022	2023 (P)	2024 (P)	2025 (P)	2026 (P)
Goods and Services Tax	15	10	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	2019	2020	2021	2022	2023 (P)	2024 (P)	2025 (P)	2026 (P)
Goods and Services Tax	750	985	975	1,055	1,205	1,245	1,285	1,325

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	2019	2020	2021	2022	2023 (P)	2024 (P)	2025 (P)	2026 (P)
Goods and Services Tax	2,765	2,735	2,855	3,120	3,570	3,775	3,875	3,975

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 Housing, Infrastructure and Communities Canada, 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	2019	2020	2021	2022	2023 (P)	2024 (P)	2025 (P)	2026 (P)
Goods and Services Tax	420	425	465	400	455	420	410	420

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 256.2
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 Housing, Infrastructure and Communities Canada, 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	2019	2020	2021	2022	2023 (P)	2024 (P)	2025 (P)	2026 (P)
Goods and Services Tax	220	225	245	265	285	335	390	455

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	**2019**	**2020**	**2021**	**2022**	**2023 (P)**	**2024 (P)**	**2025 (P)**	**2026 (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 (First Nations) 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 7,500 entities claim this rebate each year.

Cost Information:

Millions of dollars	**2019**	**2020**	**2021**	**2022**	**2023 (P)**	**2024 (P)**	**2025 (P)**	**2026 (P)**
Goods and Services Tax	85	80	90	100	105	105	110	115

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	2019	2020	2021	2022	2023 (P)	2024 (P)	2025 (P)	2026 (P)
Goods and Services Tax	335	300	340	395	435	450	470	490

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	**2019**	**2020**	**2021**	**2022**	**2023 (P)**	**2024 (P)**	**2025 (P)**	**2026 (P)**
Rebate for schools	475	450	505	575	635	655	675	700
Rebate for colleges	115	95	105	125	155	160	165	170
Rebate for universities	275	245	270	300	320	335	345	355
Total – Goods and Services Tax	860	795	875	1,000	1,110	1,150	1,185	1,225

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	**2019**	**2020**	**2021**	**2022**	**2023 (P)**	**2024 (P)**	**2025 (P)**	**2026 (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	**2019**	**2020**	**2021**	**2022**	**2023 (P)**	**2024 (P)**	**2025 (P)**	**2026 (P)**
Goods and Services Tax	50	40	40	45	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 2022.

Cost Information:

Millions of dollars	2019	2020	2021	2022	2023 (P)	2024 (P)	2025 (P)	2026 (P)
Personal income tax	-3	-2	-2	-1	-1	-1	S	S
Corporate income tax	S	S	S	S	S	S	S	S
Total	-4	-3	-2	-1	-1	-1	S	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 40 investment and mutual fund corporations and 1,300 mutual fund trusts claimed a capital gain refund in 2022.

Cost Information:

Millions of dollars	2019	2020	2021	2022	2023 (P)	2024 (P)	2025 (P)	2026 (P)
Investment and mutual fund corporations – corporate income tax	1,085	1,115	1,985	1,210	495	1,150	1,190	1,655
Mutual fund trusts – personal income tax	5,275	6,140	8,325	3,475	4,555	4,765	4,415	5,735
Total	6,360	7,260	10,310	4,685	5,050	5,915	5,605	7,390

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 2024, the supplement is available to individuals whose earnings from employment or self-employment meet or exceed a minimum threshold of $4,275. 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 $1,464 (for 2024) 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 $32,419. 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 527,000 individuals received this benefit in 2022.

Cost Information:

Millions of dollars	2019	2020	2021	2022	2023 (P)	2024 (P)	2025 (P)	2026 (P)
Personal income tax	170	120	150	185	215	235	245	255

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 354,700 and 306,100 corporations were respectively subject to the additional Part I tax and Part IV tax in 2022, while 319,100 corporations claimed the dividend refund in that year.

Cost Information:

Millions of dollars	**2019**	**2020**	**2021**	**2022**	**2023 (P)**	**2024 (P)**	**2025 (P)**	**2026 (P)**
Additional Part I tax	-7,820	-7,420	-10,380	-12,280	-12,265	-15,715	-10,590	-14,715
Part IV tax	-7,700	-7,020	-8,440	-9,805	-11,460	-12,110	-11,940	-12,390
Dividend refund	12,595	11,330	13,525	15,640	18,470	20,015	13,490	18,745
Total – corporate income tax	-2,925	-3,105	-5,290	-6,445	-5,255	-7,810	-9,045	-8,365

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	**2019**	**2020**	**2021**	**2022**	**2023 (P)**	**2024 (P)**	**2025 (P)**	**2026 (P)**
Goods and Services Tax	10	10	15	15	15	15	15	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 297,000 RDSPs were registered and remained open as of October 2024.

Cost Information:

Millions of dollars	2019	2020	2021	2022	2023 (P)	2024 (P)	2025 (P)	2026 (P)
Personal income tax	70	65	90	90	90	105	120	135

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, and 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 7.2 million individuals with an RESP have received a Canada Education Savings Grant between 1998 and 2022.

Cost Information:

Millions of dollars	**2019**	**2020**	**2021**	**2022**	**2023 (P)**	**2024 (P)**	**2025 (P)**	**2026 (P)**
Personal income tax	125	110	130	170	220	290	400	490

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 ($32,490 for 2024). For defined benefit RPP members, pension benefits are limited to 2% of employment earnings per year of service up to a specified dollar amount ($3,610 for 2024).
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, Pension satellite account and National Balance Sheet Accounts (Tables 11-10-0122-01, 11-10-0086-01, 36-10-0576-01 and 36-10-0580-01) Public Accounts of Canada Canadian Life and Health Insurance Association Benefits Canada
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 8.5 million households had individuals that had accrued benefits under RPPs in 2023.

Cost Information:

Millions of dollars	2019	2020	2021	2022	2023 (P)	2024 (P)	2025 (P)	2026 (P)
Deduction for contributions	16,270	16,550	16,700	17,690	17,925	18,805	19,340	19,930
Non-taxation of investment income	21,915	18,600	24,660	15,540	18,530	21,405	22,080	23,085
Taxation of withdrawals	-12,030	-12,395	-13,625	-13,730	-14,370	-15,395	-16,255	-17,320
Total – personal income tax	26,155	22,755	27,735	19,500	22,085	24,815	25,165	25,700

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 ($31,560 for 2024), 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 10.9 million households had individuals that had RRSPs or Registered Retirement Income Funds in 2023.

Cost Information:

Millions of dollars	2019	2020	2021	2022	2023 (P)	2024 (P)	2025 (P)	2026 (P)
Deduction for contributions	10,095	11,160	12,865	12,480	12,685	12,920	13,135	13,445
Non-taxation of investment income	14,030	12,090	15,575	9,540	11,540	13,330	13,775	14,315
Taxation of withdrawals	-7,930	-7,825	-9,000	-9,930	-10,760	-11,525	-12,125	-12,905
Total – personal income tax	16,195	15,430	19,440	12,090	13,460	14,720	14,785	14,855

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. • The *2024 Fall Economic Statement* proposed to expand what qualifies as an eligible small business corporation (ESBC) share by allowing preferred shares to qualify for the rollover. It also proposed to relax the rules by increasing the asset limit for ESBCs that qualify for investment to $100 million, and by increasing the length of the period to acquire new investments to within the year of disposition and one full calendar year following the year of disposition. As of December 31, 2024, this change has not been legislated.
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 600 individuals reported capital gains eligible for this measure in 2022.

Cost Information:

Millions of dollars	2019	2020	2021	2022	2023 (P)	2024 (P)	2025 (P)	2026 (P)
Personal income tax	10	10	15	10	10	10	10	15

Saskatchewan Pension Plan

Description	A deferral of tax is provided on contributions to the Saskatchewan Pension Plan (SPP) in order to encourage and assist Canadians to save for retirement. Contributions to the SPP are deductible from income, the investment income is not taxed as it accrues in the plan, and withdrawals and benefit payments are included in income for tax purposes. 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 10,700 individuals contributed to the Saskatchewan Pension Plan in 2023.

Cost Information:

Millions of dollars	2019	2020	2021	2022	2023 (P)	2024 (P)	2025 (P)	2026 (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"). The *2024 Fall Economic Statement* announced changes to the SR&ED investment tax credit. Further details are provided below.
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. • For taxation years starting on or after December 16, 2024, the *2024 Fall Economic Statement* proposed to increase the expenditure limit from $3 million to $4.5 million and the prior-year taxable capital phase-out thresholds from $10 million and $50 million to $15 million and $75 million, respectively. The *2024 Fall Economic Statement* also proposed that Canadian public corporations be eligible for the enhanced 35% rate. As of December 31, 2024, these changes have not been legislated. • The *2024 Fall Economic Statement* also proposed to restore the eligibility of capital expenditures for the tax credit. This change would apply in respect of property acquired on or after December 16, 2024, and, in the case of lease costs, to amounts that first become payable on or after December 16, 2024. • As of December 31, 2024, the changes announced in the *2024 Fall Economic Statement* have not been legislated.
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. 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 3,500 individuals and 22,470 corporations claimed this credit in 2022. The number of trusts having claimed this credit in 2022 is not disclosed due to confidentiality restrictions.

Cost Information:

Millions of dollars	2019	2020	2021	2022	2023 (P)	2024 (P)	2025 (P)	2026 (P)
Personal income tax	1	1	1	1	1	1	1	1
Corporate income tax								
Non-refundable portion								
Earned and claimed in current year	485	490	525	705	700	730	800	835
Claimed in current year but earned in prior years	890	920	1,300	1,155	1,095	1,135	1,180	1,225
Earned in current year but carried back to prior years	50	50	45	45	80	85	85	90
Total – non-refundable portion	1,430	1,460	1,865	1,910	1,870	1,950	2,065	2,155
Refundable portion	1,840	1,845	1,980	2,295	2,385	2,480	2,830	2,940
Total – corporate income tax	3,265	3,300	3,850	4,200	4,255	4,430	4,895	5,095
Total	3,265	3,300	3,850	4,200	4,255	4,430	4,900	5,095

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 $6,000. 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. • Budget 2024 increased the amount of the credit from $3,000 to $6,000, effective for the 2024 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 5,900 individuals claimed this credit in 2022.

Cost Information:

Millions of dollars	2019	2020	2021	2022	2023 (P)	2024 (P)	2025 (P)	2026 (P)
Personal income tax	2	2	2	2	2	5	5	5

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	About 300 corporations and 2,600 individuals claimed this credit in 2022.

Cost Information:

Millions of dollars	**2019**	**2020**	**2021**	**2022**	**2023 (P)**	**2024 (P)**	**2025 (P)**	**2026 (P)**
Personal income tax	–	–	–	2	5	–	–	–
Corporate income tax	–	–	–	1	S	–	–	–
Total	–	–	–	3	5	–	–	–

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 2 million small suppliers make use of this measure each year.

Cost Information:

Millions of dollars	**2019**	**2020**	**2021**	**2022**	**2023 (P)**	**2024 (P)**	**2025 (P)**	**2026 (P)**
Goods and Services Tax	270	180	210	260	275	280	285	295

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 400 individuals in 2022.

Cost Information:

Millions of dollars	2019	2020	2021	2022	2023 (P)	2024 (P)	2025 (P)	2026 (P)
Personal income tax	2	S	1	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 ($173,205 in 2024), and is fully phased out by the fifth federal bracket threshold ($246,752 in 2024). The maximum credit amount (i.e., the base credit + supplement) for 2024 is $15,705, with the fully reduced amount being $14,156.
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 maximum 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 2.2 million individuals claimed this credit in 2022.

Cost Information:

Millions of dollars	**2019**	**2020**	**2021**	**2022**	**2023 (P)**	**2024 (P)**	**2025 (P)**	**2026 (P)**
Personal income tax	1,740	1,685	1,840	2,090	2,230	2,380	2,460	2,530

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 281,000 individuals claimed this credit in 2022.

Cost Information:

Millions of dollars	**2019**	**2020**	**2021**	**2022**	**2023 (P)**	**2024 (P)**	**2025 (P)**	**2026 (P)**
Personal income tax	55	25	20	15	25	25	25	25

Targeted temporary GST/HST relief

Description	The GST/HST was fully and temporarily relieved on certain goods from December 14, 2024, to February 15, 2025. Specifically, the following goods qualify for the relief. - Children's clothing, footwear, diapers, car seats and booster seats; - Print newspapers and printed books; - Christmas trees or similar decorative trees, whether natural or artificial; - Food and beverages for human consumption that are currently not zero-rated, including restaurant meals and alcohol beverages (excluding spirits), but excluding cannabis and food or beverages sold in vending machines; - Select toys designed for use by children under 14 years of age in learning or play that are board games, card games, a toy that imitates another item (e.g., a doll house or a toy car), plush or soft toys, dolls or construction toys; - Jigsaw puzzles, for all ages; and - Video-game consoles, controllers or physical game media.
Tax	Goods and Services Tax
Beneficiaries	Households
Type of measure	Zero-rating
Legal reference	Part XI of Schedule VI to the *Excise Tax Act*
Implementation and recent history	• This measure is implemented for a two-month period from December 14, 2024, to February 15, 2025
Objective – category	To achieve a social objective
Objective	This measure provides tax relief to households with the aim of improving affordability.
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 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, National Income and Expenditure Accounts, Monthly Retail Trade Sales, and data on importation.
Estimation method	The cost of this measure corresponds to the tax on the estimated value of the qualifying goods that would otherwise be taxable, during the two-month period.
Projection method	Projections for this measure are based on the anticipated demand of the qualifying goods during the two-month period.
Number of beneficiaries	No data is available.

Cost Information:

Millions of dollars	2019	2020	2021	2022	2023 (P)	2024 (P)	2025 (P)	2026 (P)
Goods and Services Tax	–	–	–	–	–	460	1,180	–

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	Income Tax Act, section 183.3
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	2019	2020	2021	2022	2023 (P)	2024 (P)	2025 (P)	2026 (P)
Corporate income tax	–	–	–	–	–	-425	-600	-635

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	**2019**	**2020**	**2021**	**2022**	**2023 (P)**	**2024 (P)**	**2025 (P)**	**2026 (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*
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 is 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 81,000 individuals reported having received alimony or maintenance payments in 2022, while about 53,000 individuals claimed a deduction.

Cost Information:

Millions of dollars	2019	2020	2021	2022	2023 (P)	2024 (P)	2025 (P)	2026 (P)
Personal income tax	120	100	105	105	110	115	120	125

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 17.6 million individuals claimed the credit for Canada Pension Plan or Quebec Pension Plan contributions on employment income in 2022, while about 2.2 million claimed the credit for contributions on self-employment or other income.

Cost Information:

Millions of dollars	**2019**	**2020**	**2021**	**2022**	**2023 (P)**	**2024 (P)**	**2025 (P)**	**2026 (P)**
Tax recognition for employee-paid contributions	4,595	4,765	5,525	6,370	7,210	7,860	8,450	8,740
Non-taxation of employer-paid contributions	6,950	7,080	8,335	9,355	10,355	11,125	11,845	12,270
Total – personal income tax	11,540	11,845	13,860	15,720	17,565	18,990	20,300	21,010

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 2022, about 17.2 million individuals claimed the credit for Employment Insurance contributions on employment income, while about 17,600 individuals claimed this credit on self-employment or other eligible earnings. About 4.2 million individuals claimed the credit for Quebec Parental Insurance Plan contributions on employment income earned in the province of Quebec, while about 137,000 individuals claimed the credit on income earned outside Quebec. About 471,000 individuals claimed the Quebec Parental Insurance Plan credit on self-employment or other eligible income.

Cost Information:

Millions of dollars	**2019**	**2020**	**2021**	**2022**	**2023 (P)**	**2024 (P)**	**2025 (P)**	**2026 (P)**
Credit for employee-paid premiums	1,390	1,345	1,445	1,595	1,750	1,875	1,920	1,975
Non-taxation of employer-paid premiums	2,940	2,835	3,175	3,480	3,800	4,060	4,160	4,290
Total – personal income tax	4,330	4,180	4,615	5,075	5,550	5,935	6,080	6,265

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, a producer savings 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 and Agri-Québec programs, which are 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, La Financière Agricole du Québec
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.
Projection method	Projections for 2024 through 2026 are not provided as the value of this measure cannot be reliably forecast for these years.
Number of beneficiaries	As of December 2023, about 108,900 AgriInvest and 16,700 Agri-Québec accounts were either registered with a financial institution or administered by la Financière Agricole du Québec.

Cost Information:

Millions of dollars	2019	2020	2021	2022	2023 (P)	2024 (P)	2025 (P)	2026 (P)
AgriInvest program								
Personal income tax	-1	1	10	5	10	n.a.	n.a.	n.a.
Corporate income tax	S	S	1	1	1	n.a.	n.a.	n.a.
Total	-1	1	10	5	10	n.a.	n.a.	n.a.
Agri-Québec program								
Personal income tax	1	2	2	S	S	n.a.	n.a.	n.a.
Corporate income tax	S	1	1	S	S	n.a.	n.a.	n.a.
Total	1	3	2	1	S	n.a.	n.a.	n.a.
Total								
Personal income tax	S	3	10	5	10	n.a.	n.a.	n.a.
Corporate income tax	S	1	2	1	1	n.a.	n.a.	n.a.
Total	S	4	10	10	10	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 23 million individuals own life insurance.

Cost Information:

Millions of dollars	**2019**	**2020**	**2021**	**2022**	**2023 (P)**	**2024 (P)**	**2025 (P)**	**2026 (P)**
Personal and corporate income tax	230	235	230	245	270	305	325	380

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 2022.

Cost Information:

Millions of dollars	**2019**	**2020**	**2021**	**2022**	**2023 (P)**	**2024 (P)**	**2025 (P)**	**2026 (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	About 600,100 individuals opened an FHSA in 2023.

Cost Information:

Millions of dollars	**2019**	**2020**	**2021**	**2022**	**2023 (P)**	**2024 (P)**	**2025 (P)**	**2026 (P)**
Personal income tax	–	–	–	–	125	465	595	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 $7,000 for 2024. 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 18.5 million individuals had a TFSA at the end of 2023.

Cost Information:

Millions of dollars	**2019**	**2020**	**2021**	**2022**	**2023 (P)**	**2024 (P)**	**2025 (P)**	**2026 (P)**
Personal income tax	1,895	1,700	3,220	2,005	2,685	3,675	4,325	5,010

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 88,000 individuals claimed this credit in 2022.

Cost Information:

Millions of dollars	2019	2020	2021	2022	2023 (P)	2024 (P)	2025 (P)	2026 (P)
Personal income tax	5	5	10	10	10	10	15	15

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	**2019**	**2020**	**2021**	**2022**	**2023 (P)**	**2024 (P)**	**2025 (P)**	**2026 (P)**
Personal income tax	35	30	20	5	S	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 numbers of unique applicants with approved claims since the start of the program are 29,560 and 30,210 for the wage portion and the rent portion, respectively (data as of September 3, 2024).

Cost Information:

Millions of dollars	**2019**	**2020**	**2021**	**2022**	**2023 (P)**	**2024 (P)**	**2025 (P)**	**2026 (P)**
Personal and corporate income tax	–	–	1,050	1,650	–	–	–	–

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, 2024.

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	2019	2020	2021	2022	2023 (P)	2024 (P)	2025 (P)	2026 (P)
Personal income tax								
Individuals	25,270	26,130	29,155	30,800	32,800	34,785	36,120	37,335
Trusts	875	1,050	1,470	825	945	1,255	1,315	1,330
Total – personal income tax	26,150	27,180	30,625	31,625	33,745	36,040	37,440	38,665
Corporate income tax	3,435	3,680	5,250	5,380	5,365	5,605	5,995	6,295
Total	29,585	30,860	35,875	37,005	39,110	41,645	43,430	44,960

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	2019	2020	2021	2022	2023 (P)	2024 (P)	2025 (P)	2026 (P)
Goods and Services Tax	330	80	100	290	340	365	380	400

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 2.8 million individuals earned this credit in 2022.

Cost Information:

Millions of dollars	2019	2020	2021	2022	2023 (P)	2024 (P)	2025 (P)	2026 (P)
Personal income tax	1,735	2,100	2,065	2,030	2,255	2,295	2,315	2,350

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 $6,000. 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. • Budget 2024 increased the amount of the credit from $3,000 to $6,000, effective for the 2024 and subsequent taxation years.
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 44,000 individuals claimed this credit in 2022.

Cost Information:

Millions of dollars	2019	2020	2021	2022	2023 (P)	2024 (P)	2025 (P)	2026 (P)
Personal income tax	15	15	20	15	20	35	35	35

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 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	**2019**	**2020**	**2021**	**2022**	**2023 (P)**	**2024 (P)**	**2025 (P)**	**2026 (P)**
Goods and Services Tax	4,885	5,375	5,470	5,800	6,235	6,510	6,785	7,060

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, were temporarily zero-rated under the GST. This temporary relief was repealed effective May 1, 2024.
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 *2020 Fall Economic Statement*. This measure applied to supplies of these items made after December 6, 2020 and was only to be in effect until their use was 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 40 million individuals benefit from this measure.

Cost Information:

Millions of dollars	**2019**	**2020**	**2021**	**2022**	**2023 (P)**	**2024 (P)**	**2025 (P)**	**2026 (P)**
Goods and Services Tax	–	5	85	70	50	45	–	–

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	**2019**	**2020**	**2021**	**2022**	**2023 (P)**	**2024 (P)**	**2025 (P)**	**2026 (P)**
Goods and Services Tax	45	45	50	50	55	55	55	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	**2019**	**2020**	**2021**	**2022**	**2023 (P)**	**2024 (P)**	**2025 (P)**	**2026 (P)**
Goods and Services Tax	520	620	690	750	785	820	845	870

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	**2019**	**2020**	**2021**	**2022**	**2023 (P)**	**2024 (P)**	**2025 (P)**	**2026 (P)**
Goods and Services Tax	920	945	1,000	1,090	1,160	1,225	1,285	1,350

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, 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 Housing, Infrastructure and Communities Canada and the 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 and Canada's Housing Plan. 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 the Canada Mortgage and Housing Corporation and Departmental Plans of Housing, Infrastructure and Communities Canada, 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

GBA Plus of Federal Tax Expenditures: Considering New Identity Factors Using Data from the Census of Population[1]

1. Introduction

Since the enactment of the *Canadian Gender Budgeting Act* in December 2018, six GBA Plus studies examining the impact of federal tax expenditures have been published. These studies fulfilled one of the requirements of the Act whereby, once a year, the Minister of Finance must make available to the public an analysis on the impacts of federal tax expenditures in terms of gender and diversity that the Minister considers appropriate. In addition to gender, a number of other identity factors were considered in these publications, including the age group, family type, income group, and area of residence of tax filers. These studies were conducted using T1 tax return data, making it possible to identify these individual characteristics. As T1 returns do not allow for a comprehensive identification of persons with disabilities, a linkage exercise between tax data and data from the Canadian Survey on Disability (CSD) was completed in order to analyze the impact of existing tax expenditures on these individuals.

Other than the "non-taxation of personal property of status Indians and Indian bands situated on a reserve," none of the tax expenditures in the Canadian personal income tax (PIT) system specifically target tax filers based on their ethnocultural diversity characteristics. However, they could indirectly affect certain groups because of the specific experiences they may have in terms of access to the labour market, education, property or wealth accumulation, for example. In the United States, racial inequities that can be created by the tax system are part of the GBA Plus issues that have been examined for some time. Notably, a recent working paper published by the Office of Tax Analysis (OTA) of the U.S. Department of the Treasury concludes that there are disparities in the benefits of some tax expenditures among White, Black, and Hispanic families.[2] In Canada, very little research has been done on the impact the tax system may have based on immigration status or ethnicity, in part because of limited access to the data needed to undertake such research.

To overcome data limitations, the Department of Finance Canada partnered with Statistics Canada to undertake a second linkage exercise between data from the 2021 Census of Population and T1 tax return data. This linkage provides new insights on the redistributive impact of the PIT system based on identity characteristics that could not be studied until now, namely immigration history, Indigenous identity, and racialized identity. It also allows us to extend the scope of previous GBA Plus studies by examining the impacts of the tax system by gender identity (cisgender man, cisgender woman, or transgender or non-binary person) rather than by sex assigned at birth (male or female).

The next section (Section 2) provides more information on the data used in this study. It also discusses the tax expenditures considered, the various identity groups examined, and the methodologies chosen for the empirical analysis. Section 3 then presents the detailed results of the impact analysis by gender identity, immigration history, and ethnocultural diversity. Section 4 concludes the study.

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

[2] Julie-Anne Cronin, Portia DeFilippes and Robin Fisher, Office of Tax Analysis, U.S. Department of the Treasury, *Tax Expenditures by Race and Hispanic Ethnicity: An Application of the U.S. Treasury Department's Race and Hispanic Ethnicity Imputation*, January 4, 2023.

2. Background information

2.1 Data used and tax expenditures considered

In Canada, a Census of Population is conducted every five years in order to provide a detailed statistical portrait of the Canadian population.[3] The census is the main source of sociodemographic data for several groups, including Indigenous Peoples, immigrants, and racialized groups. Over the past several years, the Department of Finance Canada has worked with Statistics Canada to ensure that a number of tax variables are matched to selected data from long-form census questionnaire respondents[4] who filed an income tax return for the 2020 tax year.[5] The new linked database contains about 40 variables taken from the census (all those enabling the identification of identity groups of interest) and about 100 variables taken from T1 returns (all those enabling the examination of the overall impact of the federal PIT system and of a number of individual tax expenditures on the redistribution of income among these groups[6]). The linked database was made available to the Department of Finance Canada for analysis through a special data access agreement that met all the requirements established by Statistics Canada.[7]

The list of the 55 federal PIT expenditures examined in this study is similar to that in the GBA Plus studies published in 2019 and 2021. It includes all tax expenditures for which claimants and beneficiaries can be identified in the linked dataset and for which a breakdown based on the new identity factors of interest is possible, in accordance with the confidentiality standards established by Statistics Canada. The four employment expense deductions included in the 2021 GBA Plus[8] were excluded from the analysis because the linked database does not contain the necessary variables to study them separately. The impacts of these measures are nevertheless generally captured by the deduction for "other employment expenses."[9] Two other tax expenditures—the disability supports deduction and the Adoption Expense Tax Credit—were excluded from the analysis because population sizes were often too small to protect tax filer confidentiality or to ensure results reliability. To avoid excluding them for these same reasons, certain tax expenditures were grouped together, namely:

1. The Lifetime Capital Gains Exemption and partial inclusion of capital gains;
2. Capital loss and non-capital loss carryovers as well as the deduction of allowable business investment losses; and
3. The tax-free amount for emergency services volunteers, the Search and Rescue Volunteers Tax Credit and the Volunteer Firefighters Tax Credit.

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[3] The target population for the 2021 Census of Population includes Canadian citizens, people with permanent and non-permanent resident status with a usual place of residence in Canada, as well as certain persons living outside Canada, including government employees working outside Canada and members of the Canadian Armed Forces stationed outside Canada. (Source: Guide to the Census of Population, 2021, Appendix 1.3).

[4] The total target population is required to complete the short-form census questionnaire, while a quarter of the population in private households (the target population, excluding persons living outside Canada and those living in collective dwellings) is also required to complete a long-form questionnaire that includes a number of additional questions, including questions on immigration, ethnicity, and income.

[5] Approximately 70% of the records extracted from the census data were linked to a T1 file (source: T1 Family File, Final Estimates, 2020). The fact that census data do not have an age limit explains the vast majority of unlinked records, since in Canada, very few children and adolescents file a tax return, either because they have no income to report or because it is too low. Only a small proportion (about 5%) of records could not be matched because a linkage key (e.g., SIN) was not available in Statistics Canada's Derived Record Depository (DRD).

[6] It must be underlined that due to the COVID-19 pandemic, the tax filing deadline was significantly extended for the 2020 tax year. Earnings, transfer and savings patterns also temporarily changed, especially for some groups that have been impacted by the pandemic more significantly. This may have altered the claiming behaviours of some subpopulations, hence limiting the generalization of findings from the current study to other tax years.

[7] Before being released, all results were subjected to the rounding, suppression and reliability standards required by Statistics Canada's Centre for Income and Socioeconomic Well-being Statistics.

[8] The apprentice vehicle mechanics' tools deduction; the deductibility of certain costs incurred by musicians; the deductibility of expenses by employed artists; and the partial deduction of and partial input tax credits for meals and entertainment.

[9] The deduction for "other employment expenses" is claimed on line 22900 of the T1 Income Tax and Benefit Return.

Conversely, three PIT expenditures were added to the list, namely the "credit for subscriptions to Canadian digital news media" and the "Canada Training Credit"—two tax expenditures introduced after 2018—along with the PIT portion of the "non-taxation of personal property of status Indians and Indian bands situated on reserve"[10]—a tax expenditure that has existed for a long time, but for which no data was collected prior to the 2019 tax year. Since 2019, individuals who report having earned income exempt under the *Indian Act* have been asked to complete Form T90 to provide information on that income. Completing this form is not mandatory in order to benefit from the "non-taxation of personal property of status Indians and Indian bands situated on reserve." However, this information is requested on the T1 income tax return so that the Canada Revenue Agency (CRA) can calculate the limit for the Canada Training Credit and the Canada Workers Benefit, as applicable, and provinces and territories can calculate certain family benefits. Since then, Form T90 includes data that can be used to estimate the tax savings resulting from this exemption. It should be kept in mind, however, that the non-mandatory nature of this form likely leads to an incomplete reporting of exempt amounts. In addition, 2021 census data are not available for 63 incompletely enumerated Indian reserves and settlements[11] and the tax filing rate tends to be lower among the Indigenous population. These factors may result in an underestimation of the tax savings arising from the "non-taxation of personal property of status Indians and Indian bands situated on reserve."

Furthermore, while amounts exempted and deducted under pension income splitting were considered in this analysis, the transfers of tax withholdings associated with these amounts could not be taken into account due to a lack of relevant information in the linked dataset. Without this information, any conclusions about the redistributive impact of this tax expenditure between groups are considered less relevant.

2.2 Identity characteristics considered

Table 1 presents all the identity characteristics examined in this study, namely gender identity, immigration history, and ethnocultural diversity. It also provides details on how people were grouped based on these characteristics.

Table 1
Details on the major identity groups examined

Gender identity[1]	**Immigration history**	**Ethnocultural diversity**
Cisgender men	People born in Canada	People who are Caucasian in race or white in colour[3]
Cisgender women	Non-recent immigrants (immigrants *admitted before 2010*)	People of Indigenous identity[4]
Transgender or non-binary people	Recent immigrants (*immigrants admitted since 2010, and people with permanent or non-permanent resident status[2]*)	Racialized people[5]

1 In accordance with census definitions, gender refers to an individual's personal and social identity as a man, woman or non-binary person (a person who is not exclusively a man or a woman). A cisgender person is someone whose gender corresponds to their sex assigned at birth, while a transgender person is someone whose gender does not correspond to their sex assigned at birth.
2 The census and this study both use the 2020 tax year, meaning that immigrants admitted since 2010 have been admitted in the 10 years prior to the observation year, which is consistent with other literature defining "recent immigrants". A person with permanent resident status is a person who has immigrated to Canada but is not yet a Canadian citizen. A person with non-permanent resident status is a person from another country with a usual place of residence in Canada and who has a work or study permit, or who has claimed refugee status (asylum claimant).
3 The term "Caucasian in race or white in colour" is consistent with the terminology used in the 2021 census.
4 In census products, Indigenous identity refers to individuals who identify as First Nations (North American Indian), Métis and/or Inuk (Inuit), and/or those who report being Registered or Treaty Indians, and/or those who report being a member of a First Nation or an Indian band.
5 The concept of "racialized group" is derived from the census definition of "visible minority." According to the *Employment Equity Act*, visible minorities are "persons, other than Aboriginal peoples, who are non-Caucasian in race or non-white in colour." In the 2021 Census analytical products, the term "visible minority" has been replaced by the terms "racialized population" or "racialized groups", to reflect "the increased use of these terms in the public sphere."[12]

10 According to section 87 of the *Indian Act*, the personal property of status Indians is exempt from taxation when such property is situated on a reserve. Courts have held that employment income constitutes personal property. Determining whether income is situated on a reserve requires an examination of the factors that connect it to a reserve, such as 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.

11 On the total 1,055 census subdivisions defined as reserves and settlements in the 2021 Census of population, 63 were incompletely enumerated. For these 63 reserves and settlements, dwelling enumeration was either not permitted or could not be completed. Source: Statistics Canada, Incompletely enumerated reserves and settlements.

12 Statistics Canada. Table 98-10-0351-03, Visible minority by gender and age: Census metropolitan areas and census agglomerations by province or territory, note #5.

It should be noted that the recent immigrant group—including those with permanent or non-permanent resident status—has at times also been analyzed taking into account the following four admission categories: 1- Economic; 2- Sponsored by family; 3- Refugee; and 4- "Other" category and non-permanent resident.

The same applies to people of Indigenous identity who, on some occasions, were examined separately depending on whether or not they had Registered or Treaty Indian status[13] or identified themselves as: 1- First Nations; 2- Métis; 3- Inuk (Inuit); or 4- "other" Indigenous identity (i.e., multiple Indigenous responses and not included elsewhere).

In census products, racialized people are often categorized in the following groups: South Asian, Chinese, Black, Filipino, Arab, Latin American, Southeast Asian, West Asian, Korean, Japanese, and visible minority not included elsewhere or multiple visible minorities.[14] Due to statistical reliability issues and the need for additional data analyses, this type of breakdown was not highlighted in this study but will be considered in future research.

On the other hand, because the age profiles of the identity groups examined sometimes differ considerably from those of the rest of the population, the potential interactions between the impacts of belonging to these groups and the impacts of age are explored further in this study.

Other than the "non-taxation of personal property of status Indians and Indian bands situated on reserve", none of the tax expenditures considered specifically target the identity groups examined in this study. However, it can be expected that the demographic and socioeconomic characteristics of these groups will result in certain components of the system having more or less significant impacts for some of the groups.

2.3 Methodologies used to analyze the impacts of the federal PIT system

As with most of the previous GBA Plus studies, this study seeks to quantify the overall redistributive impact of the federal PIT system and its major components (i.e., adjustments, exemptions, deductions, the rate structure, non-refundable credits, and refundable credits) between various identity groups. It also aims to determine whether specific tax expenditures provide a greater or lesser benefit to some of these groups.

2.3.1 Overall redistributive impact

To have an overall redistributive impact on a particular identity group, the federal PIT system must:

- Reduce—through adjustments, exemptions[15], and deductions or deferrals—the share of total taxable income that this group holds in comparison to its share of total pre-tax income; and/or
- Lower—through the progressive tax rate structure, non-refundable, and refundable credits—the share of tax payable owed by this group relative to that owed by other groups.

To determine the overall redistributive impact of the federal PIT system and its major components, we therefore compared the total amounts and shares of various concepts of income and tax payable among the various identity groups examined.

[13] Adjustments and exemptions include the gross-up of dividends received, split income amounts transferred from a spouse or common-law partner, net capital losses, income exempt under the *Indian Act*, as well as various sources of exempt income for federal tax purposes included in total pre-tax income (including 50% of capital gains).

[14] Statistics Canada. 2023. (table) *Census Profile*. 2021 Census of Population. Statistics Canada, Catalogue no. 98-316-X2021001. Ottawa. Released November 15, 2023.

[15] Adjustments and exemptions include the gross-up of dividends received, split income amounts transferred from a spouse or common-law partner, net capital losses, income exempt under the *Indian Act*, as well as various sources of exempt income for federal tax purposes included in total pre-tax income (including 50% of capital gains).

2.3.2 Redistributive impact of tax expenditures

To determine the redistributive impact of each of the federal PIT expenditures included in this analysis, we first estimated the number of beneficiaries and the total amount of benefits received for each of these expenditures for each of the groups examined. The “number of beneficiaries” refers to the number of tax filers who, in the absence of a particular tax expenditure, would have had to pay a higher amount of net federal tax[16], all else being equal.[17] The “total amount of benefits” refers to the amount of net federal tax saved by tax filers due to the tax expenditure, all else being equal.

Next, ratios of the share of total benefits of a tax measure received by a group relative to the share of total pre-tax income reported by that group were calculated. As with our previous GBA Plus studies, we have retained these ratios as the preferred indicators since they control for pre-existing income inequality between the different identity groups examined. In other words, these ratios allow us to consider the impact of the tax system on the distribution of income between the groups, independently of the impact of observable income gaps before the application of the federal PIT system.

3. Empirical results for the various identity groups

Notes to readers

In this study, all shares have been rounded to the nearest tenth or hundredth. Population counts and amounts—which are all in 2020 dollars—have been rounded according to the random rounding standards (up or down) established by Statistics Canada’s Centre for Income and Socioeconomic Well-being Statistics. As estimates are rounded separately, the sum of the values may not add up to totals shown or to 100%.

The new dataset enables the production of a very wide range of new statistics based on gender identity, immigration history, ethnocultural diversity, and several other intersecting identity factors. For practical reasons, only a limited subset of statistics is analyzed and discussed in this study. We will continue to explore ways to further tap the potential of the new dataset in future years to improve our understanding of the gender and diversity impacts of tax expenditures as required by the *Canadian Gender Budgeting Act*.

3.1 Gender identity

Following an extensive consultation process with Canadians, questions on gender were included for the first time in the 2021 Census of Population. In this latest census, the question on sex specifies that “sex” refers to sex assigned at birth. A new question regarding the “gender” with which people identify was added, clarifying that gender may be different from sex assigned at birth and may be different from what is indicated on legal documents. As a result, for the first time, it is possible to examine the impact of the federal PIT system on tax filers who identify as transgender or non-binary.

3.1.1 Profile of tax filers by gender identity

Table 2 provides an overview of the adult census population who filed an income tax return for the 2020 tax year by gender identity. It shows that 0.3% of this population identified as transgender or non-binary, while the vast majority identified as cisgender women or cisgender men (51.6% and 48.1%, respectively).

[16] 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 apply in the absence of tax expenditures having an impact on the net income of tax filers (i.e., exemptions, deferrals, and deductions) are not accounted for in identifying beneficiaries of these measures.

[17] In order to determine the number of beneficiaries and the total amount of benefits attributable to a particular tax expenditure, it was assumed that most other tax expenditures remain unchanged (i.e., assuming no interactions among tax expenditures) and that the behaviour of claimants is not affected by the absence/presence of the tax expenditure. It was also assumed that tax expenditures benefit only tax filers who claim them on their income tax return.

Table 2

Demographic and socioeconomic profile of the population of interest, by gender identity, 2020

Groups	Total population	Cisgender women	Cisgender men	Transgender or non-binary people
Population of interest	25,445,200	13,141,900	12,234,300	69,200
Distribution by age group[1] (%)				
Under 30 years	17.3	16.6	17.8	43.3
From 30 to 49 years	33.4	33.6	33.3	31.9
From 50 to 64 years	26.0	25.9	26.2	14.1
65 years and over	23.2	23.8	22.7	10.7
Average age (years)	49.8	50.2	49.5	38.5
Distribution by family type[2] (%)				
Unattached person without children	34.9	35.5	34.2	54.5
Unattached person with children	3.3	5.1	1.4	2.9
Person in a couple with children	23.0	22.3	23.8	11.0
Person in a couple without children	38.8	37.1	40.6	31.6
Distribution by area of residence (%)				
Urban (inside CMAs[3])	74.1	74.5	73.7	81.2
Remote (outside CMAs)	25.9	25.5	26.3	18.8
Distribution by pre-tax personal income group (%)				
Bottom quartile	25.0	30.1	19.5	38.2
Second and third quartiles	50.0	51.6	48.3	47.6
Top quartile	25.0	18.3	32.2	14.2
Average pre-tax personal income[4] ($)	57,400	46,600	69,000	40,000
Average pre-tax adjusted family income[5] ($)	66,000	63,800	68,300	49,800
Distribution by highest level of education attained (%)				
High school diploma	39.2	38.4	40.0	43.8
More than a high school diploma	60.8	61.6	60.1	56.2
Distribution by housing tenure (%)				
Owner	73.6	72.8	74.7	52.6
Renter[6]	26.4	27.2	25.3	47.4

Note: The population of interest includes the total 2021 census population aged 18 and over on the census reference date, i.e., May 11, 2021, and identified as having filed an income tax return for the 2020 tax year. This population differs from the total number of tax filers identified for the 2020 tax year by the CRA.

1 Classified according to tax filer age at the end of the tax year, i.e., on December 31, 2020.

2 "Unattached persons" refers to tax filers who do not live with a life partner, while persons in a couple refer to those who live with a life partner (connected by marriage or cohabitation), regardless of whether or not the partner filed a tax return.

3 CMA stands for "Census Metropolitan Area."

4 Refers to personal disposable income before the application of the tax system. Pre-tax income includes all income for federal tax purposes, with the following adjustments: a) plus the non-taxable portion of capital gains; b) less the gross-up of dividends received; c) less the split income amounts transferred from a life partner; d) less the net capital losses incurred during the year and those carried over from prior years; plus net income exempt from tax under the *Indian Act* reported on Form T90 (new).

5 In the current study, an individual's adjusted family income is obtained by dividing their total pre-tax family income by the square root of their family size for tax purposes (i.e., including the individual, their life partner, and their children under 18).

6 This includes tax filers occupying a dwelling provided by the local government, First Nation or Indian band.

Source: 2021 Census of Population data linked to 2020 T1 returns.

The distribution of members of these three groups by demographic and socioeconomic characteristics shows that tax filers identifying as transgender or non-binary are significantly younger on average than the rest of the population. In the last census, the average age of people in this group was 38.5 years, while the average age for all tax filers was almost 50 years. Consistent with their age profile, transgender or non-binary people were also less likely to live with a partner and/or have dependent children. While their education profile did not differ substantially from that of the rest of the population, transgender or non-binary people reported average personal and family incomes that were significantly lower than those of cisgender men and slightly lower than those of cisgender women. There was also a slightly higher concentration of transgender or non-binary people in urban areas compared to the rest of the population, and they were more likely to be renters than owners.

Data released by Statistics Canada in 2024 showed a greater propensity for younger generations to report being transgender or non-binary.[18] To explain this trend, Statistics Canada suggests that "[i]t is possible that older people are less likely to report being 2SLGBTQ+[19] because of having lived a significant part of their life in a society that was less accepting of gender and sexual diversity."[20]

3.1.2 Overall redistributive impact by gender identity

a) Among all tax filers

Table 3 shows that, like cisgender women, transgender or non-binary people report a lower share of total pre-tax income than the share of tax filers they represent (0.19% versus 0.27%). On the contrary, and as has been observed for male tax filers in previous studies, cisgender men report a higher share of pre-tax income than the share of the tax filer population they represent (57.7% versus 48.1%).

Results in Table 3 confirm that the federal PIT system is globally redistributive towards people who identify as cisgender women, as is the case with female tax filers (that is to say, tax filers who were assigned female at birth). In 2020, cisgender women's share of after-tax income was 1.8 percentage points (pp) higher than their share of pre-tax income. This finding is virtually identical to that of the 2019 GBA Plus study[21] and suggests that the economic disruption caused by the COVID-19 pandemic does not appear to have significantly changed the magnitude of the redistributive impact of the tax system between men and women.

Given that transgender or non-binary people represent a very small proportion of all tax filers, it is difficult to observe the redistributive impact of the federal PIT system based on the percentage point change in their share of income before and after the application of the tax system. This impact can be better observed by calculating a ratio of the share of income held by this group after the payment of federal tax relative to the share it held before this payment. This ratio, which appears in the last line of Table 3, shows that the share of total after-tax income held by this group was 1.03 times higher than its share of pre-tax income. This result indicates that the federal PIT system effectively had an overall redistributive impact towards this group in 2020. Overall, the magnitude of this redistributive impact is close to that observed towards cisgender women according to this same indicator (i.e., 1.04). Chart 1 shows that the 2020 PIT system had the effect of reducing the average income gap between the transgender or non-binary group and that of cisgender men by $5,400. This reduction is slightly lower than that observed between cisgender women and cisgender men ($5,700).

[18] Between 2019 and 2021, 1% of youth aged 15 to 24 reported being transgender or non-binary compared to 0.3% of the total Canadian population aged 15 and over.

[19] The acronym "2SLGBTQ+" refers to Two-Spirit, lesbian, gay, bisexual, transgender and queer people and those who use other terms related to gender and sexual diversity.

[20] Statistics Canada, "Socioeconomic profile of the 2SLGBTQ+ population aged 15 years and older, 2019 to 2021," *The Daily*, Thursday, January 25, 2024.

[21] The 2019 study found that the share of income held by women increased by 1.9 percentage points as a result of the application of the 2016 federal PIT system. This result is 0.1 pp higher than that found in the current study. This difference can be attributed to the fact that the current study does not take into account the redistributive impact of transfers of tax withholdings on split pension income. This is a factor that, according to the 2019 study, contributed to increasing the overall income redistributive impact towards women by 0.1 pp in 2016.

A comparison of shares held for the various concepts of income presented in Table 3 shows that, among the major components of the federal PIT system, the progressive rate structure and non-refundable credits had the most significant redistributive impacts towards transgender or non-binary tax filers in 2020. This stands in contrast with refundable credits having the most significant redistributive impacts towards cisgender women.

Table 3

Total amounts and percentage of total amounts for various concepts of personal income and considering various concepts of federal tax payable, by gender identity, 2020

	Total amount in millions ($)			Percentage (%)		
	Cisgender women	**Cisgender men**	**Transgender or non-binary people**	**Cisgender women**	**Cisgender men**	**Transgender or non-binary people**
Number and proportion of tax filers	13,141,900	12,234,300	69,200	51.65	48.08	0.272
Pre-tax income[1]	612,000	844,000	2,770	41.95	57.86	0.190
Taxable income[2]	548,000	742,000	2,508	42.40	57.41	0.194
Taxable income after net tax payable[3]	491,400	642,600	2,256	43.25	56.55	0.199
Taxable income after net tax payable and payment of refundable credits[4]	522,800	649,500	2,352	44.51	55.29	0.200
After-tax income[5]	586,800	751,500	2,614	43.76	56.04	0.195
Change in the group's amount (in $) and share (in pp[6]) of income before and after tax	-$25,200	-$92,500	-$156	+1.80pp	-1.81pp	+0.005pp
Change in the group's amounts (in %) and ratio of income before and after tax[7]	-4.1%	-11.0%	-5.6%	1.04	0.97	1.03

Note – Given that transgender or non-binary people represent a very small proportion of tax filers, shares were rounded to the nearest thousandth to be able to observe the redistributive impact of the tax system towards this group. For other smaller groups considered in this study, rounding to the nearest hundredth or tenth was sufficient.

1 Refers to personal disposable income before the application of the federal PIT system.

2 Refers to line 26000 of the personal income tax return, i.e., the income used to calculate federal tax payable. Comparing total taxable income to total pre-tax income captures the overall impact of adjustments, exemptions, and deductions. A proportion of taxable income that is higher than the proportion of pre-tax income indicates a negative redistributive impact towards the group.

3 Comparing taxable income after net tax payable to total taxable income captures the overall impact of the application of the federal tax rate structure and non-refundable credits (including the Basic Personal Amount). A proportion of taxable income after net tax payable that is higher than the proportion of taxable income indicates a positive redistributive impact towards the group.

4 Comparing taxable income after net tax payable and the payment of refundable credits to taxable income after net tax payable captures the overall impact of refundable credits. A proportion of taxable income after net tax payable and payment of refundable credits that is higher than the proportion of taxable income after net tax payable indicates a positive redistributive impact towards the group. Unlike previous GBA Plus studies, transfers of tax withholdings on split pension income were not taken into account in this component. In the 2019 study, it was found that these transfers contributed to increasing the redistributive impact of income towards women by 0.1 pp in 2016.

5 After-tax income refers to pre-tax income less the amount of net tax payable after payment of refundable credits (the amount of net tax payable after payment of refundable credits is the difference between "taxable income" and "taxable income after net tax payable and payment of refundable credits"). Comparing after-tax income to pre-tax income captures the overall redistributive impact of the federal PIT system. A proportion of after-tax income that is higher than the proportion of pre-tax income indicates a positive overall redistributive impact towards the group.

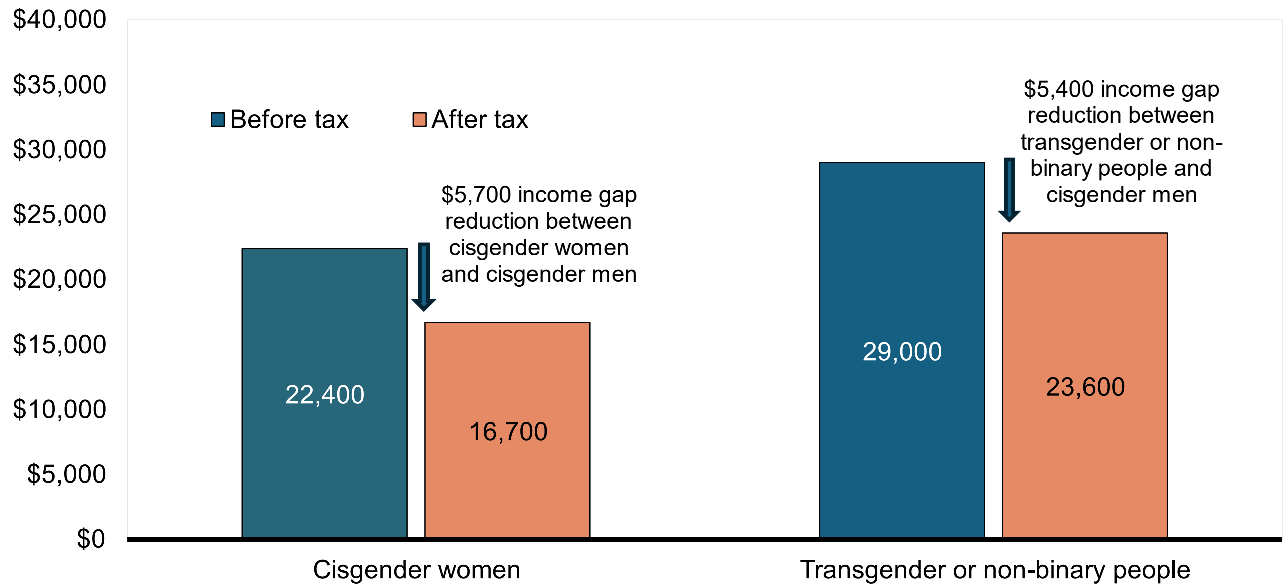
6 "pp" stands for percentage points.

7 Given that transgender or non-binary people (along with members of some other identity groups considered in this study) represent a very small proportion of all tax filers, it is difficult to observe the overall redistributive impact of the federal PIT system based on the change in pp of their share of income before and after the application of the tax system. This impact can be better observed by calculating a ratio of the share of income held by these small groups after payment of federal tax relative to the share they held before this payment.

Source: 2021 Census of Population data linked to 2020 T1 returns.

Chart 1

Average personal income gap with the highest income group among the three gender identity groups considered (i.e., cisgender men), before and after the application of the federal PIT system, 2020



Source: 2021 Census of Population data linked to 2020 T1 returns.

b) By tax filers' age group

Given that transgender or non-binary people's age profile differs considerably from that of cisgender people, it is worth asking whether the observed overall redistributive impact towards this group is more closely tied to the impact of age than the impact of gender identity. To shed some light on this question, we repeated the comparison exercise among tax filers in different age groups: first among those under age 40 (who comprised nearly two thirds of tax filers who identified as transgender or non-binary), and then among those aged 40 and over.[22]

This second comparison exercise (Table 4) shows that the PIT system continues to have a redistributive impact towards transgender or non-binary people when age group is taken into account, albeit to a slightly lesser degree. Specifically, the ratios of the share of total after-tax income held by these individuals relative to their share of pre-tax income are lower within both age groups considered than among this group as a whole (1.02 and 1.01 among tax filers aged 18 to 39 and 40 and over, compared to 1.03 among tax filers of all ages). This translates into a reduction in the gap between transgender or non-binary people's and cisgender men's average income of about $4,300 among the youngest tax filers (compared to a reduction of $5,400 among all tax filers), as well as a reduction of $4,100 among older tax filers. These results indicate that the specific age profile of transgender or non-binary people does indeed play a role in explaining how the federal PIT system redistributes income towards this group.

[22] Sampling issues limit the ability to conduct in-depth analyses by age group. In this context, splitting the population into two age groups was considered the most realistic option in order to examine whether the particular age profile of a diversity group plays a certain role in the way in which the federal PIT system redistributes income towards this group. The threshold of 40 years was selected because it minimizes the average age gap observed between transgender or non-binary people and other people. Notably, among tax filers in these two age groups, the average ages of transgender or non-binary people (27.4 and 58.6 years old) are much closer to those of cisgender men and cisgender women (29.5 and 60.2 years old, and 29.7 and 60.6 years old, respectively) than among the entire population (see Table 2). Regardless of age group, the average pre-tax personal and family income of transgender or non-binary people remains significantly lower than that of cisgender men (results not shown). Although transgender or non-binary people's average pre-tax income is also lower than that of cisgender women among tax filers under age 40, this is not the case among tax filers aged 40 and over.

Table 4
Based on the change in the share of income held by each group, identification of the overall impact of the federal PIT system towards cisgender women and transgender or non-binary people, within different age groups of tax filers, 2020

	Cisgender women			Transgender or non-binary people		
	All ages	**18–39 years**	**40 years and over**	**All ages**	**18–39 years**	**40 years and over**
Share of tax filers (%)	51.65	50.79	52.10	0.272	0.510	0.147
Share of total pre-tax income (%)	41.95	43.03	41.57	0.190	0.355	0.128
Share of total after-tax income (%)	43.76	45.88	42.95	0.195	0.362	0.129
Ratio of the share of income held by the group before and after tax	1.04	1.07	1.03	1.03	1.02	1.01

Note – See notes below Table 3 for further details on definitions.
Source: 2021 Census of Population data linked to 2020 T1 returns.

3.1.3 Redistributive impact of tax expenditures by gender identity

a) Among all tax filers

For each of the tax expenditures selected for the purposes of this study, Table A.1 (presented in Annex A) shows the share of benefits received by all cisgender women, cisgender men, and transgender or non-binary people relative to the share of pre-tax personal income reported by each of these groups. The resulting ratios allow us to identify the PIT expenditures that especially benefit each of the gender identity groups considered, and thus those that have contributed to the redistribution of income between these groups.

Table 5 below lists the top six federal PIT expenditures for transgender or non-binary tax filers in 2020, based on the ratios presented in Table A.1 and without taking into account the total cost of each tax expenditure. At the top of the list is the non-taxation of social assistance benefits, followed by the Refundable Medical Expense Supplement, the Canada Workers Benefit and three education-related tax expenditures (the Tuition Tax Credit – for self, the Student Loan Interest Credit and the Canada Training Credit).

In general, Table A.1 shows that the tax expenditures that benefit transgender or non-binary people relatively more are similar to those identified as benefiting younger tax filers.[23] These are associated with the recognition of certain costs related to employment, education, moving or purchasing a first home. As mentioned earlier, transgender or non-binary tax filers are much younger on average than other tax filers. It is therefore possible that their specific age profile better explains these results than the fact that they identify as transgender or non-binary (see the following section for a more in-depth analysis by age group).

Since the Basic Personal Amount (BPA) represents a larger proportion of the pre-tax income of lower-income groups, transgender or non-binary tax filers benefit relatively more from the BPA. This group also especially benefits from most refundable credits since they generally target lower-income populations. The only exception is the Canada Child Benefit, which was expected given that, overall, transgender or non-binary tax filers are less likely to live in families with children. This likely explains why, unlike for female tax filers, it was not refundable credits, but rather the progressive rate structure and non-refundable credits that, among the major components of the federal PIT system, had the most important redistributive impacts towards transgender or non-binary people in 2020.

While the 2021 study found that older tax filers benefit relatively more from the Political Contribution Tax Credit, Table A.1 shows that transgender or non-binary people are also a group that especially benefits from the credit, despite their relatively young age profile. This suggests that this group participates proportionally more in the donation aspect of the electoral process.

[23] Department of Finance Canada, *Report on Federal Tax Expenditures: Concepts, Estimates and Evaluations 2021*, "Gender-Based Analysis Plus of Federal Personal Income Tax Measures: Impacts by Identity Factors other than Gender", pp. 372–373.

Table 5

The top six federal tax expenditures that most benefited transgender or non-binary tax filers (a group that represented 0.27% of tax filers and reported 0.19% of total pre-tax income), 2020

	Tax expenditures	Ratio	% of benefits received by this group	Total cost* ($ million)
1st	Non-taxation of social assistance benefits	3.7	0.71	425
2nd	Refundable Medical Expense Supplement	3.1	0.60	120
3rd	Canada Workers Benefit	2.9	0.56	900
4th	Tuition Tax Credit – for self	2.8	0.53	2,100 (tot.)
5th	Student Loan Interest Credit	2.7	0.51	25
6th	Canada Training Credit	2.5	0.48	100

Note – Total cost refers to the estimated cost of the tax expenditure for all tax filers, not just those in the identity group of interest for this table.
Sources: 2021 Census of Population data linked to 2020 T1 returns; **2024 Report on Federal Tax Expenditures (2020 estimate).*

b) By tax filers' age group

To determine whether the conclusions drawn in the previous section remain similar regardless of the age group of tax filers considered, ratios of the share of benefits received by transgender or non-binary people relative to their share of pre-tax personal income were also calculated among tax filers under 40, and then among those aged 40 and over (Annex A, Table A.2). Although a larger number of ratios by age group could not be disclosed due to confidentiality standards established by Statistics Canada's Centre for Income and Socioeconomic Well-being Statistics, certain observations could be made based on the ratios that could be disclosed.

Among other things, ratios by age show that the majority of the conclusions in the previous section remain unchanged, regardless of the age group of tax filers considered[24]. They confirm that the six federal PIT expenditures identified as benefiting the most transgender or non-binary people among all tax filers (including those recognizing education-related costs) also especially benefit this group among tax filers under 40 and those aged 40 and over.

On the other hand, the ratios suggest that for some tax expenditures, taking the age group into account somewhat changes the conclusions that can be drawn. In particular, they show that tax expenditures related to employment especially benefit transgender or non-binary people among tax filers aged 40 and over. Furthermore, while the entire population of transgender or non-binary people was not found to have especially benefited from certain health-related tax expenditures (including the Disability Tax Credit and the Medical Expense Tax Credit), these measures do appear to benefit this group when age group is taken into account. More nuanced results are also obtained for tax expenditures related to the presence of children in the family (the Child Care Expense Deduction and the Canada Child Benefit) or investments (dividend gross-up and tax credit as well as the deduction of interest and carrying charges incurred to earn investment income), since transgender or non-binary people are found to especially benefit from these measures among the population aged 40 and over. Conversely, transgender or non-binary people are found to be advantaged by the credit for subscriptions to Canadian digital news media and the foreign tax credit among the population under age 40. These results suggest that, for certain tax expenditures, the specific age structure of transgender or non-binary people may mask or amplify certain redistributive impacts attributable to gender identity.

It is therefore important to emphasize that some of the results obtained for the entire population of transgender or non-binary people (especially results that tend to vary depending on the age group considered) may be the product of a transitory phenomenon where younger generations may be more open to report their transgender or non-binary identity in the context of a survey or more willing to reveal this identity at an earlier stage of their life. These results may change in future years if the younger age profile of transgender or non-binary people evolves towards one that is more in line with the rest of the population.

[24] Some of the results observed among people under 40 and people 40 and over may also have been influenced by the age structure within these two groups, which could not be taken into account due to data limitations.

3.2 Immigration history

The 2021 Census of Population includes information on immigration history that comes directly from Immigration, Refugees and Citizenship Canada's administrative records (i.e., this is not self-reported information). This information helps identify individuals' immigration status, i.e., whether they were born in Canada, are immigrants or permanent residents, or are non-permanent residents. It also provides information on:

- Immigration year – used to determine whether or not immigrants were recently admitted to Canada.
- Admission category – designating the name of the program under which immigrants were admitted.
- Applicant type – indicating whether an individual's immigration application was submitted as a principal applicant, spouse or dependant.

In census products, recent immigrants are defined as people who obtained landed immigrant or permanent resident status up to five years prior to the census (i.e., from January 1, 2016, to May 11, 2021). In this study, this group was extended to all people who obtained this status as of January 1, 2010. This period of just over 10 years is more consistent with the definition used to study immigrant populations who are significantly more economically vulnerable, notably those facing higher poverty rates than the rest of the Canadian population.[25]

3.2.1 Profile of tax filers by immigration history

Immigrants—including those who have been granted permanent and non-permanent resident status—represented nearly 30% of the adult census population who filed an income tax return for the 2020 tax year. About a third of them were admitted to Canada since 2010 and are categorized in the "recent immigrants" group, while the remaining two thirds are categorized as "non-recent immigrants." Table 6 illustrates some differences between the demographic and socioeconomic characteristics of tax filers born in Canada and people in the "non-recent immigrants" and "recent immigrants" groups.

While some characteristics of non-recent immigrants are more similar to those of Canadian-born people than those of recent immigrants, including income level, education profile and/or homeowner status, non-recent immigrants are on average older and much more likely to live in an urban area than people born in Canada.

Recent immigrants have a profile that is even more distinct from people born in Canada. In the last census, they were much more likely to live in an urban area, as were non-recent immigrants. However, unlike non-recent immigrants, the age profile of recent immigrants was considerably younger on average (about 10 years younger) than that of Canadian born, and they were much more likely to live in families with children. Furthermore, although a greater proportion of recent immigrants had more than a high school diploma, they were more likely to have pre-tax personal incomes in the bottom of the income distribution (first quartile), and their average personal and family income levels were significantly lower than those of both Canadian-born and non-recent immigrant tax filers. They were also much less likely to occupy a home that their family owned.

Chart 2 below shows some differences in the age and income profile of individuals in the recent immigrants group according to their admission category. Unsurprisingly, those admitted in the "economic immigrant" category—who represented the largest proportion of the recent immigrants group (47.2%)—had average personal and family incomes that were closest to those of Canadian-born tax filers and non-recent immigrants. Recent immigrants admitted under the "refugee" category were the most economically vulnerable, in terms of both personal and family income, followed by recent immigrants admitted under the "other and non-permanent resident" category, who represented 9.4% and 21.4% respectively of the overall "recent immigrants" group. Tax filers in this category were also the youngest on average, which is not necessarily surprising given that international students are included in this subgroup of recent immigrants.

[25] According to the Canadian Income Survey, 8.6% of the Canadian-born population aged 15 and over lived below the poverty line in 2022, while poverty rates were 14.0% for immigrants who arrived within the previous 10 years and 16.4% for those who arrived within the previous 5 years.

Table 6

Demographic and socioeconomic profile of the population of interest, by tax filers' immigration history, 2020

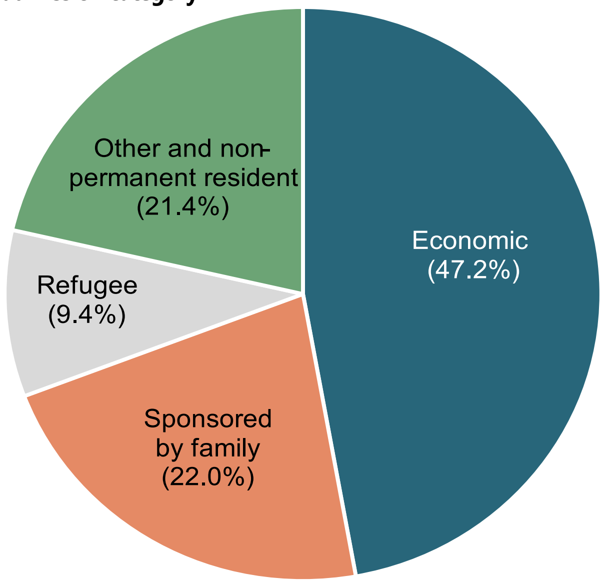
	People born in Canada	Non-recent immigrants	Recent immigrants
Population of interest	17,943,300	5,011,400	2,490,500
Distribution by sex assigned at birth (%)			
Men	48.5	47.1	48.4
Women	51.5	52.9	51.6
Distribution by age group (%)			
Under 30 years	18.8	7.0	26.9
Frome 30 to 49 years	31.6	27.7	58.2
From 50 to 64 years	26.4	32.5	10.3
65 years or more	23.2	32.7	4.6
Average age (years)	49.5	56.6	38.1
Distribution by family type (%)			
Unattached person without children	36.7	30.0	32.2
Unattached person with children	3.5	2.8	3.2
Person in a couple with children	20.7	23.1	40.0
Person in a couple without children	39.2	44.0	24.6
Distribution by area of residence (%)			
Urban (inside CMAs)	66.5	92.2	92.7
Remote (outside CMAs)	33.5	7.8	7.3
Distribution by pre-tax personal income group (%)			
Bottom quartile	22.9	27.3	35.7
Second and third quartiles	50.3	49.2	49.8
Top quartile	26.9	23.5	14.5
Average pre-tax personal income ($)	60,000	55,900	40,800
Average pre-tax adjusted family income ($)	69,000	65,100	46,200
Distribution by highest level of education attained (%)			
High school diploma	41.0	38.7	27.1
More than high school diploma	59.0	61.3	72.9
Distribution by housing tenure (%)			
Owner	75.7	78.9	48.0
Renter	24.3	21.1	52.0

Note – See notes below Tables 1 and 2 for further details on definitions.
Source: 2021 Census of Population data linked to 2020 T1 returns.

Chart 2

Distribution and age and pre-tax income profile of members of the "recent immigrants" group, by admission category[1], 2020

Distribution of recent immigrants by admission category



Age and pre-tax income profile of recent immigrants by admission category

	Average age	Average personal income	Average adjusted family income
Economic	38.0 years	$52,400	$56,700
Sponsored by family	43.3 years	$31,300	$43,500
Refugee	39.3 years	$25,500	$25,300
Other and non-permanent resident	32.4 years	$31,600	$34,700

[1] This categorization does not take into account the type of applicant, i.e., whether the person who immigrated was admitted as a principal applicant, spouse or dependant.

Source: 2021 Census of Population data linked to 2020 T1 returns.

3.2.2 Overall redistributive impact by immigration history

a) Among all tax filers

Table 7 shows that overall, recent immigrants, who represented 9.8% of adult tax filers in the 2020 tax year, reported 7.0% of total pre-tax income. Non-recent immigrants also reported a slightly lower share of total pre-tax income (19.2%) than the share of the tax filers they represented (19.7%), while an opposite pattern is observed for people born in Canada.

A comparison of the income shares held by people born in Canada and immigrants shows that the 2020 federal PIT system had a slight redistributive impact between these groups, and more particularly towards recent immigrants. The share of total after-tax income held by recent immigrants (7.32%) was 1.05 times higher than the share of total pre-tax income reported by this group (6.98%). Among the major components of the tax system, refundable credits appear to have the greatest redistributive impact towards recent immigrants, while adjustments, exemptions and deductions seem to play a more important redistributive role towards non-recent immigrants.

Chart 3 below illustrates that this overall redistributive impact led to a $3,800 reduction in the average personal income gap between recent immigrants and Canadian-born tax filers, and a $900 reduction between non-recent immigrants and Canadian-born tax filers.

Among the group of recent immigrants, Chart 4 suggests that those admitted as refugees, followed by those sponsored by a family member, saw their average personal income gap with Canadian-born tax filers narrow the most following the application of the federal PIT system. For these two subgroups of recent immigrants, the system led to reductions in the average income gap of around $8,500 and $5,200 respectively.

Table 7

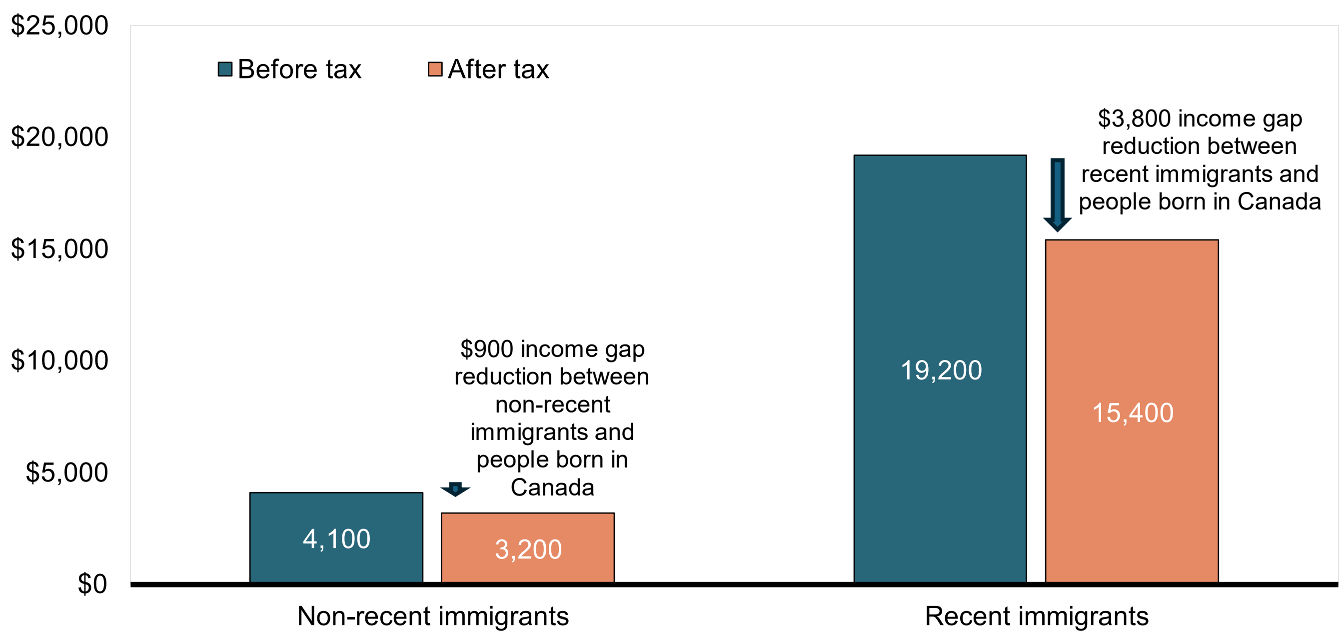
Total amounts and percentage of total amounts of various concepts of personal income and considering various concepts of federal tax payable, by immigration history, 2020

	Amount in millions ($)			Percentage (%)		
	People born in Canada	Non-recent immigrants	Recent immigrants	People born in Canada	Non-recent immigrants	Recent immigrants
Number and proportion of tax filers	17,943,200	5,011,400	2,490,500	70.52	19.69	9.79
Pre-tax income	1,076,000	280,000	101,720	73.81	19.21	6.98
Taxable income	954,000	244,800	93,520	73.82	18.94	7.24
Taxable income after net tax payable	836,600	215,700	83,732	73.64	18.99	7.37
Taxable income after net tax payable and payment of refundable credits	861,160	223,420	89,815	73.33	19.02	7.65
After-tax income	983,160	258,620	98,015	73.38	19.30	7.32
Change in the group's amount (in $) and share (in pp) of income before and after tax	-$92, 840	-$21,380	-$3,705	-0.43pp	0.09pp	0.34pp
Change in group's amounts (in %) and ratio of the share of income before and after tax	-8.6%	-7.6%	-3.6%	0.99	1.00	1.05

Note – See notes below Table 3 for further details on definitions.
Source: 2021 Census of Population data linked to 2020 T1 returns.

Chart 3

Average personal income gap with the highest income group among the three immigration history groups considered (i.e., people born in Canada), before and after the application of the federal PIT system, 2020



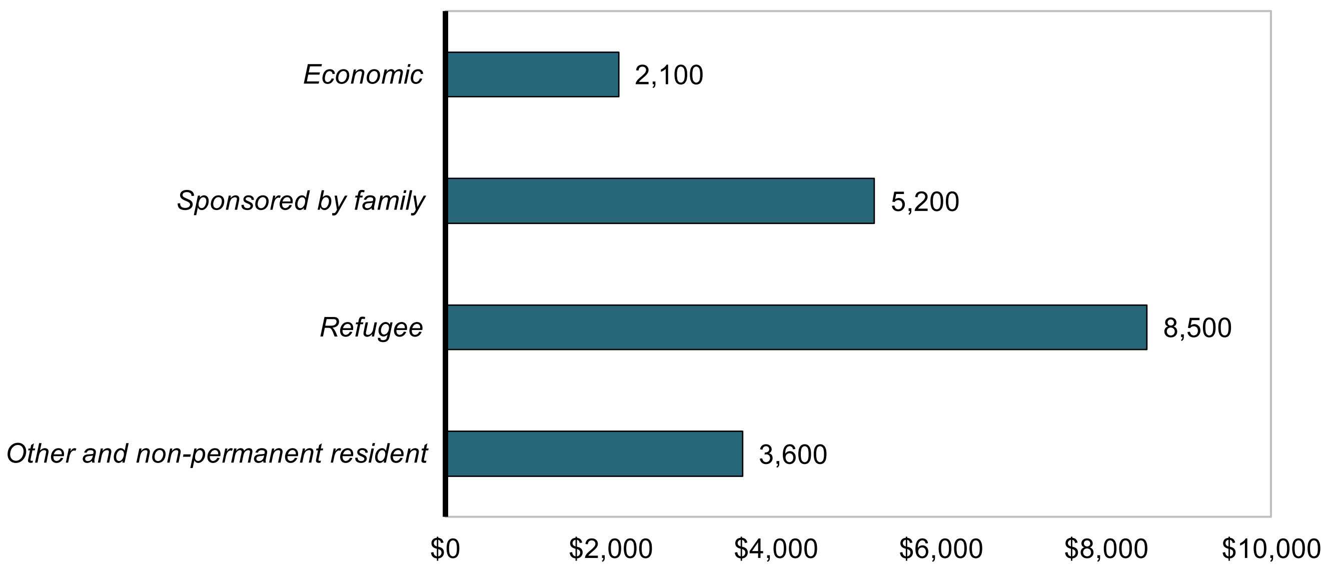
Source: 2021 Census of Population data linked to 2020 T1 returns.

Chart 4

Average personal income gap between recent immigrants and people born in Canada, by admission category of recent immigrants, before and after the application of the federal PIT system, 2020

	Average pre-tax income gap with people born in Canada	Average after-tax income gap with people born in Canada
Recent immigrants by admission category		
Economic	$7,600	$5,500
Sponsored by family	$28,700	$23,500
Refugee	$34,500	$26,000
Other and non-permanent resident category	$28,400	$24,800

Reduction in the average income gap between the recent immigrant group and people born in Canada due to the application of the PIT system



Source: 2021 Census of Population data linked to 2020 T1 returns

b) By tax filers' age group

The age profiles of non-recent and recent immigrants are also distinct from the rest of the population. Non-recent immigrants are older on average than people born in Canada, while the opposite is true for recent immigrants. By examining the redistributive impacts within two distinct age groups, i.e., tax filers under 40 and those aged 40 and over, it was possible to determine whether different redistributive impacts emerge when age group is taken into account.[26]

[26] Among tax filers in these two age groups, the average ages of non-recent immigrants (31.1 and 61.9 years) and recent immigrants (30.6 and 51.1 years) are closer to those of people born in Canada (29.1 and 60.5 years) than among the entire population (see Table 6). However, a significant gap remains between recent immigrants and the Canadian-born population among tax filers aged 40 and over, with recent immigrants remaining much younger on average (51.1 versus 60.5 years).

Dividing the population into two age groups shows that first, unlike non-recent immigrants aged 40 and over, non-recent immigrants under 40 (who are thus more likely to have been admitted to Canada at a young age) report incomes that are, on average, higher than those of people born in Canada in the same age group.[27] Despite this finding, Table 8 indicates that the federal PIT system remains slightly redistributive towards this group (especially due to refundable credits). It also shows that this slight redistributive impact towards the non-recent immigrant group is slightly less pronounced than among the population aged 40 and over. In this latter age group, available exemptions appear to provide a somewhat greater benefit to non-recent immigrants than to the rest of the population.

Table 8 also confirms an overall positive redistributive impact towards recent immigrants (more significant than towards non-recent immigrants) within the two age groups considered (mainly due to refundable credits). While the redistributive impact towards recent immigrants is more pronounced among older tax filers (ratio of 1.04 among those aged 40 and over compared to 1.02 among those under 40), they are both slightly lower than the overall redistributive impact observed among all tax filers (1.05).

Table 8

Based on the change in the share of income held by each group, identification of the overall impact of the federal PIT system towards non-recent immigrants and recent immigrants, within different age groups of tax filers, 2020

	Non-recent immigrants			Recent immigrants		
	All ages	18–39 years	40 years and over	All ages	18–39 years	40 years and over
Share of tax filers (%)	19.69	9.98	24.78	9.79	18.05	5.46
Share of total pre-tax income (%)	19.21	10.58	22.48	6.98	15.05	3.92
Share of total after-tax income (%)	19.30	10.64	22.75	7.32	15.41	4.09
Ratio of the share of income held by the group before and after tax	1.005	1.005	1.012	1.048	1.024	1.043

Note – See notes below Table 3 for further details on definitions.
Source: 2021 Census of Population data linked to 2020 T1 returns.

3.2.3 Redistributive impact of tax expenditures by immigration history

a) Among all tax filers

To examine how specific tax expenditures contributed to overall trends in income redistribution towards immigrants, the total benefits associated with the list of the 55 selected PIT expenditures were disaggregated by immigration history. Based on our preferred indicator (ratios of the share of total benefits of a tax measure received by a group relative to the share of total pre-tax income reported by that group), each expenditure was then classified as being more or less beneficial for each of the immigrant groups considered (i.e., non-recent and recent immigrants).

The ratios presented in Table B.1 in Annex B highlight significant differences in tax expenditures that especially benefit non-recent and recent immigrants. Consistent with their particular age profile, non-recent immigrants tend to benefit proportionally more from tax expenditures that generally favour older tax filers, such as the non-taxation of the Guaranteed Income Supplement and Allowance benefits, or those related to capital accumulation and investments, health or support for dependants. However, unlike older tax filers as a whole (i.e., the age 55 and over category as defined in the 2021 GBA Plus study), overall, non-recent immigrants do not especially benefit from the non-taxation of workers' compensation benefits, the Medical Expense Tax Credit or the Political Contribution Tax Credit. The same is true for the Pension Income Credit and pension income splitting, suggesting that a relatively lower proportion of tax filers in this group reported pension income that made them eligible for these tax expenditures.

[27] This result is consistent with data released by Statistics Canada in 2024 which concluded that "immigrants admitted to Canada as children are generally more likely to participate in postsecondary education during early adulthood and report higher median wages at the age of 25 years compared with the reference set of all tax filers who are the same age in Canada."

Tax expenditures that especially benefit recent immigrants differ considerably from those favoring non-recent immigrants. Recent immigrants tend to benefit more from tax expenditures related to education for self, employment, children, moving expenses and purchasing a first home, which is consistent with their younger age profile. They also benefit relatively more from tax expenditures that generally benefit lower-income populations, including most refundable credits and the non-taxation of social assistance benefits.

In contrast, certain tax expenditures especially benefit both non-recent and recent immigrants, notably the foreign tax credit and the Spouse or Common-Law Partner Credit. The Tuition Tax Credit also benefits both groups, the difference being that non-recent immigrants especially benefit from the portion of the credit transferred from a dependant, while recent immigrants benefit most from the portion claimed for self, which again is consistent with their distinct age profile.

Table 9 presents the top six federal PIT expenditures for non-recent and recent immigrants in 2020 (based on the ratios presented in Table B.1 and without taking into account the total cost of each tax expenditure). Table 10 provides an overview of the top three tax expenditures for non-recent and recent immigrant women+ and men+.[28]

Table 9
The top six federal tax expenditures for non-recent and recent immigrants, 2020

	Non-recent immigrants (group that represented 19.7% of tax filers and reported 19.2% of total pre-tax income)				**Recent immigrants (group that represented 9.8% of tax filers and reported 7.0% of total pre-tax income)**			
	Tax expenditures	**Ratio**	**% of benefits received by this group**	**Total cost ($ million)**	**Tax expenditures**	**Ratio**	**% of benefits received by this group**	**Total cost ($ million)**
1st	Tuition Tax Credit – transferred from a dependant	2.02	38.8	2,100 (tot.)	First-Time Home Buyers' Tax Credit	3.88	27.0	130
2nd	Non-taxation of Guaranteed Income Supplement and Allowance benefits	1.95	37.4	245	Tuition Tax Credit – for self	3.34	23.3	2,100 (tot.)
3rd	Foreign tax credit	1.70	32.6	2,055	Spouse or Common-Law Partner Credit	3.00	20.9	1,680
4th	Capital loss and non-capital loss carry-overs & deduction of allowable business investment losses	1.67	32.0	n.a.	Canada Workers Benefit	2.66	18.5	900
5th	Canada Caregiver Credit	1.64	31.4	240	Canada Training Credit	2.59	18.1	100
6th	Home Accessibility Tax Credit	1.37	26.3	15	Canada Child Benefit	2.56	17.8	26,800

Note – See notes below Table 5 for further details on definitions.
Sources: 2021 Census of Population data linked to 2020 T1 returns; *2024 Report on Federal Tax Expenditures (2020 estimate).*

[28] Due to the small size of the non-binary population, gender data was aggregated into two categories in the 2021 Census of Population products. Those in the "non-binary" category have been divided into two categories: 1) men+, which includes cisgender or transgender men (and/or boys), as well as some non-binary people, and 2) women+, which includes cisgender or transgender women (and/or girls), as well as some non-binary people.

Table 10

The top three federal tax expenditures for non-recent and recent immigrant women+ and men+,[1] 2020

	Immigrants			
	Non-recent		Recent	
	Women+	Men+	Women+	Men+
1st	Non-taxation of Guaranteed Income Supplement and Allowance benefits	Tuition Tax Credit – transferred from a dependant other than a spouse	Canada Child Benefit	First-Time Home Buyers' Tax Credit
2nd	Canada Child Benefit	Capital loss and non-capital loss carry-overs & deduction of allowable business investment losses	Tuition Tax Credit – for self	Spouse or Common-Law Partner Credit
3rd	Tuition Tax Credit – transferred from a dependant other than a spouse	Foreign tax credit for individuals	Canada Training Credit	Tuition Tax Credit – for self

[1] The "men+" gender includes cisgender or transgender men (and/or boys), as well as some non-binary people, while the "women+" category includes cisgender or transgender women (and/or girls), as well as some non-binary people.

Source: 2021 Census of Population data linked to 2020 T1 returns.

Among other things, Tables 9 and 10 show that the Tuition Tax Credit is among the tax expenditures that benefit non-recent and recent immigrants the most, whether they be men+ or women+. In fact, our results suggest that most tax expenditures that are found to benefit non-recent and recent immigrants the most do so regardless of gender, although some tax expenditures are not necessarily among the top three measures most beneficial to immigrants. Only a few measures favor only immigrant women+, namely those related to the presence of children or dependants, including the Canada Child Benefit and Child Care Expense Deduction—two measures that include rules on who must claim in the family and that result in women, whether immigrants or not, being the main beneficiaries.[29] On the contrary, among the tax expenditures that are the most beneficial to immigrants, just one only benefits immigrant men+, namely the deduction for clergy residence. While among non-recent immigrants the Spouse or Common-Law Partner Credit only benefits men+, this is not the case among recent immigrants. In this latter group, both men+ and women+ benefit relatively more from this credit.

b) By tax filers' age group

Ratios of the proportion of benefits received by non-recent and recent immigrants relative to their respective shares of pre-tax income were recalculated among tax filers under 40 and those aged 40 and over. These ratios make it possible to determine whether the positive or negative redistributive impacts found among all tax filers remain valid regardless of age group.

Overall, Tables B.2 and B.3 presented in Annex B suggest that the main conclusions discussed in the last section hold among both younger and older tax filers. The six tax expenditures that benefit non-recent and recent immigrants the most among all tax filers also favor these groups within the two age groups considered.

However, for some tax expenditures, the overall findings do not necessarily apply to all age groups. Notably, Table B.2 shows that some of the tax expenditures that do not benefit non-recent immigrants among all tax filers do benefit this group when age group is taken into account. This is the case for the Canada Workers Benefit as well as the Child Care Expense Deduction, which benefit non-recent immigrants among tax filers aged 40 and over. When age group is taken into account, non-recent immigrants also appear to benefit relatively more from the Canada Child Benefit and the Student Loan Interest Credit among both younger tax filers and those aged 40 and over. A similar phenomenon is observed among younger tax filers with respect to the credit for subscriptions to Canadian digital news media and the Canada Training Credit. However, the Disability Tax Credit no longer benefits non-recent immigrants more when age group is taken into account.

[29] Department of Finance Canada, *Report on Federal Tax Expenditures: Concepts, Estimates and Evaluations 2020*, "Gender-Based Analysis Plus of Federal Personal Income Tax Expenditures With Family Components," p. 332-334.

Table B.3 shows that some tax expenditures that appear in favor of recent immigrants among all tax filers are, in fact, beneficial to this group only among the older population. These include tax expenditures recognizing employment and education-related costs, as well as certain measures relating to family or income support, including the non-taxation of social assistance benefits, the Child Care Expense Deduction, and the Refundable Medical Expense Supplement.

Moreover, although the deduction for clergy residence is found to favor both groups of immigrants considered (non-recent and recent immigrants) among all tax filers, this benefit only holds true among the population aged 40 and over.

3.3 Ethnocultural diversity

The information on ethnocultural diversity characteristics collected in the census includes Indigenous identity and racialized identity. The "Indigenous identity" classification refers to whether the person identified with the Indigenous peoples of Canada. This includes those who identify as First Nations (North American Indian), Métis and/or Inuk (Inuit), and/or those who report being Registered or Treaty Indians (that is, registered under the Indian Act of Canada), and/or those who report being a member of a First Nation or an Indian band.[30] The term “racialized group” is based on the concept of “visible minority” in the Census. Visible minority refers to whether a person is a visible minority or not, as defined by the *Employment Equity Act*. The *Employment Equity Act* defines visible minorities as "persons, other than Aboriginal peoples, who are non-Caucasian in race or non-white in colour".[31,32]

In the census products, these two ethnocultural diversity characteristics are presented separately. There is a classification according to a person’s Indigenous identity (Indigenous identity or not, regardless of racialized identity), and another classification according to a person’s racialized identity (people identifying as being part or not of racialized groups regardless of their immigration history). According to census definitions and concepts, persons of Indigenous identity and persons who are Caucasian in race or white in colour are classified as non-racialized people. This is also the case in this study, except that they have been divided into two categories, namely “persons who are Caucasian in race or white in colour” and “people of Indigenous identity.” This classification into three mutually exclusive groups (i.e., “people who are Caucasian in race or white in colour,” “people of Indigenous identity” and “racialized people”[33]) allows for an analysis that distinguishes between the impacts of two ethnocultural diversity characteristics available in the census data.

3.3.1 Profile of the tax filer population by ethnocultural diversity

In the 2021 Census, 3.8% of adult tax filers self-identified as a person of Indigenous identity and 24.6% as belonging to one or more racialized groups. The remaining 71.6% self-identified as neither racialized nor Indigenous and were classified in the “Caucasian in race or white in colour people” category.

Compared to people who are Caucasian in race or white in colour, racialized people were on average slightly younger and more likely to be in a couple with children or to live alone (Table 11). In the last census, over 95% of racialized people lived in an urban area, compared to just under 70% of people who are Caucasian in race or white in colour. While racialized people were slightly more likely to have more than a high school diploma, their pre-tax income level was on average lower than that of people who are Caucasian in race or white in colour. This group also included a greater proportion of renters.

30 Detailed information on the definitions and concepts used to establish Indigenous identity in the 2021 Census can be found at the following link: Indigenous Peoples Reference Guide, Census of Population, 2021 (statcan.gc.ca)

31 The process of modernizing the *Employment Equity Act* framework, which was initiated by the Government of Canada in 2021, could result in amendments to this Act in the coming months or years.

32 Detailed information on the definitions and concepts used to establish the population groups for the 2021 Census can be found at the following link: Visible Minority and Population Group Reference Guide, Census of Population, 2021 (statcan.gc.ca)

33 The few people who reported having both an Indigenous identity and racialized identity were classified in the “people of Indigenous identity” group.

Like racialized people, people of Indigenous identity were on average slightly younger than people who are Caucasian in race or white in colour. Their pre-tax personal and family incomes were also generally lower, and a smaller proportion of them owned their own home.

However, their education profile and distribution by area of residence and by gender differed from those of racialized people. Unlike racialized tax filers, people of Indigenous identity were much less likely to have more than a high school diploma and to live in an urban area, compared to people who are Caucasian in race or white in colour. In 2021, over half of people of Indigenous identity lived in a rural area, compared to under a third of white people and under 5% of racialized people. It is also interesting to note that, among people of Indigenous identity, women represented a slightly larger proportion of adult tax filers (54.6%) than among people who are Caucasian in race or white in colour (51.4%) or racialized (52.5%) people.

In the last census, individuals could disclose their Indigenous identity in a number of ways. In particular, they could do so by self-identifying as being part of the following identity groups: First Nations, Métis and/or Inuk (Inuit), and/or by self-identifying as having Registered or Treaty Indian status. Chart 5 shows that of the 962,000 adult tax filers who self-identified as Indigenous, just under half (42%) reported having Registered or Treaty Indian status. It also shows that the majority of Indigenous people self-identified as being part of the “First Nations” identity group (52.6%), followed by "Métis" (39.8%). Less than 8% of tax filers of Indigenous identity primarily self-identified with the “Inuk (Inuit)” group (3.8%) or with an “other” Indigenous identity (3.8%).

This chart also highlights a certain heterogeneity in the age and income profile of people of Indigenous identity according to Registered or Treaty Indian status and/or identity group. In fact, those identifying with the “Inuk (Inuit)” group are the youngest, on average. They also report the lowest average personal and family incomes. In contrast, Indigenous people who identify as “Métis” and/or who do not have Registered or Treaty Indian status report the highest average personal and family incomes.

Like people of Indigenous identity, racialized people are not a homogeneous population. This population consists of several subgroups of racialized minorities with distinct characteristics and realities who may potentially be impacted differently by the federal PIT system.[34] Due to confidentiality and statistical reliability issues, among other things, this group was only examined at the aggregate level in this study. Ways to better use available data and overcome limitations will be explored to improve future GBA Plus studies on tax expenditures by different subgroups of racialized people.

[34] In the census, the major subgroups designated as visible minorities are: South Asian, Chinese, Black, Filipino, Arab, Latin American, Southeast Asian, West Asian, Korean, Japanese and Other population groups.

Table 11

Demographic and socioeconomic profile of the population of interest, by ethnocultural diversity group, 2020

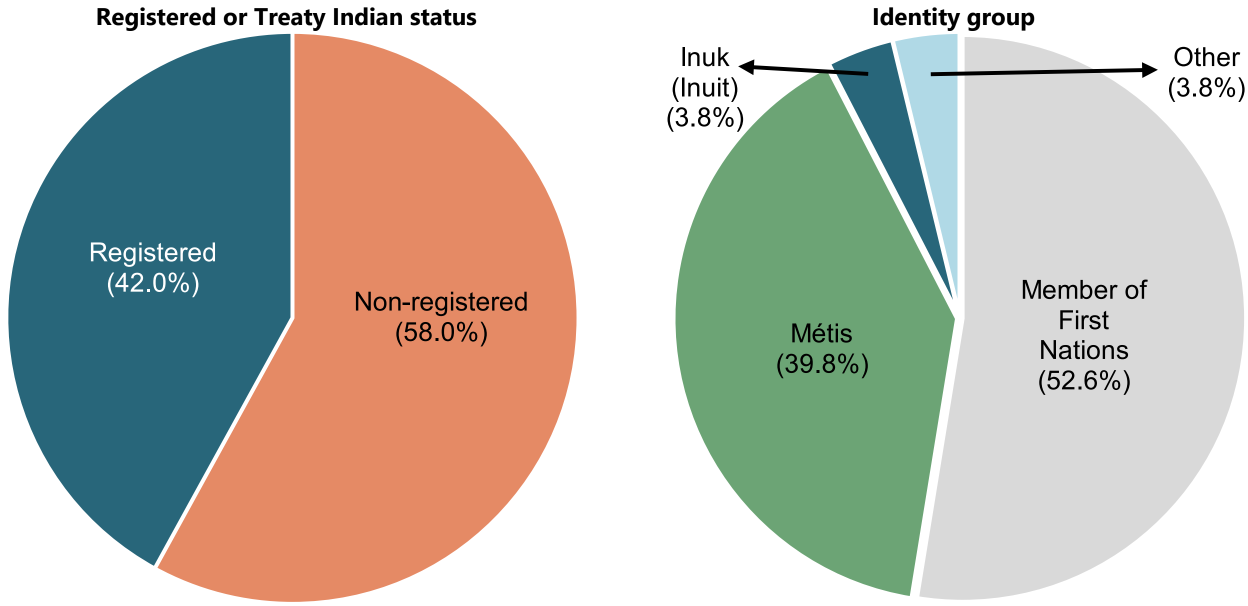
	People who are Caucasian in race or white in colour	People of Indigenous identity	Racialized people
Population of interest	18,219,200	962,000	6,264,200
Distribution by sex assigned at birth (%)			
Men	48.6	45.4	47.5
Women	51.4	54.6	52.5
Distribution by age group (%)			
Under 30 years	14.9	24.4	23.1
From 30 to 49 years	30.4	36.2	42.0
From 50 to 64 years	27.6	24.6	21.7
65 years or more	27.1	14.8	13.3
Average age (years)	52.0	45.1	44.3
Distribution by family type (%)			
Unattached person without children	34.0	39.2	37.1
Unattached person with children	2.9	8.6	3.5
Person in a couple with children	20.7	22.3	30.1
Person in a couple without children	42.4	29.9	29.4
Distribution by area of residence (%)			
Urban (inside CMAs)	68.1	48.3	95.8
Remote (outside CMAs)	31.9	51.7	4.2
Distribution by pre-tax personal income group (%)			
Bottom quartile	22.1	31.2	32.6
Second and third quartiles	50.5	50.4	48.6
Top quartile	27.5	18.4	18.8
Average pre-tax personal income ($)	61,600	46,000	46,800
Average pre-tax adjusted family income ($)	74,200	51,500	52,200
Distribution by highest level of education attained (%)			
High school diploma	40.0	53.4	34.7
More than high school diploma	60.0	46.6	65.3
Distribution by housing tenure (%)			
Owner	76.8	56.8	67.1
Renter	23.2	43.2	32.9

Note – See notes below Tables 1 and 2 for further details on definitions.
Source: 2021 Census of Population data linked to 2020 T1 returns.

Chart 5

Distribution and age and pre-tax income profile of the Indigenous identity population, by Registered or Treaty Indian status (labelled as Non-registered and Registered) and/or identity group, 2020

Distribution by Registered or Treaty Indian status and/or identity group



Age and pre-tax income profile by Registered or Treaty Indian status and/or identity group

	Average age	Average personal income	Average adjusted family income
Registered or Treaty Indian status			
Non-registered	45.7 years	$48,700	$55,600
Registered	44.2 years	$42,400	$45,600
Identity group			
First Nations	44.6 years	$42,700	$46,700
Métis	45.9 years	$50,600	$57,800
Inuk (Inuit)	33.0 years	$36,100	$37,600
"Other" Indigenous identity	47.7 years	$46,900	$53,800

Source: 2021 Census of Population data linked to 2020 T1 returns.

3.3.2 Overall redistributive impact by ethnocultural diversity

a) Among all tax filers

Table 12 shows that, in contrast with people who are Caucasian in race or white in colour, the proportions of total pre-tax income held by people of Indigenous identity and racialized people were lower than the proportions of tax filers they represented in 2020. However, a comparison of the total income held by these different groups before and after the application of the federal PIT system shows an overall redistributive impact towards these groups. This comparison indicates that the respective shares of total income held by people of Indigenous identity and racialized people are 1.06 and 1.03 times higher following the application of the federal PIT system.

By comparing different concepts of income, Table 12 also shows that, among the major components of the federal PIT system, adjustments, exemptions, and deductions have the most pronounced redistributive impact towards people of Indigenous identity, followed by refundable credits. In contrast, the redistributive impact towards racialized people appears to be due first to refundable credits and second to the progressive tax rate structure and non-refundable credits.

Table 12 also shows that the overall redistributive impact of the federal PIT system towards people of Indigenous identity and racialized people appears to correspond with respective reductions of $99.8 billion and $84.9 billion between the total income held by these groups and the total income held by people who are Caucasian in race or white in colour. This equates to reductions in the average income gap observed between these same groups of around $4,500 and $3,000, respectively, when comparing pre- and after-tax income (Chart 6).

Table 12

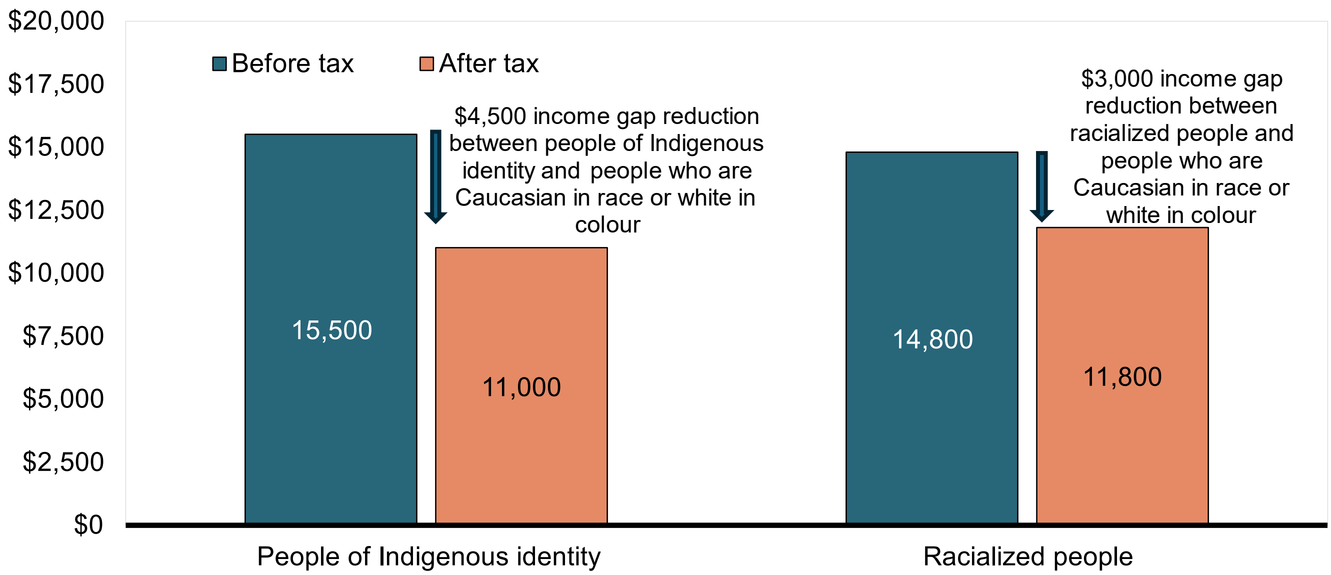
Total amounts and percentage of total amounts of various concepts of personal income and considering various concepts of federal tax payable, by ethnocultural diversity group, 2020

	Amount in millions ($)			Percentage (%)		
	People who are Caucasian in race or white in colour	**People of Indigenous identity**	**Racialized people**	**People who are Caucasian in race or white in colour**	**People of Indigenous identity**	**Racialized people**
Number and proportion of tax filers	18,219,100	962,100	6,264,100	71.60	3.78	24.62
Pre-tax income	1,121,680	44,320	292,860	76.89	3.04	20.07
Taxable income	996,720	35,280	260,500	77.12	2.73	20.15
Taxable income after net tax payable	872,811	31,589	231,896	76.81	2.78	20.41
Taxable income after net tax payable and payment of refundable credits	895,885	34,215	244,552	76.27	2.91	20.82
After-tax income	1,020,845	43,255	276,912	76.12	3.23	20.65
Change in the group's amount (in $) and share (in pp) of pre- and after-tax income	-$100,835	-$1,065	-$15,948	-0.76pp	0.19pp	0.57pp
Change in the group's amounts (in %) and ratio of the share of income before and after tax	-9.0%	-2.4%	-5.4%	0.99	1.06	1.03

Note – See notes below Table 3 for further details on definitions.
Source: 2021 Census of Population data linked to 2020 T1 returns.

Chart 6

Average personal income gap with the highest income group among the three ethnocultural diversity groups considered (i.e., people who are Caucasian in race or white in colour), before and after the application of the federal PIT system, 2020



Source: 2021 Census of Population data linked to 2020 T1 returns.

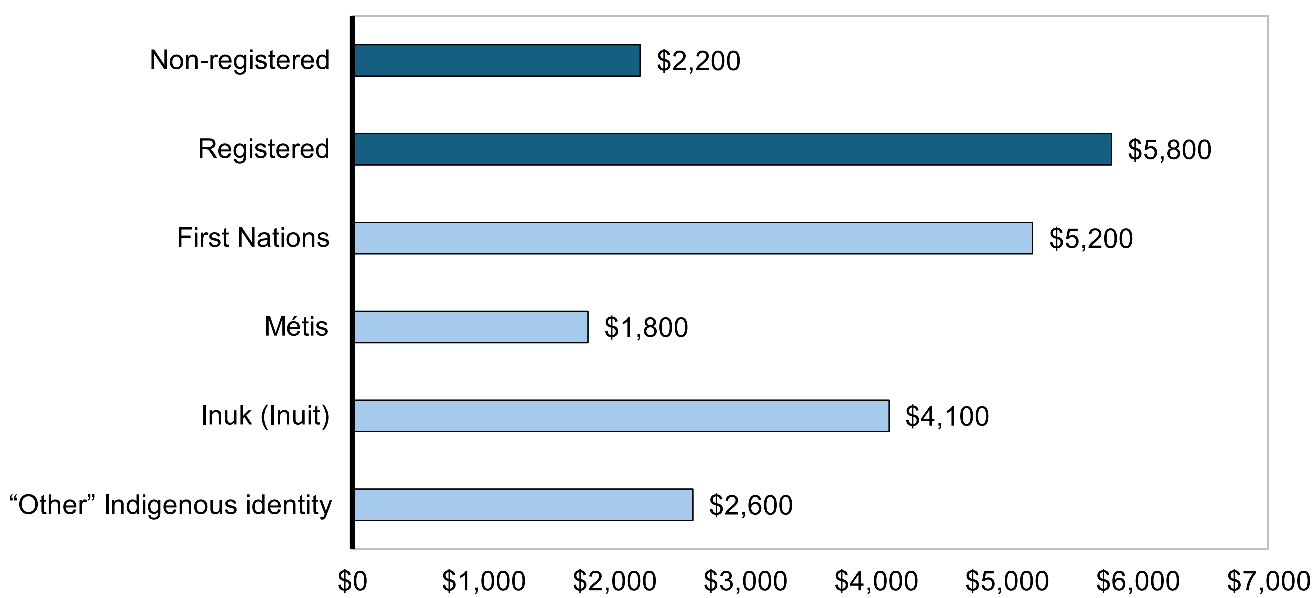
Showing some of these results in more detail, Chart 7 suggests that the overall redistributive impact of the federal PIT system towards people of Indigenous identity is most pronounced among those with Registered or Treaty Indian status. Specifically, the average income gap between this subpopulation of Indigenous people and people who are Caucasian in race or white in colour is reduced by $5,800 following the application of the federal PIT system, compared to a reduction of $2,200 for all non-registered Indigenous people. It is worth noting that the overall redistributive impact of the federal PIT system towards people of Indigenous identity would probably be even greater if the tax filing rate for this group was closer to that observed among non-Indigenous people.

Chart 7

Average personal income gap between people of Indigenous identity and people who are Caucasian in race or white in colour, by Registered or Treaty Indian status (labelled as Non-registered and Registered) and Indigenous identity group, before and after the application of the federal PIT system, 2020

	Average pre-tax income gap with people who are Caucasian in race or white in colour	Average after-tax income gap with people who are Caucasian in race or white in colour
People of Indigenous identity by Registered or Treaty Indian status		
Non-registered	$9,000	$6,800
Registered	$15,300	$9,500
People of Indigenous identity by identity group		
First Nations	$15,000	$9,800
Métis	$7,100	$5,300
Inuk (Inuit)	$21,600	$17,500
"Other" Indigenous identity	$11,000	$8,400

Reduction in the average income gap between the Indigenous identity group and people who are Caucasian in race or white in colour after the application of the PIT system



Source: 2021 Census of Population data linked to 2020 T1 returns.

b) By tax filers' age group

Since people of Indigenous identity and racialized people are also somewhat younger on average than all tax filers, this section aims to control for the impact of age, focusing on the redistributive impact towards these groups within different age groups (i.e., tax filers under 40 and tax filers aged 40 and over).[35]

Table 13 shows a positive change in the share of disposable income of people of Indigenous identity and racialized people following the application of the federal PIT system, regardless of the age group considered. As is the case among all tax filers, the redistributive impact observed among the population under 40 and 40 and over is more pronounced for people of Indigenous identity than for racialized people. Table 13 also shows that the redistributive impact of the PIT system towards racialized people is slightly more pronounced among the population aged 40 and over, while people of Indigenous identity benefit from a more pronounced redistributive impact among tax filers under 40.

Table 13
Based on the change in the share of income held by each group, identification of the overall impact of the federal PIT system towards people of Indigenous identity and racialized people, within different age groups of tax filers, 2020

	People of Indigenous identity			Racialized people		
	All ages	**18–39 years**	**40 years and over**	**All ages**	**18–39 years**	**40 years and over**
Share of tax filers (%)	3.78	4.81	3.24	24.62	32.53	20.47
Share of total pre-tax income (%)	3.04	3.96	2.70	20.08	28.44	16.91
Share of total after-tax income (%)	3.23	4.27	2.82	20.66	28.88	17.38
Ratio of the share of income held by the group before and after tax	1.06	1.08	1.05	1.03	1.02	1.03

Note – See notes below Table 3 for further details on definitions.
Source: 2021 Census of Population data linked to 2020 T1 returns.

3.3.3 Redistributive impact of tax expenditures by ethnocultural diversity

a) Among all tax filers

Table C.1 in Annex C lists the federal PIT expenditures that, based on the ratio described above, had a positive, negative or neutral impact on the ethnocultural diversity groups examined. Table 14 shows the six federal tax expenditures that benefited people of Indigenous identity and racialized people the most in 2020.

Among other things, Table 14 indicates that the "non-taxation of personal property of status Indians and Indian bands situated on reserve" was the federal PIT expenditure that benefited people of Indigenous identity the most. Nearly 98% of the benefits from this measure were received by tax filers who self-identified as people of Indigenous identity in the census. Table 15 denotes that this measure was the top tax expenditure benefiting people of Indigenous identity only among those who also report having Registered or Treaty Indian status. This result was expected since this measure specifically targets status Indians and Indian bands situated on reserve. One of the reasons that may explain why people of Indigenous identity with Registered or Treaty Indian status do not fully benefit from this tax expenditure could be the fact that those who are not registered but are entitled to be registered may be eligible for the measure. There may also be individuals whose status changed during the study period, given the significant number of court decisions that may impact eligibility requirements. The fact that some eligible individuals may have preferred not to self-report their Indigenous identity or omitted do so in the census may also explain this result.

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[35] Among tax filers in these two age groups, the average ages of people of Indigenous identity (28.9 and 57.7 years) and racialized people (29.5 and 56.5 years) are closer to those of people who are Caucasian in race or white in colour (29.7 and 61.5 years) than that among the entire population (see Table 11). Regardless of age group, the average pre-tax personal and family incomes of people in these two ethnocultural diversity groups remain significantly lower than those of people who are Caucasian in race or white in colour (results not shown).

For the Indigenous identity group (Table 14), the second and third most beneficial tax expenditures are "Northern Residents Deductions" and the "non-taxation of social assistance benefits." While this group reported 3.0% of total pre-tax income in 2020, it received nearly 20% and 15% of the total tax savings attributable to these two tax expenditures. These results are intuitive, given the relatively higher concentration of people of Indigenous identity who are northern residents and their generally lower income level. The Canada Child Benefit and the Canada Workers Benefit—two refundable credits targeting low- and moderate-income populations—are also among the top six federal tax expenditures in favor of Indigenous people, as well as the Eligible Dependant Credit, which is non-refundable. For these three measures, the share of tax benefits received by people of Indigenous identity was at least twice as high as the share of pre-tax income that this group reported.

It is also interesting to note that when people of Indigenous identity are divided into two subpopulations based on their Registered Indian status (Table 15), the "tax-free amount for emergency services volunteers, Search and Rescue Volunteers Tax Credit, and Volunteer Firefighters Tax Credit" are among the top three measures that were most beneficial to non-registered people of Indigenous identity. Further disaggregation by gender (Table 16) shows that among non-registered people of Indigenous identity, only men+ benefit from these tax expenditures.

Examined as a whole, the racialized people group is found to benefit more than proportionately from a list of tax expenditures that is quite similar to the list of tax expenditures most beneficial to immigrants and recent immigrants in particular (Table 14 versus Table 9). The list of the six federal tax expenditures that were most beneficial to racialized people in 2020 includes the Tuition Tax Credit – for self or transferred from a dependant, the Spouse or Common-Law Partner Credit, the First-Time Home Buyers' Tax Credit, as well as the Canada Child Benefit and the Canada Workers Benefit. This was also the case for people in the recent immigrants group.

When the racialized people group is disaggregated by gender, the results are also similar to those for immigrants (Table 17 versus Table 10). Although in a slightly different order, the top three federal PIT expenditures that were most beneficial to racialized men+ are the same as those for recent immigrant men+ (i.e., the Spouse or Common-Law Partner Credit, First-Time Home Buyers' Tax Credit, and Tuition Tax Credit). Among women+, only the third-ranked tax expenditure differs between these two groups. Among racialized women+, the Eligible Dependant Credit ranks third in the list of beneficial measures, while it is the Canada Training Credit that ranks third among recent immigrant women+.

Table 14

The top six federal tax expenditures that most benefited people of Indigenous identity and racialized people, 2020

	People of Indigenous identity (group that represented 3.8% of tax filers and reported 3.0% of total pre-tax income)				Racialized people (group that represented 24.6% of tax filers and reported 20.1% of total pre-tax income)			
	Tax expenditures	**Ratio**	**% of benefits received by this group**	**Total cost ($ million)**	**Tax expenditures**	**Ratio**	**% of benefits received by this group**	**Total cost ($ million)**
1st	Non-taxation of personal property of status Indians and Indian bands situated on reserve	32.20	97.8	n.a.*	Tuition Tax Credit – for self	2.26	45.4	2,100 (tot.)
2nd	Northern Residents Deductions	6.39	19.4	220	Spouse or Common-Law Partner Credit	1.92	38.5	1,680
3rd	Non-taxation of social assistance benefits	4.78	14.5	425	First-Time Home Buyers' Tax Credit	1.85	37.1	130
4th	Canada Child Benefit	2.46	7.5	26,800	Tuition Tax Credit – transferred from a dependant	1.80	36.1	2,100 (tot.)
5th	Canada Workers Benefit	2.24	6.8	900	Canada Workers Benefit	1.76	35.4	900
6th	Eligible Dependant Credit	2.12	6.4	1,265	Canada Child Benefit	1.72	34.6	26,800

Note – See notes below Table 5 for further details on definitions. *An under-reporting of exempt amounts under the *Indian Act* is strongly suspected due to the non-mandatory nature of filling Form T90. This limits the ability to accurately estimate the total cost of this measure.
Sources: 2021 Census of Population data linked to 2020 T1 returns; *2024 Report on Federal Tax Expenditures (2020 estimate).*

Table 15

The top three federal tax expenditures that most benefited people of Indigenous identity, by their Registered or Treaty Indian status (labelled as non-registered and registered), 2020

	Indigenous identity, non-registered (group that reported 1.87% of total pre-tax income)				Indigenous identity, registered (group that reported 1.18% of total pre-tax income)			
	Tax expenditures	**Ratio**	**% of benefits received by this group**	**Total cost ($ million)**	**Tax expenditures**	**Ratio**	**% of benefits received by this group**	**Total cost ($ million)**
1st	Northern Residents Deductions	6.75	12.61	220	Non-taxation of personal property of status Indians and Indian bands situated on reserve	82.83	97.4	n.a.
2nd	Non-taxation of social assistance benefits	3.51	6.56	425	Non-taxation of social assistance benefits	6.78	7.98	425
3rd	Tax-free amount for emergency services volunteers, Search and Rescue Volunteers Tax Credit and Volunteer Firefighters Tax Credit	2.38	4.44	20	Northern Residents Deductions	5.78	6.80	220

Note – See notes below Table 5 for further details on definitions.
Sources: 2021 Census of Population data linked to 2020 T1 returns; *2024 Report on Federal Tax Expenditures (2020 estimate).*

Table 16

The top three federal tax expenditures that most benefited non-registered and registered Indigenous women+ and men+, 2020

	People of Indigenous identity			
	Non-registered		Registered	
	Women+	***Men+***	***Women+***	***Men+***
1st	Northern Residents Deductions	Northern Residents Deductions	Non-taxation of personal property of status Indians and Indian bands situated on reserve	Non-taxation of personal property of status Indians and Indian bands situated on reserve
2nd	Non-taxation of social assistance benefits	Tax-free amount for emergency services volunteers, Search and Rescue Volunteers Tax Credit and Volunteer Firefighters Tax Credit	Non-taxation of social assistance benefits	Northern Residents Deductions
3rd	Eligible Dependant Credit	Non-taxation of social assistance benefits	Canada Child Benefit	Non-taxation of social assistance benefits

Notes – The "Non-registered" category refers to people of Indigenous identity who do not have the Registered or Treaty Indian status. See notes below Table 10 for further details on definitions.
Source: 2021 Census of Population data linked to 2020 T1 returns.

Table 17

The top three federal tax expenditures that most benefited racialized women+ and men+, 2020

	Racialized people	
	Women+	***Men+***
1st	Canada Child Benefit	Spouse or Common-Law Partner Credit
2nd	Tuition Tax Credit – for self	First-Time Home Buyers' Tax Credit
3rd	Eligible Dependant Credit	Tuition Tax Credit – for self

Note – See notes below Table 10 for further details on definitions.
Source: 2021 Census of Population data linked to 2020 T1 returns.

Looking at Table C.1, which shows in more detail the list of federal PIT expenditures that are more or less beneficial for the different ethnocultural diversity groups examined, it can also be noted that, unlike non-recent immigrants, racialized people are generally less advantaged by tax expenditures related to capital accumulation (notably measures related to capital gains, interest and investments, stock options, dividends received, and investing). They also benefit relatively less from tax expenditures related to older age (such as the Age Credit, Pension Income Credit and pension income splitting). These tax expenditures tend to benefit more people who are Caucasian in race or white in colour, reinforcing pre-existing income inequalities between different ethnocultural diversity groups. The same is true for the Charitable Donation Tax Credit, Political Contribution Tax Credit, credit for subscriptions to Canadian digital news media, and Medical Expense Tax Credit. Of course, the fact that racialized people—a very heterogeneous group—were examined as a whole likely masks some of the redistributive impact towards various subpopulations of racialized people. The slightly younger age structure of members of these two ethnocultural diversity groups may also have had an impact on these results.

b) By tax filers' age group

To determine whether the redistributive impact observed among all tax filers is present regardless of age, Tables C.2 and C.3 in Annex C compare the redistributive impact (positive, negative or neutral) towards people of Indigenous identity and racialized people among tax filers from different age groups (all ages, under 40 and 40 and over).

As is the case for the other diversity groups previously examined (transgender or non-binary people as well as non-recent and recent immigrants), the main tax expenditures identified as being most beneficial to all people of Indigenous identity and racialized people (see Table 14) are also in the list of measures favoring these groups among younger and older tax filers.

However, once again, the results presented in Tables C.2 and C.3 make it possible to add some nuance to the results obtained among all tax filers. In particular, some of the tax expenditures related to employment and education costs as well as family support that especially benefit people of Indigenous identity and racialized people overall, in fact benefit these groups relatively more only in the older population. In addition, while the non-taxation of social assistance benefits especially benefits people of Indigenous identity regardless of age group, this is the case only for older racialized people (as was observed for recent immigrants). In contrast, the Tuition Tax Credit (for self and transferred from a dependant other than a spouse) benefits racialized people in all age groups while the portion of the credit claimed for self is found to benefit people of Indigenous identity only in the older population, and the portion transferred from a dependant only in the younger population.

Some nuance can also be provided with respect to the redistributive impact of the Charitable Donation Tax Credit and the credit for subscriptions to Canadian digital news media. Overall, these two tax expenditures are found to be of less advantage to people of Indigenous identity and racialized people. However, among younger tax filers, racialized people appear to benefit more than proportionally from these two measures.

4. Conclusion

This study is part of a series of GBA Plus research on federal tax expenditures aimed at fulfilling the requirements of the *Canadian Gender Budgeting Act*. Taxation, the allocation of public resources, and other public policy decisions can have different impacts on various groups of people, which can create, maintain or reduce social inequalities. The *Canadian Gender Budgeting Act* therefore requires that better information be made available on the impacts of public policies—including tax expenditures—in terms of gender and diversity.

To meet the public reporting requirements of the Act, many data limitations have had to be overcome over the past few years, including in relation to the diversity factors that can be examined. Since administrative tax data include little information on tax filers' identity characteristics, a linkage exercise between data from the latest census (2021) and 2020 T1 tax return data was undertaken in partnership with Statistics Canada. As a result, it was possible to examine, for the very first time, the extent to which tax filers benefit from the federal PIT system based on their gender identity, immigration history, and ethnocultural diversity characteristics. This study therefore provides new insight into the impacts of various elements of the federal PIT system on income redistribution between cisgender men, cisgender women, and transgender or non-binary people; between people born in Canada, non-recent immigrants, and recent immigrants; and between people who are Caucasian in race or white in colour, people of Indigenous identity, and racialized people.

The study first presents the descriptive profiles of these groups. These highlight important differences in their demographic and socioeconomic characteristics which may drive claims of the various available federal tax expenditures and impact the amounts of benefits from these claims.

Overall, the results obtained confirm that the progressive nature of the federal PIT system reduces pre-existing income inequality between these different identity groups. In fact, as the 2019 and 2021 GBA Plus studies demonstrated, the current system tends to benefit economically disadvantaged groups (i.e., groups whose share of total pre-tax income is less than the share of tax filers they represent) and to redistribute a portion of reported income towards them. As had already been observed for female tax filers (based on sex assigned at birth), as a result of the 2020 tax system, the shares of after-tax income held by tax filers identifying themselves as cisgender females and transgender or non-binary people were higher than their respective shares of pre-tax income. The same is true for immigrants, especially those admitted to Canada within the last decade (including people with permanent and non-permanent resident status), as well as for people of Indigenous identity or members of racialized groups.

Since people in these groups earn pre-tax incomes that are on average lower than the general tax filer population, they tend to benefit more from tax expenditures that generally favour lower-income populations, including most refundable credits, the non-taxation of social assistance benefits, or the non-taxation of the Guaranteed Income Supplement and Allowance benefits.

Aside from their generally disadvantageous economic situation, these groups have their own realities which make them benefit more from a distinct list of tax expenditures. For example, the distribution of the benefits of the various tax expenditures between groups shows that the "Northern Residents Deductions" are particularly favorable to people of Indigenous identity. It also indicates that both non-recent and recent immigrants, as well as racialized people, benefit relatively more from the Tuition Tax Credit, and that transgender or non-binary people especially benefit from the Political Contribution Tax Credit.

The results of this study also demonstrate that, due to the specific age profiles of these groups, some of the redistributive impacts towards them may vary depending on the age group considered. For example, while recent immigrants and racialized people appear to particularly benefit from the non-taxation of social assistance benefits among all tax filers, these advantages are confirmed solely among the population aged 40 and over. The same is true for the deduction for clergy residence. However, despite some nuances, the vast majority of tax expenditures identified as being most beneficial to the different identity groups examined in this study remain so regardless of the age group considered.

Of the 55 tax expenditures considered in this study, almost all were found to benefit either transgender or non-binary people, non-recent or recent immigrants, or Indigenous or racialized people in 2020, contributing to reducing income inequality linked to gender and the other diversity characteristics examined.

However, it is important to keep in mind that the groups examined in this study are not homogeneous. Disaggregating some of these groups (e.g., analyzing racialized groups according to the visible minority group tax filers primarily identified with in the census), or even taking certain other intersecting identity factors into consideration (such as income level), could provide more exhaustive information regarding the impacts that the federal PIT system may have on these groups. The Department of Finance may consider further studies in this regard.

It should also be mentioned that the profile of some of the groups examined in this study is not static. Recent immigrants in 2020, who by definition are younger on average, over time will become non-recent immigrants and older, and be replaced by new cohorts of recent immigrants. Consequently, from one period to another in their lives, the same groups of immigrants may be able to benefit relatively more from a distinct set of tax measures. Furthermore, the younger age profile of transgender or non-binary people may shift to one that is more in line with the rest of the population if the greater willingness of younger generations to identify as part of this group, relative to older generations, diminishes over time. This change could potentially affect how certain components of the federal PIT system redistribute income towards this group.

As tax expenditures can be used to achieve objectives, including vertical equity (i.e., the idea that tax filers who have the ability to pay more taxes should contribute more), this analysis can help identify the expenditures that support or work against such objectives. It must be reiterated, however, that the tax system has various objectives and that tax expenditures cannot be assessed solely on the impact they have on the distribution of income. A thorough assessment of tax measures requires the consideration of a much broader range of possible effects than the ones examined in the current study.

Annex A: Specific redistributive impacts by gender identity

Table A.1

Based on ratios, identification of tax expenditures that have a positive, negative or neutral (i.e., proportional) redistributive impact towards each group, by gender identity, 2020

	Ratios			Redistributive impact towards each group		
Tax expenditures	***Cisgender women***	***Cisgender men***	***Transgender or non-binary people***	***Cisgender women***	***Cisgender men***	***Transgender or non-binary people***
Exemptions						
Lifetime Capital Gains Exemption and partial inclusion of capital gains	0.84	1.12	0.51	negative	positive	negative
Non-taxation of Guaranteed Income Supplement and Allowance benefits	1.31	0.77	0.76	positive	negative	negative
Non-taxation of income earned by military and police deployed to international operational missions	n.a.	1.52	n.a.	n.a.	positive	n.a.
Non-taxation of personal property of status Indians and Indian bands situated on reserve	0.77	1.17	0.41	negative	positive	negative
Non-taxation of CPP/QPP contributions by employers	1.01	0.99	1.07	neutral	neutral	positive
Non-taxation of EI and QPIP premiums paid by employers	1.04	0.97	1.13	neutral	neutral	positive
Non-taxation of social assistance benefits	1.25	0.81	3.73	positive	negative	positive
Non-taxation of workers' compensation benefits	0.85	1.11	0.86	negative	positive	negative
Deductions and deferrals						
Capital loss and non-capital loss carry-overs and deduction of allowable business investment losses	0.73	1.20	0.42	negative	positive	negative
Child Care Expense Deduction	1.65	0.53	0.80	positive	negative	negative
Deduction for clergy residence	n.a.	1.42	n.a.	n.a.	positive	n.a.
Deduction of interest and carrying charges incurred to earn investment income	1.01	0.99	0.79	neutral	neutral	negative
Deduction of other employment expenses	0.73	1.20	0.86	negative	positive	negative
Deduction of union and professional dues	1.13	0.90	1.04	positive	negative	neutral
Employee stock option deduction	n.a.	1.37	n.a.	n.a.	positive	n.a.
Moving expense deduction	0.80	1.14	1.08	negative	positive	positive
Northern Residents Deductions	0.84	1.12	1.05	negative	positive	neutral
Non-refundable credits						
Age Credit – for self	1.25	0.82	0.66	positive	negative	negative
Canada Caregiver Credit – for self	1.00	1.00	0.66	neutral	neutral	negative
Canada Employment Credit	1.14	0.90	1.39	positive	negative	positive
Charitable Donation Tax Credit	0.80	1.14	0.69	negative	positive	negative
Credit for subscriptions to Canadian digital news media	0.93	1.05	0.81	negative	neutral	negative
Credit for the Basic Personal Amount	1.19	0.86	1.31	positive	negative	positive
Disability Tax Credit – for self or transferred from a dependant other than a spouse	1.08	0.94	0.96	positive	negative	neutral
Dividend gross-up and tax credit	0.87	1.09	0.92	negative	positive	negative
Eligible Dependant Credit	1.91	0.34	0.95	positive	negative	neutral
First-Time Home Buyers' Tax Credit	0.97	1.02	1.35	neutral	neutral	positive
Foreign tax credit for individuals	0.76	1.17	0.63	negative	positive	negative
Home Accessibility Tax Credit	n.a.	0.97	n.a.	n.a.	neutral	n.a.
Labour-Sponsored Venture Capital Corporations Credit	1.00	1.00	0.58	neutral	neutral	negative
Medical Expense Tax Credit	1.37	0.73	0.97	positive	negative	neutral
Pension Income Credit – for self	1.26	0.81	0.68	positive	negative	negative
Political Contribution Tax Credit	0.83	1.12	1.71	negative	positive	positive
Investment tax credits[1]	n.a.	1.54	n.a.	n.a.	positive	n.a.

Tax expenditures	Ratios			Redistributive impact towards each group		
	Cisgender women	***Cisgender men***	***Transgender or non-binary people***	***Cisgender women***	***Cisgender men***	***Transgender or non-binary people***
Non-refundable credits *(continued)*						
Tax-free amount for emergency services volunteers, Search and Rescue Volunteers Tax Credit and Volunteer Firefighters Tax Credit	0.27	1.53	0.70	negative	positive	negative
Spouse or Common-Law Partner Credit	0.44	1.40	0.75	negative	positive	negative
Student Loan Interest Credit	1.47	0.65	2.67	positive	negative	positive
Tax credit for CPP/QPP contributions by employed and self-employed persons	1.05	0.96	1.13	neutral	neutral	positive
Tax credit for EI and QPIP premiums paid by employed and self-employed persons	1.09	0.93	1.21	positive	negative	positive
Tuition Tax Credit – for self[2]	1.32	0.76	2.81	positive	negative	positive
Tuition Tax Credit – transferred from a dependant other than a spouse	0.98	1.02	0.47	neutral	neutral	negative
Unused credits transferred from a spouse or common-law partner[3]	0.85	1.11	0.67	negative	positive	negative
Refundable credits						
Canada Child Benefit	2.28	0.07	1.01	positive	negative	neutral
GST/HST Credit[4]	1.32	0.76	1.79	positive	negative	positive
Refundable Medical Expense Supplement	1.49	0.64	3.14	positive	negative	positive
Teacher and Early Childhood Educator School Supply Tax Credit	1.92	0.33	1.53	positive	negative	positive
Canada Workers Benefit[5]	1.19	0.85	2.94	positive	negative	positive
Canada Training Credit	1.47	0.66	2.54	positive	negative	positive
Other refundable credits[6]	0.62	1.28	1.34	negative	positive	positive
Other						
Pension income splitting[7]	n.a.	2.98	n.a.	n.a.	positive	n.a.

Note – A ratio greater than 1.05 indicates that a group of tax filers benefits from the tax expenditure proportionally more than others, while a ratio lower than 0.95 indicates that it benefits proportionally less than others. A ratio between 0.95 and 1.05 inclusively indicates that the tax expenditure does not provide any particular advantage or disadvantage to the group, or in other words, that its redistributive impact towards this group is relatively proportional/neutral. The label "n.a." indicates that the estimates had to be suppressed to comply with confidentiality standards.

[1] The investment tax credits include various tax credits, i.e., the Mineral Exploration Tax Credit, Apprenticeship Job Creation Tax Credit and Investment Tax Credit for Child Care Spaces.

[2] Tuition Tax Credit – for self includes Education and Textbook Tax Credit amounts claimed as part of the carry-forward provision, but excludes the portion of the Tuition Tax Credit that is transferred to others.

[3] The unused portion of the following credits can be transferred to a spouse or common-law partner: Age Credit, Pension Income Credit, Disability Tax Credit – for self, Tuition Tax Credit and Canada Caregiver Credit for infirm children under 18 years. For these tax expenditures, the portions transferable to a spouse or common-law partner are considered in the "unused credits transferred from a spouse or common-law partner" measure. Thus, only the portions of these measures that tax filers claim for themselves or their dependants, and that are therefore not related to their marital status, are presented separately in the table.

[4] The amounts considered for the Canada Child Benefit and the GST/HST Credit are taken from the census and capture the amounts received during the 2020 reference year. They take into account additional one-time payments that were made to eligible individuals due to the COVID-19 pandemic.

[5] The Canada Workers Benefit replaced the Working Income Tax Benefit in 2019.

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

[7] Due to a data constraint, these results do not take into account transfers of tax withholdings applied to split pension income.

Source: 2021 Census of Population data linked to 2020 T1 returns.

Table A.2

Based on ratios, classification of tax expenditures that have a positive, negative or neutral (i.e., proportional) redistributive impact towards transgender or non-binary people among all tax filers, and identification of changes observed among different age groups of tax filers, 2020

	Ratios	Observed changes	
	All ages	**18–39 years**	**40 years and over**
Tax expenditures that have a positive redistributive impact towards transgender or non-binary people			
Non-taxation of social assistance benefits	3.73	No change	No change
Refundable Medical Expense Supplement	3.14	No change	No change
Canada Workers Benefit	2.94	No change	No change
Tuition Tax Credit – for self	2.81	No change	No change
Student Loan Interest Credit	2.67	No change	No change
Canada Training Credit	2.54	No change	No change
GST/HST Credit	1.79	No change	No change
Political Contribution Tax Credit	1.71	No change	No change
Teacher and Early Childhood Educator School Supply Tax Credit	1.53	n.a.	n.a.
Canada Employment Credit	1.39	No change	No change
First-Time Home Buyers' Tax Credit	1.35	n.a.	n.a.
Other refundable credits	1.34	Negative impact	No change
Credit for the Basic Personal Amount	1.31	No change	No change
Tax credit for EI and QPIP premiums paid by employed persons	1.21	Neutral impact	No change
Non-taxation of EI and QPIP premiums paid by employers	1.13	Neutral impact	No change
Tax credit for CPP/QPP contributions by employed and self-employed persons	1.13	Negative impact	No change
Moving expense deduction	1.08	n.a.	n.a.
Non-taxation of CPP/QPP contributions by employers	1.07	Negative impact	No change
Tax expenditures that have a fairly proportional/neutral redistributive impact towards transgender or non-binary people			
Northern Residents Deductions	1.05	No change	Negative impact
Deduction of union and professional dues	1.04	Negative impact	Positive impact
Canada Child Benefit	1.01	Negative impact	Positive impact
Medical Expense Tax Credit	0.97	Positive impact	Positive impact
Disability Tax Credit – for self or transferred from a dependant other than a spouse	0.96	Positive impact	Positive impact
Eligible Dependant Credit	0.95	Negative impact	No change
Tax expenditures that have a negative redistributive impact towards transgender or non-binary people			
Dividend gross-up and tax credit	0.92	No change	Positive impact
Deduction of other employment expenses	0.86	No change	Neutral impact
Non-taxation of workers' compensation benefits	0.86	No change	Positive impact
Credit for subscriptions to Canadian digital news media	0.81	Positive impact	No change
Child Care Expense Deduction	0.80	No change	Positive impact
Deduction of interest and carrying charges incurred to earn investment income	0.79	No change	Positive impact
Non-taxation of Guaranteed Income Supplement and Allowance benefits	0.76	n.a.	n.a.
Spouse or Common-Law Partner Credit	0.75	No change	No change
Tax-free amount for emergency services volunteers, Search and Rescue Volunteers Tax Credit and Volunteer Firefighters Tax Credit	0.70	n.a.	n.a.
Charitable Donation Tax Credit	0.69	No change	Neutral impact
Pension Income Credit – for self	0.68	n.a.	n.a.
Unused credits transferred from a spouse or common-law partner	0.67	Positive impact	No change
Canada Caregiver Credit – for self	0.66	n.a.	n.a.
Age Credit	0.66	n.a.	n.a.
Foreign tax credit for individuals	0.63	Positive impact	No change
Labour-Sponsored Venture Capital Corporations Credit	0.58	No change	No change
Lifetime Capital Gains Exemption & partial inclusion of capital gains	0.51	No change	No change
Tuition Tax Credit – transferred from a dependant other than a spouse	0.47	n.a.	n.a.
Capital loss and non-capital loss carry-overs and deduction of allowable business investment losses	0.42	No change	No change
Non-taxation of personal property of status Indians and Indian bands situated on reserve	0.41	No change	No change

	Ratios	Observed changes	
	All ages	18–39 years	40 years and over
Redistributive impact towards transgender or non-binary people not available (n.a.)			
Non-taxation of income earned by military and police deployed to international operational missions	n.a.	n.a.	n.a.
Deduction for clergy residence	n.a.	n.a.	n.a.
Employee stock option deduction	n.a.	n.a.	n.a.
Home Accessibility Tax Credit	n.a.	n.a.	n.a.
Investment tax credits	n.a.	n.a.	n.a.
Pension income splitting	n.a.	n.a.	n.a.

Note – Changes reflect only variations in the direction of redistributive impacts (positive, neutral or negative) observed among certain subpopulations of tax filers (those aged 18 to 39 and those aged 40 and over) relative to the direction of redistributive impacts observed among all tax filers. They do not reflect variations in the magnitude of redistributive impacts observed between populations of tax filers in different age groups. See notes below Table A.1 for further details on definitions.
Source: 2021 Census of Population data linked to 2020 T1 returns.

Annex B: Specific redistributive impacts by immigration history

Table B.1

Based on ratios, identification of tax expenditures that have a positive, negative or neutral (i.e., proportional) redistributive impact towards each group, by immigration history, 2020

Tax expenditures	Ratios			Redistributive impact towards each group		
	People born in Canada	*Non-recent immigrants*	*Recent immigrants*	*People born in Canada*	*Non-recent immigrants*	*Recent immigrants*
Exemptions						
Lifetime Capital Gains Exemption and partial inclusion of capital gains	0.98	1.28	0.47	neutral	positive	negative
Non-taxation of Guaranteed Income Supplement and Allowance benefits	0.83	1.95	0.16	negative	positive	negative
Non-taxation of income earned by military and police deployed to international operational missions	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Non-taxation of personal property of status Indians and Indian bands situated on reserve	1.34	0.05	0.04	positive	negative	negative
Non-taxation of CPP/QPP contributions by employers	1.00	0.91	1.26	neutral	negative	positive
Non-taxation of EI and QPIP premiums paid by employers	0.99	0.92	1.34	neutral	negative	positive
Non-taxation of social assistance benefits	1.02	0.78	1.37	neutral	negative	positive
Non-taxation of workers' compensation benefits	1.05	1.00	0.45	neutral	neutral	negative
Deductions and deferrals						
Capital loss and non-capital loss carry-overs and deduction of allowable business investment losses	0.87	1.67	0.49	negative	positive	negative
Child Care Expense Deduction	0.98	0.85	1.60	neutral	negative	positive
Deduction for clergy residence	0.92	1.15	1.40	negative	positive	positive
Deduction of interest and carrying charges incurred to earn investment income	0.99	1.26	0.34	neutral	positive	negative
Deduction of other employment expenses	0.98	0.98	1.28	neutral	neutral	positive
Deduction of union and professional dues	1.07	0.83	0.72	positive	negative	negative
Employee stock option deduction	0.95	1.06	1.35	neutral	positive	positive
Moving expense deduction	1.02	0.70	1.62	neutral	negative	positive
Northern Residents Deductions	1.19	0.36	0.79	positive	negative	negative
Non-refundable credits						
Age Credit – for self	1.03	1.23	0.08	neutral	positive	negative
Canada Caregiver Credit – for self	0.88	1.64	0.50	negative	positive	negative
Canada Employment Credit	0.98	0.91	1.49	neutral	negative	positive
Charitable Donation Tax Credit	0.98	1.26	0.52	neutral	positive	negative
Credit for subscriptions to Canadian digital news media	1.10	0.88	0.32	positive	negative	negative
Credit for the Basic Personal Amount	0.98	0.97	1.26	neutral	neutral	positive
Disability Tax Credit – for self or transferred from a dependant other than a spouse	1.03	1.06	0.48	neutral	positive	negative
Dividend gross-up and tax credit	1.05	1.06	0.35	neutral	positive	negative
Eligible Dependant Credit	1.03	0.87	1.01	neutral	negative	neutral
First-Time Home Buyers' Tax Credit	0.83	0.60	3.88	negative	negative	positive
Foreign tax credit for individuals	0.77	1.70	1.57	negative	positive	positive
Home Accessibility Tax Credit	0.96	1.37	0.44	neutral	positive	negative
Labour-Sponsored Venture Capital Corporations Credit	1.21	0.41	0.42	positive	negative	negative
Medical Expense Tax Credit	1.07	0.90	0.50	positive	negative	negative
Pension Income Credit – for self	1.09	1.01	0.06	positive	neutral	negative
Political Contribution Tax Credit	1.09	0.98	0.12	positive	neutral	negative
Investment tax credits	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Tax-free amount for emergency services volunteers, Search and Rescue Volunteers Tax Credit and Volunteer Firefighters Tax Credit	1.27	0.23	0.25	positive	negative	negative
Spouse or Common-Law Partner Credit	0.73	1.32	3.00	negative	positive	positive

Tax expenditures	Ratios			Redistributive impact towards each group		
	People born in Canada	***Non-recent immigrants***	***Recent immigrants***	***People born in Canada***	***Non-recent immigrants***	***Recent immigrants***
Non-refundable credits *(continued)*						
Student Loan Interest Credit	1.00	0.92	1.21	neutral	negative	positive
Tax credit for CPP/QPP contributions by employed and self-employed persons	0.99	0.91	1.32	neutral	negative	positive
Tax credit for EI and QPIP premiums paid by employed and self-employed persons	0.98	0.91	1.43	neutral	negative	positive
Tuition Tax Credit – for self	0.88	0.63	3.34	negative	negative	positive
Tuition Tax Credit – transferred from a dependant other than a spouse	0.75	2.02	0.89	negative	positive	negative
Unused credits transferred from a spouse or common-law partner	0.93	1.35	0.82	negative	positive	negative
Refundable credits						
Canada Child Benefit	0.84	1.03	2.56	negative	neutral	positive
GST/HST Credit	0.91	1.09	1.69	negative	positive	positive
Refundable Medical Expense Supplement	1.02	0.80	1.28	neutral	negative	positive
Teacher and Early Childhood Educator School Supply Tax Credit	1.19	0.52	0.34	positive	negative	negative
Canada Workers Benefit	0.87	0.88	2.66	negative	negative	positive
Canada Training Credit	0.91	0.78	2.59	negative	negative	positive
Other refundable credits	1.10	0.78	0.55	positive	negative	negative
Other						
Pension income splitting	1.13	0.88	-0.01	positive	negative	negative

Note – See notes below Table A.1 for further details on definitions.
Source: 2021 Census of Population data linked to 2020 T1 returns.

Table B.2

Based on ratios, classification of tax expenditures that have a positive, negative or neutral (i.e., proportional) redistributive impact towards non-recent immigrants, and identification of changes observed among different age groups of tax filers, 2020

	Ratios	Observed changes	
	All ages	***18–39 years***	***40 years and over***
Tax expenditures that have a positive redistributive impact towards non-recent immigrants			
Tuition Tax Credit – transferred from a dependant other than a spouse	2.02	No change	No change
Non-taxation of Guaranteed Income Supplement and Allowance benefits	1.95	n.a.	n.a.
Foreign tax credit for individuals	1.70	No change	No change
Capital loss and non-capital loss carry-overs and deduction of allowable business investment losses	1.67	No change	No change
Canada Caregiver Credit – for self	1.64	No change	No change
Home Accessibility Tax Credit	1.37	No change	No change
Unused credits transferred from a spouse or common-law partner	1.35	Negative impact	No change
Spouse or Common-Law Partner Credit	1.32	No change	No change
Lifetime Capital Gains Exemption and partial inclusion of capital gains	1.28	No change	No change
Charitable Donation Tax Credit	1.26	No change	No change
Deduction of interest and carrying charges incurred to earn investment income	1.26	No change	No change
Age Credit	1.23	n.a.	n.a.
Deduction for clergy residence	1.15	Neutral impact	No change
GST/HST Credit	1.09	Neutral impact	No change
Disability Tax Credit – for self or transferred from a dependant other than a spouse	1.06	Neutral impact	Neutral impact
Employee stock option deduction	1.06	No change	Neutral impact
Dividend gross-up and tax credit	1.06	No change	Neutral impact
Tax expenditures that have a fairly proportional/neutral redistributive impact towards non-recent immigrants			
Canada Child Benefit	1.03	Positive impact	Positive impact
Pension Income Credit – for self	1.01	Negative impact	Negative impact
Non-taxation of workers' compensation benefits	1.00	Negative impact	No change
Political Contribution Tax Credit	0.98	Negative impact	Negative impact
Deduction of other employment expenses	0.98	Positive impact	Negative impact
Credit for the Basic Personal Amount	0.97	No change	No change
Tax expenditures that have a negative redistributive impact towards non-recent immigrants			
Student Loan Interest Credit	0.92	Positive impact	Positive impact
Non-taxation of EI and QPIP premiums paid by employers	0.92	Neutral impact	Neutral impact
Non-taxation of CPP/QPP contributions by employers	0.91	Neutral impact	Neutral impact
Tax credit for CPP/QPP contributions by employed and self-employed persons	0.91	Neutral impact	Neutral impact
Canada Employment Credit	0.91	No change	Neutral impact
Tax credit for EI and QPIP premiums paid by employed persons	0.91	Neutral impact	Neutral impact
Medical Expense Tax Credit	0.90	No change	No change
Canada Workers Benefit	0.88	No change	Positive impact
Credit for subscriptions to Canadian digital news media	0.88	Positive impact	No change
Pension income splitting	0.88	n.a.	n.a.
Eligible Dependant Credit	0.87	Neutral impact	No change
Child Care Expense Deduction	0.85	Neutral impact	Positive impact
Deduction of union and professional dues	0.83	No change	No change
Refundable Medical Expense Supplement	0.80	No change	No change
Other refundable credits	0.78	Neutral impact	No change
Non-taxation of social assistance benefits	0.78	No change	No change
Canada Training Credit	0.78	Positive impact	Neutral impact
Moving expense deduction	0.70	No change	No change
Tuition Tax Credit – for self	0.63	Neutral impact	Neutral impact
First-Time Home Buyers' Tax Credit	0.60	No change	No change
Teacher and Early Childhood Educator School Supply Tax Credit	0.52	No change	No change
Labour-Sponsored Venture Capital Corporations Credit	0.41	No change	No change
Northern Residents Deductions	0.36	No change	No change
Tax-free amount for emergency services volunteers, Search and Rescue Volunteers Tax Credit and Volunteer Firefighters Tax Credit	0.23	No change	No change
Non-taxation of personal property of status Indians and Indian bands situated on reserve	0.05	No change	No change

	Ratios	Observed changes	
	All ages	*18–39 years*	*40 years and over*
Redistributive impact towards non-recent immigrants not available (n.a.)			
Non-taxation of income earned by military and police deployed to international operational missions	n.a.	n.a.	n.a.
Investment tax credits	n.a.	n.a.	n.a.

Note – See notes below Table A.2 for further details on definitions.

Source: 2021 Census of Population data linked to 2020 T1 returns.

Table B.3

Based on ratios, classification of tax expenditures according to whether they benefit recent immigrants relatively more, less or equally among all tax filers, and identification of changes observed among different age groups of tax filers, 2020

	Ratios	Observed changes	
	All ages	***18–39 years***	***40 years and over***
Tax expenditures that have a positive redistributive impact towards recent immigrants			
First-Time Home Buyers' Tax Credit	3.88	No change	No change
Tuition Tax Credit – for self	3.34	No change	No change
Spouse or Common-Law Partner Credit	3.00	No change	No change
Canada Workers Benefit	2.66	No change	No change
Canada Training Credit	2.59	No change	No change
Canada Child Benefit	2.56	No change	No change
GST/HST Credit	1.69	No change	No change
Moving expense deduction	1.62	No change	No change
Child Care Expense Deduction	1.60	Negative impact	No change
Foreign tax credit for individuals	1.57	No change	No change
Canada Employment Credit	1.49	No change	No change
Tax credit for EI and QPIP premiums paid by employed persons	1.43	Neutral impact	No change
Deduction for clergy residence	1.40	Negative impact	No change
Non-taxation of social assistance benefits	1.37	Negative impact	No change
Employee stock option deduction	1.35	Negative impact	No change
Non-taxation of EI and QPIP premiums paid by employers	1.34	Neutral impact	No change
Tax credit for CPP/QPP contributions by employed and self-employed persons	1.32	Neutral impact	No change
Deduction of other employment expenses	1.28	No change	No change
Refundable Medical Expense Supplement	1.28	Negative impact	No change
Non-taxation of CPP/QPP contributions by employers	1.26	Neutral impact	No change
Credit for the Basic Personal Amount	1.26	No change	No change
Student Loan Interest Credit	1.21	Negative impact	No change
Tax expenditures that have a fairly proportional/neutral redistributive impact towards recent immigrants			
Eligible Dependant Credit	1.01	Negative impact	Positive impact
Tax expenditures that have a negative redistributive impact towards recent immigrants			
Tuition Tax Credit – transferred from a dependant other than a spouse	0.89	Positive impact	Positive impact
Unused credits transferred from a spouse or common-law partner	0.82	Positive impact	No change
Northern Residents Deductions	0.79	No change	Neutral impact
Deduction of union and professional dues	0.72	No change	No change
Other refundable credits	0.55	No change	No change
Charitable Donation Tax Credit	0.52	Neutral impact	No change
Canada Caregiver Credit – for self	0.50	No change	No change
Medical Expense Tax Credit	0.50	No change	No change
Capital loss and non-capital loss carry-overs & deduction of allowable business investment losses	0.49	No change	No change
Disability Tax Credit – for self or transferred from a dependant other than a spouse	0.48	No change	No change
Lifetime Capital Gains Exemption and partial inclusion of capital gains	0.47	No change	No change
Non-taxation of workers' compensation benefits	0.45	No change	No change
Home Accessibility Tax Credit	0.44	Positive impact	No change
Labour-Sponsored Venture Capital Corporations Credit	0.42	No change	No change
Dividend gross-up and tax credit	0.35	No change	No change
Teacher and Early Childhood Educator School Supply Tax Credit	0.34	No change	No change
Deduction of interest and carrying charges incurred to earn investment income	0.34	No change	No change
Credit for subscriptions to Canadian digital news media	0.32	Neutral impact	No change
Tax-free amount for emergency services volunteers, Search and Rescue Volunteers Tax Credit and Volunteer Firefighters Tax Credit	0.25	No change	No change
Non-taxation of Guaranteed Income Supplement and Allowance benefits	0.16	n.a.	n.a.
Political Contribution Tax Credit	0.12	No change	No change
Age Credit	0.08	n.a.	n.a.
Pension Income Credit – for self	0.06	No change	No change
Non-taxation of personal property of status Indians and Indian bands situated on reserve	0.04	No change	No change
Pension income splitting	-0.01	n.a.	n.a.

	Ratios	Observed changes	
	All ages	*18–39 years*	*40 years and over*
Redistributive impact towards recent immigrants not available (n.a.)			
Non-taxation of income earned by military and police deployed to international operational missions	n.a.	n.a.	n.a.
Investment tax credits	n.a.	n.a.	n.a.

Note – See notes below Table A.2 for further details on definitions.

Source: 2021 Census of Population data linked to 2020 T1 returns.

Annex C: Specific redistributive impacts by ethnocultural diversity

Table C.1

Based on ratios, identification of tax expenditures that have a positive, negative or neutral (i.e., proportional) redistributive impact towards each group, by ethnocultural diversity, 2020

Tax expenditures	Ratios			Redistributive impact towards each group		
	People who are Caucasian in race or white in colour	***People of Indigenous identity***	***Racialized people***	***People who are Caucasian in race or white in colour***	***People of Indigenous identity***	***Racialized people***
Exemptions						
Lifetime Capital Gains Exemption and partial inclusion of capital gains	1.07	0.32	0.83	positive	negative	negative
Non-taxation of Guaranteed Income Supplement and Allowance benefits	0.93	1.60	1.17	negative	positive	positive
Non-taxation of income earned by military and police deployed to international operational missions	1.21	1.35	0.13	positive	positive	negative
Non-taxation of personal property of status Indians and Indian bands situated on reserve	n.a.	32.20	n.a.	n.a.	positive	n.a.
Non-taxation of CPP/QPP contributions by employers	0.95	1.00	1.18	neutral	neutral	positive
Non-taxation of EI and QPIP premiums paid by employers	0.93	1.10	1.24	negative	positive	positive
Non-taxation of social assistance benefits	0.80	4.78	1.21	negative	positive	positive
Non-taxation of workers' compensation benefits	1.06	1.69	0.66	positive	positive	negative
Deductions and deferrals						
Capital loss and non-capital loss carry-overs & deduction of allowable business investment losses	0.97	0.33	1.20	neutral	negative	positive
Child Care Expense Deduction	0.95	0.80	1.24	neutral	negative	positive
Deduction for clergy residence	1.03	0.76	0.93	neutral	negative	negative
Deduction of interest and carrying charges incurred to earn investment income	1.12	0.27	0.67	positive	negative	negative
Deduction of other employment expenses	0.97	0.78	1.14	neutral	negative	positive
Deduction of union and professional dues	1.01	1.16	0.93	neutral	positive	negative
Employee stock option deduction	1.10	0.26	0.74	positive	negative	negative
Moving expense deduction	0.99	1.25	1.01	neutral	positive	neutral
Northern Residents Deductions	0.93	6.39	0.47	negative	positive	negative
Non-refundable credits						
Age Credit – for self	1.16	0.71	0.42	positive	negative	negative
Canada Caregiver Credit – for self	0.90	1.12	1.35	negative	positive	positive
Canada Employment Credit	0.93	1.08	1.26	negative	positive	positive
Charitable Donation Tax Credit	1.07	0.32	0.83	positive	negative	negative
Credit for subscriptions to Canadian digital news media	1.14	0.55	0.52	positive	negative	negative
Credit for the Basic Personal Amount	0.96	1.07	1.13	neutral	positive	positive
Disability Tax Credit – for self or transferred from a dependant other than a spouse	1.04	1.38	0.78	neutral	positive	negative
Dividend gross-up and tax credit	1.11	0.42	0.66	positive	negative	negative
Eligible Dependant Credit	0.91	2.12	1.16	negative	positive	positive
First-Time Home Buyers' Tax Credit	0.78	0.87	1.85	negative	negative	positive
Foreign tax credit for individuals	0.95	0.28	1.31	neutral	negative	positive
Home Accessibility Tax Credit	1.05	0.97	0.80	neutral	neutral	negative
Labour-Sponsored Venture Capital Corporations Credit	1.18	0.56	0.40	positive	negative	negative
Medical Expense Tax Credit	1.13	0.67	0.54	positive	negative	negative
Pension Income Credit – for self	1.19	0.71	0.32	positive	negative	negative
Political Contribution Tax Credit	1.16	0.56	0.44	positive	negative	negative
Investment tax credits	1.22	0.24	0.28	positive	negative	negative

Tax expenditures	Ratios			Redistributive impact towards each group		
	People who are Caucasian in race or white in colour	***People of Indigenous identity***	***Racialized people***	***People who are Caucasian in race or white in colour***	***People of Indigenous identity***	***Racialized people***
Non-refundable credits *(continued)*						
Tax-free amount for emergency services volunteers, Search and Rescue Volunteers Tax Credit and Volunteer Firefighters Tax Credit	1.18	1.95	0.15	positive	positive	negative
Spouse or Common-Law Partner Credit	0.76	1.04	1.92	negative	neutral	positive
Student Loan Interest Credit	0.84	1.15	1.57	negative	positive	positive
Tax credit for CPP/QPP contributions by employed and self-employed persons	0.96	0.99	1.15	neutral	neutral	positive
Tax credit for EI and QPIP premiums paid by employed and self-employed persons	0.94	1.07	1.20	negative	positive	positive
Tuition Tax Credit – for self	0.67	0.90	2.26	negative	negative	positive
Tuition Tax Credit – transferred from a dependant other than a spouse	0.81	0.45	1.80	negative	negative	positive
Unused credits transferred from a spouse or common-law partner	1.02	0.99	0.94	neutral	neutral	negative
Refundable credits						
Canada Child Benefit	0.75	2.46	1.72	negative	positive	positive
GST/HST Credit	0.84	1.84	1.48	negative	positive	positive
Refundable Medical Expense Supplement	0.98	0.98	1.06	neutral	neutral	positive
Teacher and Early Childhood Educator School Supply Tax Credit	1.09	1.26	0.62	positive	positive	negative
Canada Workers Benefit	0.75	2.24	1.76	negative	positive	positive
Canada Training Credit	0.82	1.21	1.68	negative	positive	positive
Other refundable credits	1.10	0.74	0.67	positive	negative	negative
Other						
Pension income splitting	1.23	0.51	0.17	positive	negative	negative

Note – See notes below Table A.1 for further details on definitions.
Source: 2021 Census of Population data linked to 2020 T1 returns.

Table C.2

Based on ratios, classification of tax expenditures that have a positive, negative or neutral (i.e., proportional) redistributive impact towards people of Indigenous identity among all tax filers, and identification of changes observed among different age groups of tax filers, 2020

	Ratios	Observed changes	
	All ages	**18–39 years**	**40 years and over**
Tax expenditures that have a positive redistributive impact towards people of Indigenous identity			
Non-taxation of personal property of status Indians and Indian bands situated on reserve	32.20	No change	No change
Northern Residents Deductions	6.39	No change	No change
Non-taxation of social assistance benefits	4.78	No change	No change
Canada Child Benefit	2.46	No change	No change
Canada Workers Benefit	2.24	No change	No change
Eligible Dependant Credit	2.12	No change	No change
Tax-free amount for emergency services volunteers, Search and Rescue Volunteers Tax Credit and Volunteer Firefighters Tax Credit	1.95	No change	No change
GST/HST Credit	1.84	No change	No change
Non-taxation of workers' compensation benefits	1.69	No change	No change
Non-taxation of Guaranteed Income Supplement and Allowance benefits	1.60	No change	No change
Disability Tax Credit – for self or transferred from a dependant other than a spouse	1.38	No change	No change
Non-taxation of income earned by military and police deployed to international operational missions	1.35	n.a.	n.a.
Teacher and Early Childhood Educator School Supply Tax Credit	1.26	No change	No change
Moving expense deduction	1.25	Negative impact	No change
Canada Training Credit	1.21	Negative impact	No change
Deduction of union and professional dues	1.16	Neutral impact	No change
Student Loan Interest Credit	1.15	Negative impact	No change
Canada Caregiver Credit – for self	1.12	No change	No change
Tax credit for EI and QPIP premiums paid by employed persons	1.10	Negative impact	No change
Canada Employment Credit	1.08	Neutral impact	No change
Credit for the Basic Personal Amount	1.07	Neutral impact	Neutral impact
Non-taxation of EI and QPIP premiums paid by employers	1.07	Negative impact	No change
Tax expenditures that have a fairly proportional/neutral redistributive impact towards people of Indigenous identity			
Spouse or Common-Law Partner Credit	1.04	Negative impact	Positive impact
Tax credit for CPP/QPP contributions by employed and self-employed persons	1.00	Negative impact	No change
Unused credits transferred from a spouse or common-law partner	0.99	Negative impact	Positive impact
Non-taxation of CPP/QPP contributions by employers	0.99	Negative impact	No change
Refundable Medical Expense Supplement	0.98	Negative impact	No change
Home Accessibility Tax Credit	0.97	No change	Positive impact
Tax expenditures that have a negative redistributive impact towards people of Indigenous identity			
Tuition Tax Credit – for self	0.90	No change	Positive impact
First-Time Home Buyers' Tax Credit	0.87	No change	No change
Child Care Expense Deduction	0.80	No change	No change
Deduction of other employment expenses	0.78	No change	No change
Deduction for clergy residence	0.76	No change	No change
Other refundable credits	0.74	No change	No change
Age Credit	0.71	n.a.	n.a.
Pension Income Credit – for self	0.71	Positive impact	No change
Medical Expense Tax Credit	0.67	No change	No change
Political Contribution Tax Credit	0.56	No change	No change
Labour-Sponsored Venture Capital Corporations Credit	0.56	No change	No change
Credit for subscriptions to Canadian digital news media	0.55	Neutral impact	No change
Pension income splitting	0.51	n.a.	n.a.
Tuition Tax Credit – transferred from a dependant other than a spouse	0.45	Positive impact	No change
Dividend gross-up and tax credit	0.42	No change	No change
Capital loss and non-capital loss carry-overs and deduction of allowable business investment losses	0.33	No change	No change
Charitable Donation Tax Credit	0.32	No change	No change
Lifetime Capital Gains Exemption & partial inclusion of capital gains	0.32	No change	No change
Foreign tax credit for individuals	0.28	No change	No change
Deduction of interest and carrying charges incurred to earn investment income	0.27	No change	No change

	Ratios	Observed changes	
	All ages	18–39 years	40 years and over
Tax expenditures that have a negative redistributive impact towards people of Indigenous identity *(continued)*			
Employee stock option deduction	0.26	No change	No change
Investment tax credits	0.24	n.a.	n.a.

Note – See notes below Table A.2 for further details on definitions.
Source: 2021 Census of Population data linked to 2020 T1 returns.

Table C.3

Based on ratios, classification of tax expenditures that have a positive, negative or neutral (i.e., proportional) redistributive impact towards racialized people among all tax filers, and identification of changes observed among different age groups of tax filers, 2020

	Ratios	Observed changes	
	All ages	18–39 years	40 years and over
Tax expenditures that have a positive redistributive impact towards racialized people			
Tuition Tax Credit – for self	2.26	No change	No change
Spouse or Common-Law Partner Credit	1.92	No change	No change
First-Time Home Buyers' Tax Credit	1.85	No change	No change
Tuition Tax Credit – transferred from a dependant other than a spouse	1.80	No change	No change
Canada Workers Benefit	1.76	No change	No change
Canada Child Benefit	1.72	No change	No change
Canada Training Credit	1.68	No change	No change
Student Loan Interest Credit	1.57	Neutral impact	No change
GST/HST Credit	1.48	No change	No change
Canada Caregiver Credit – for self	1.35	No change	No change
Foreign tax credit for individuals	1.31	No change	No change
Canada Employment Credit	1.26	Neutral impact	No change
Tax credit for EI and QPIP premiums paid by employed persons	1.24	Neutral impact	No change
Child Care Expense Deduction	1.24	Negative impact	No change
Non-taxation of social assistance benefits	1.21	Negative impact	No change
Non-taxation of EI and QPIP premiums paid by employers	1.20	Neutral impact	No change
Capital loss and non-capital loss carry-overs & deduction of allowable business investment losses	1.20	No change	No change
Tax credit for CPP/QPP contributions by employed and self-employed persons	1.18	Neutral impact	No change
Non-taxation of Guaranteed Income Supplement and Allowance benefits	1.17	Negative impact	No change
Eligible Dependant Credit	1.16	Negative impact	No change
Non-taxation of CPP/QPP contributions by employers	1.15	Neutral impact	No change
Deduction of other employment expenses	1.14	No change	No change
Credit for the Basic Personal Amount	1.13	No change	No change
Refundable Medical Expense Supplement	1.06	Negative impact	No change
Tax expenditures that have a fairly proportional/neutral redistributive impact towards racialized people			
Moving expense deduction	1.01	Negative impact	No change
Tax expenditures that have a negative redistributive impact towards racialized people			
Unused credits transferred from a spouse or common-law partner	0.94	Positive impact	Neutral impact
Deduction of union and professional dues	0.93	No change	Neutral impact
Deduction for clergy residence	0.93	No change	Positive impact
Lifetime Capital Gains Exemption and partial inclusion of capital gains	0.83	Neutral impact	No change
Charitable Donation Tax Credit	0.83	Positive impact	No change
Home Accessibility Tax Credit	0.80	Positive impact	No change
Disability Tax Credit – for self or transferred from a dependant other than a spouse	0.78	No change	No change
Employee stock option deduction	0.74	No change	No change
Other refundable credits	0.67	No change	No change
Deduction of interest and carrying charges incurred to earn investment income	0.67	No change	No change
Non-taxation of workers' compensation benefits	0.66	No change	No change
Dividend gross-up and tax credit	0.66	No change	No change
Teacher and Early Childhood Educator School Supply Tax Credit	0.62	No change	No change
Medical Expense Tax Credit	0.54	No change	No change
Credit for subscriptions to Canadian digital news media	0.52	Positive impact	No change
Northern Residents Deductions	0.47	No change	No change
Political Contribution Tax Credit	0.44	No change	No change
Age Credit	0.42	n.a.	n.a.
Labour-Sponsored Venture Capital Corporations Credit	0.40	No change	No change
Pension Income Credit – for self	0.32	No change	No change
Investment tax credits	0.28	n.a.	n.a.
Pension income splitting	0.17	n.a.	n.a.
Tax-free amount for emergency services volunteers, Search and Rescue Volunteers Tax Credit and Volunteer Firefighters Tax Credit	0.15	No change	No change
Non-taxation of income earned by military and police deployed to international operational missions	0.13	n.a.	n.a.

	Ratios	Observed changes	
	All ages	18–39 years	40 years and over
Redistributive impact towards racialized people not available (n.a.)			
Non-taxation of personal property of status Indians and Indian bands situated on reserve	n.a.	n.a.	n.a.

Note – See notes below Table A.2 for further details on definitions.

Source: 2021 Census of Population data linked to 2020 T1 returns.

Spouse or Common-Law Partner Credit and Eligible Dependant Credit: A Profile of Claimants and Beneficiaries[1]

1. Introduction

The Spouse or Common-Law Partner Credit (SCPC) and the Eligible Dependant Credit (EDC) are non-refundable tax credits that provide tax relief to individuals who are supporting family members with little or no income. The objective of both tax measures is to promote horizontal equity by recognizing that individuals who are supporting a low-income partner or family member have a reduced ability to pay taxes relative to individuals who are not supporting a low-income dependant. Effectively, the SCPC and EDC enable different types of households to earn the same amount of taxable income before paying taxes. For example, in two-earner couples, both tax filers can claim the Basic Personal Amount (BPA), which allows them to earn up to $32,258 in combined taxable income in 2025 before paying taxes. The SCPC allows a tax filer in a couple where they are the main income provider to claim both the BPA and the SCPC. Similarly, the EDC allows a tax filer who does not have a partner or who is not living with, being supported by, nor supporting a partner to claim both the BPA and the EDC on behalf of a family member who is dependent on them for support. Like for two-earner couples, both combinations of credits allow these households to earn up to $32,258 in combined taxable income in 2025 before paying taxes. In 2021,[2] approximately 1.9 million individuals claimed the SCPC and 1.0 million individuals claimed the EDC, with the SCPC's cost estimated at $1.8 billion and the EDC's cost estimated at $1.3 billion.[3]

Section 2 presents some background information on the SCPC and EDC, including details on the process of claiming the tax credits and eligibility rules. Section 3 outlines the key datasets and variables used in the analysis. Section 4 presents a trend analysis looking at the number of SCPC and EDC claimants and amounts claimed from 2007 to 2021. Section 5 looks at a cross-sectional analysis of both credits for the 2021 tax year, highlighting claim and benefit patterns for households with different sociodemographic characteristics. This section also discusses interactions among SCPC claimants or EDC claimants and claimants of related tax expenditures. Section 6 summarizes the main findings of the paper.

2. Background

2.1 Implementation and Recent History

The SCPC and EDC were both introduced as part of the 1987 Tax Reform and replaced previous tax exemptions. As of 2007, the credit amounts were tied to the BPA (see further details in subsection 2.4) and the net income thresholds for dependants were removed. With these changes, the allowable SCPC or EDC amount for a tax filer is reduced by the total amount of their dependant's net income. In 2019, new income-tested supplements to the SCPC and EDC were introduced, such that the maximum amount for each credit gradually increased along with the BPA from 2020 to 2023 until it reached a maximum of $15,000 in 2023. The amount of each credit is indexed to inflation for tax years after 2023.

[1] The analysis presented in this study was prepared by Sophia Lebeau and Devina Lakhtakia, 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 2021 tax year is the most recent year for which data is available for SCPC and EDC claims disaggregated by different sociodemographic characteristics.

[3] Total benefits (or costs) for the SCPC and EDC may not be equal to the cost information presented for these tax expenditures in Part 3 of this report. In this paper, total benefits are calculated using the concept of net federal tax, which may differ from tax concepts used to calculate tax expenditure costs in Part 3. In addition, this analysis includes only claimants who meet all the eligibility criteria to claim the SCPC or EDC and who are aged 18 and older.

2.2 Spouse or Common-Law Partner Credit (SCPC)

The SCPC is a non-refundable tax credit that individuals can claim if they support a partner who does not earn any income or whose net income is below the BPA of the claimant (i.e., maximum of $16,129 in 2025). Only one partner per couple can claim the SCPC in the same tax year.[4]

The SCPC is indexed to inflation and is calculated using three components: a base amount, an additional amount for a partner with an impairment in physical or mental functions, and the net income of the partner. The base amount is equal to the BPA of the individual claiming the credit, which is determined using their net income. An additional amount of $2,687 in 2025 can be added if the individual is supporting a dependant with an impairment and is eligible for the Canada Caregiver Credit. Finally, the net income of the partner is subtracted from the total base amount and additional amount (if applicable) to determine the final SCPC amount. For example, if a tax filer has a base amount of $16,129 (based on a net income of $50,000), supports a partner with an impairment, and the partner has a net income of $5,000, the tax filer's SCPC amount would be $13,816 in 2025 (i.e., sum of the $16,129 and $2,687 amounts minus $5,000 in net income of the partner). Alternatively, if the tax filer is supporting a partner who does not have an impairment, their SCPC amount would be $11,129 in 2025 (i.e., $16,129 base amount minus $5,000 in net income of the partner). The SCPC is multiplied by 15% (i.e., the percentage corresponding to the marginal tax rate of the lowest tax bracket in 2025) to determine the amount of taxes that individuals can save by claiming the credit.

If tax filers are claiming an additional amount for a partner with an impairment and the partner's net income reduces the SCPC below $8,601 (i.e., the maximum Canada Caregiver Credit in 2025), they can claim an additional amount through the Canada Caregiver Credit. The combined total of the SCPC and the Canada Caregiver Credit cannot exceed $8,601, such that tax filers benefit from the same tax savings that they would receive by claiming only the Canada Caregiver Credit.

Details about the eligibility criteria and calculation of the SCPC are set out in paragraph 118(1)(a) of the *Income Tax Act*.

2.3 Eligible Dependant Credit (EDC)

Similarly to the SCPC, the EDC is a non-refundable tax credit that individuals can claim if they support a family member other than a partner who does not earn any income or whose net income is below the BPA of the claimant (i.e., maximum of $16,129 in 2025) plus an extra amount ($2,687 in 2025) if the family member has an impairment. Eligible dependants as part of the EDC include the claimant's or their partner's parent, grandparent or another dependant under 18 years old who is a child, grandchild, brother, or sister. In addition, tax filers can claim the EDC if they support a child, grandchild, brother, or sister aged 18 and older with an impairment. The EDC is indexed to inflation and is calculated using the same components as the SCPC. Moreover, if tax filers support a dependant with an impairment and the dependant's net income reduces the allowable EDC amount below $8,601, tax filers can also claim an additional amount through the Canada Caregiver Credit up to a combined maximum of $8,601 in 2025 between the two tax credits.

[4] There are specific rules that apply in the case of separated or divorced tax filers. Readers can find additional information on how to claim the SCPC on the CRA website: Line 30300 – Spouse or common-law partner amount.

Individuals can claim the EDC if they are not married nor in a common-law relationship or if they do not live with a partner, support a partner nor are being supported by a partner. Individuals also need to live with the dependant and the dependant must be a Canadian resident to be eligible for the credit. Exceptions are made when a child is attending school abroad but normally lives with the individual or when the individual is a deemed resident of Canada living in another country with the child. There can be only one SCPC or EDC claim in a household. Tax filers cannot claim the EDC for more than one dependant, and conversely multiple tax filers cannot claim the EDC for the same dependant. If two or more individuals are eligible for the EDC for the same dependant, they must agree on who will claim the EDC for that dependant,[5] or no one may claim the credit.

Details about the eligibility criteria and calculation of the EDC are set out in paragraph 118(1)(b) of the *Income Tax Act*.

2.4 Related Tax Expenditures

These are the main federal tax expenditures related to the SCPC and the EDC:

- The BPA is a non-refundable tax credit that all tax filers can claim and that allows them to earn up to $16,129 in taxable income in 2025 before paying taxes. The base SCPC and EDC amounts (excluding the additional amount for dependants with an impairment) are set equal to the BPA every year.
- The Canada Caregiver Credit is a non-refundable tax credit that provides tax relief to individuals who are supporting a partner or family member with an impairment. Eligible tax filers who support a partner or a dependant with an impairment can claim the SCPC or EDC and the Canada Caregiver Credit.
- The Disability Tax Credit is a non-refundable tax credit that provides tax relief to individuals with disabilities as well as the family members that support them. Eligible tax filers who support a partner or a dependant with a severe and prolonged disability can claim the SCPC or EDC and the Disability Tax Credit.

Subsection 5.2 discusses the interactions and overlap among SCPC claimants or EDC claimants and claimants of these tax expenditures. Other tax expenditures such as the Medical Expense Tax Credit and the Disability Supports Deduction are also related to the support of dependants with an impairment or disability, but this analysis will focus on directly related tax expenditures. Further, provinces and territories offer similar individual tax credits to the SCPC and EDC, but many of these provincial and territorial credits have slightly different eligibility criteria and amounts than the federal SCPC and EDC. These provincial and territorial credits are outside of the scope of this paper. For additional information, individuals can consult various sources provided by the Canada Revenue Agency or the Government of Quebec.[6]

[5] Specific rules apply in the case of separated or divorced tax filers. Readers can find additional information on how to claim the EDC on the CRA website: Line 30400 – Amount for an eligible dependant.

[6] Canada Revenue Agency. 2024. Provincial and territorial tax and credits for individuals.

3. Data and Variables Used in the Study

This study uses data from the T1 Income Tax and Benefit Return (T1) from 2007 to 2021. In particular, the trend analysis looks at the 2007 to 2021 tax years and the cross-sectional analysis focuses on the 2021 tax year. The unit of analysis in this paper is the individual tax filer. Although tax savings could be shared within a household, the claimant who is supporting a partner or dependant is the only person who could benefit directly from the SCPC or EDC from a tax perspective. The partner or dependant the claimant is supporting does not have sufficient taxable income to pay taxes and therefore cannot directly benefit from non-refundable tax credits.

The variables in the analysis come from the T1 as well as Schedule 5 – Amounts for Spouse or Common-Law Partner and Dependants.[7] Other schedules are also used to explore tax filer and dependant characteristics throughout the analysis as well as discuss the interactions among SCPC claimants or EDC claimants and claimants of related tax expenditures. Observed characteristics in the tax data include a partner or dependant's level of income, presence of an impairment, education, receipt of Employment Insurance benefits, and the presence of children in the household, among others.

4. Trend Analysis

This section discusses trends in the number of claimants and amounts claimed for the SCPC and EDC from 2007 to 2021. It also presents trends using various data sources from Statistics Canada to provide additional context for the findings. Both the SCPC and EDC underwent changes after Budget 2007,[8] making 2007 an ideal starting point for the trend analysis. The 2021 tax year is the most recent year for which data is available to study SCPC and EDC claims.

Chart 1 shows that the number of SCPC claimants decreased slightly from 1,956,000 in 2007 to 1,939,000 by 2021, but for most of the period there were just over 2,000,000 yearly claimants. Overall, the SCPC claimants remained relatively steady between 2007 and 2021, with a temporary decline in 2015 and in 2020, the latter coinciding with the beginning of the COVID-19 pandemic. Many income support programs were implemented in response to the pandemic, including the Canada Emergency Response Benefit (CERB) and the Canada Recovery Benefit (CRB). For certain low-income partners, these income supports have increased their net income above their partner's BPA, making the main income earner ineligible to claim the SCPC. Moreover, for two low-income tax filers in a couple, if the main income earner lost their job and the COVID-19 income support benefits they received did not make up for lost earnings, their yearly taxable income may not have been sufficient to claim and benefit from the SCPC. The number of EDC claimants increased slowly but steadily during the entire period from 954,000 in 2007 to 1,022,000 in 2021. The total value of SCPC claims increased from $15,891 million to $18,367 million and the total value of EDC claims increased from $11,104 million to $13,432 million from 2007 to 2021 (in 2021 dollars).[9]

[7] The main T1 variables include the Spouse or common-law partner amount (line 30300) and the Amount for an eligible dependant (line 30400). Schedule 5 variables include the Eligibility for the Canada caregiver amount for your spouse or common-law partner (line 51090), the Eligibility for the Canada caregiver amount for your dependant (line 51100), and the Dependant's net income from line 23600 of their return (line 51106).

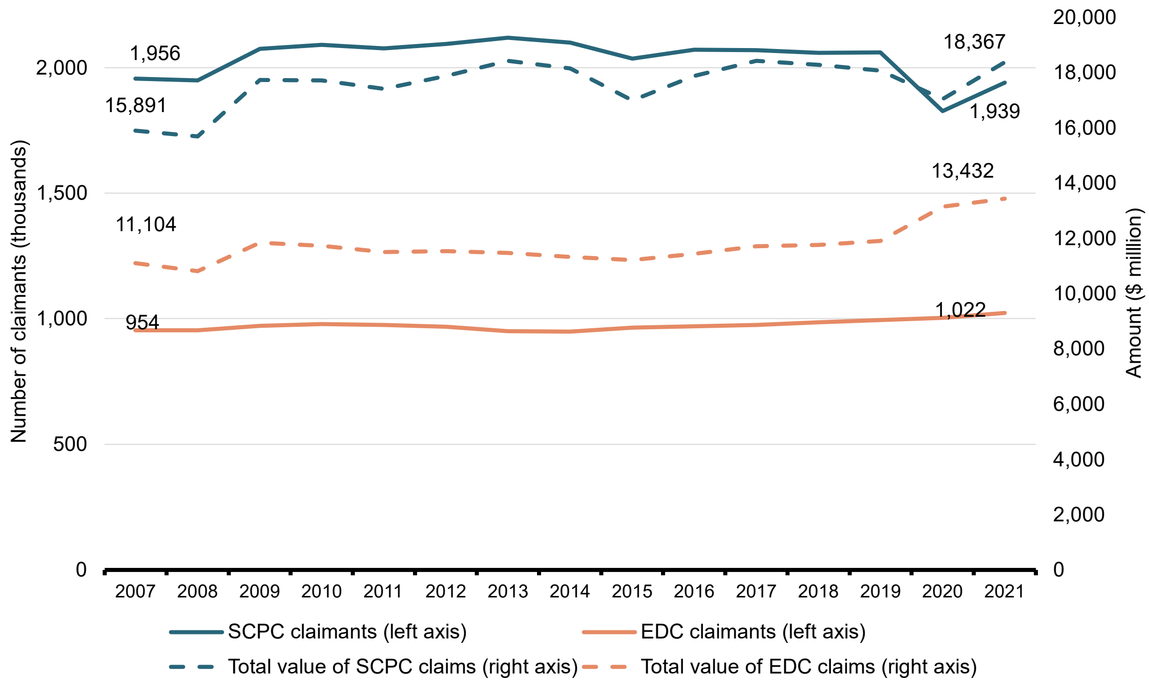
[8] In Budget 2007, credit amounts were set equal to the BPA. The dependant income threshold was also eliminated, meaning the credits were reduced dollar for dollar by the net income of the dependant spouse or common-law partner for the SCPC, and the eligible dependant for the EDC.

[9] Statistics Canada. Table 18-10-0005-01 Consumer Price Index, annual average, not seasonally adjusted.

As with the number of SCPC claimants, the total value of SCPC claims also declined in 2015 and 2020. The decline in 2015 could be in part due to the lower average SCPC claims stemming from the enhancement of the Universal Child Care Benefit (UCCB) in 2015 (discussed further in Chart 4). In 2021, the total value of SCPC claims increased not only due to an increase in the number of the SCPC claimants but also likely due to the additional income-tested supplement introduced in December 2019.[10,11] The total value of EDC claims also increased in 2020 and 2021. Most EDC claimants are in one-parent families with minor children who earn little or no income (discussed further in Chart 8), which means that EDC claimants were not as impacted by fluctuations in their dependants' net income due to the COVID-19 support programs introduced in 2020. Further, the increase in total EDC claims relative to the number of claimants in 2020 and 2021 likely reflects the new EDC supplement and the fact that most minor children do not earn any income, such that the parent can claim the maximum EDC amount.

Chart 1

Number of SCPC and EDC claimants and total value of SCPC and EDC claims (in millions of 2021 dollars), 2007 to 2021



Source: T1 tax data.

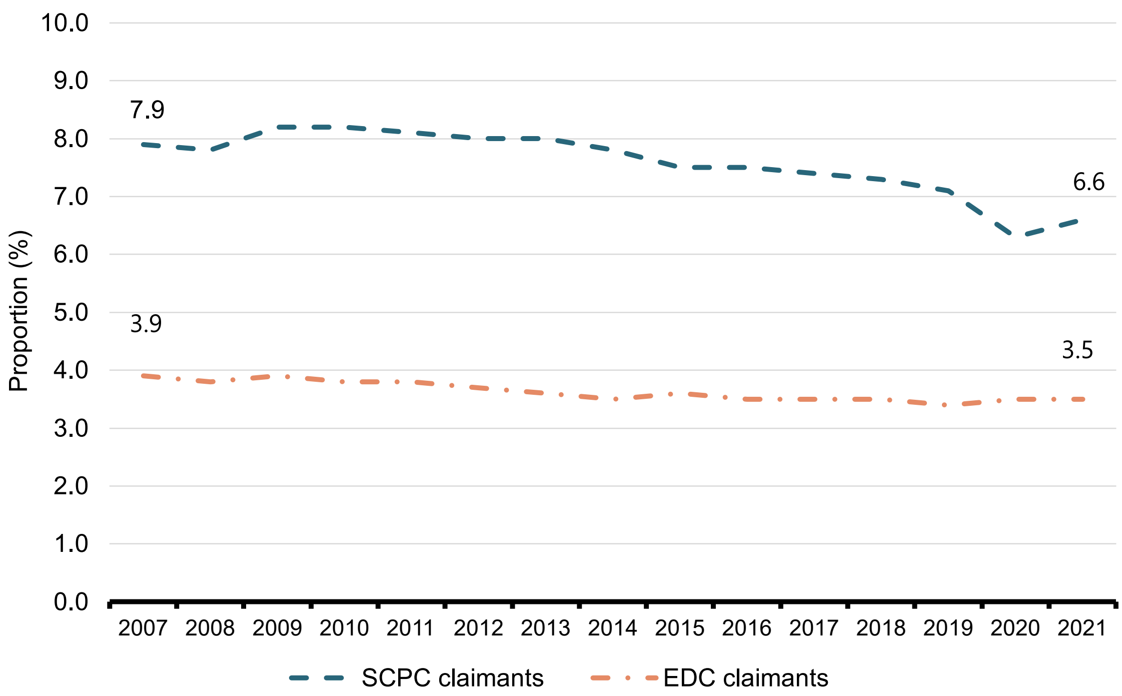
[10] Department of Finance Canada. 2024. *Report on Federal Tax Expenditures—Concepts, Estimates and Evaluations 2024.* Credit for the Basic Personal Amount; Spouse or Common-Law Partner Credit; Eligible Dependant Credit.

[11] The additional income-tested supplements introduced in December 2019 were set to increase gradually starting in 2020 until the credit amounts reached a maximum of $15,000 in 2023.

Chart 2 depicts that the proportion of SCPC claimants among all tax filers decreased from 7.9% in 2007 to 6.6% in 2021. However, the proportion of EDC claimants among all tax filers only decreased slightly over the same period from 3.9% in 2007 to 3.5% in 2021. Some reasons for a declining trend in the proportion of SCPC claimants could include that many SCPC claimants are men (discussed in Chart 5) and that the median contribution of women to family income has increased from 2007 to 2021. For example, their median contribution to household income was about $35,600 in 2007 and rose to $42,600 in 2021[12] (in 2021 dollars). In cisgender, different-gender couples, women are usually the lower-income partners. Accordingly, an increase in women's contribution to family income decreases the allowable SCPC amount for the tax filers claiming the credit and prevents other tax filers from claiming the credit altogether when the lower-income partner's net income is too high.

Chart 2

Proportion of SCPC and EDC claimants among all tax filers, 2007 to 2021



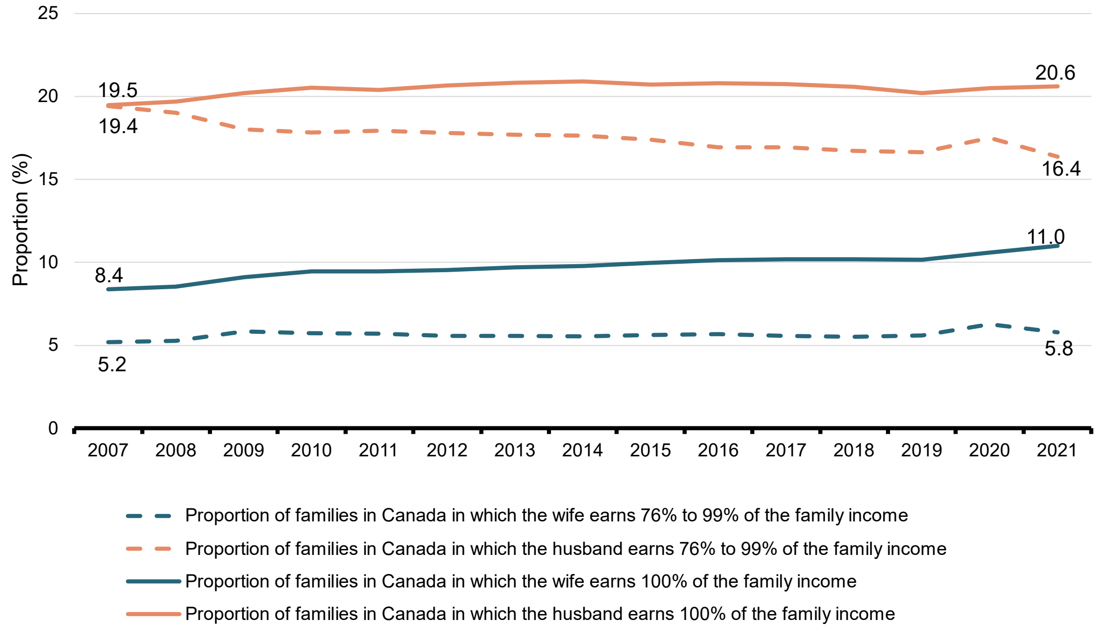
Source: T1 tax data.

[12] Statistics Canada. Table 11-10-0029-01 Couple census families by wife's contribution to couple's employment income and by number of children. Statistics Canada does not publish a similar breakdown of employment income between partners in non-husband-wife families.

To further explain the declining trend in SCPC claimants, Chart 3 shows that the proportion of couple-led families in which the wife[13] contributes 76% to 99% of family income has risen from 2007 to 2021. While the proportion of families in which the husband contributes 100% of family income has increased, the proportion of families in which the husband contributes 76% to 99% of family income has decreased over the period.

Chart 3

Proportion of families in Canada in which the husband or wife earns 76% to 99% or 100% of the family income, 2007 to 2021



Source: Department of Finance calculations based on Statistics Canada - Table 11-10-0029-01 Couple census families by wife's contribution to couple's employment income and by number of children.

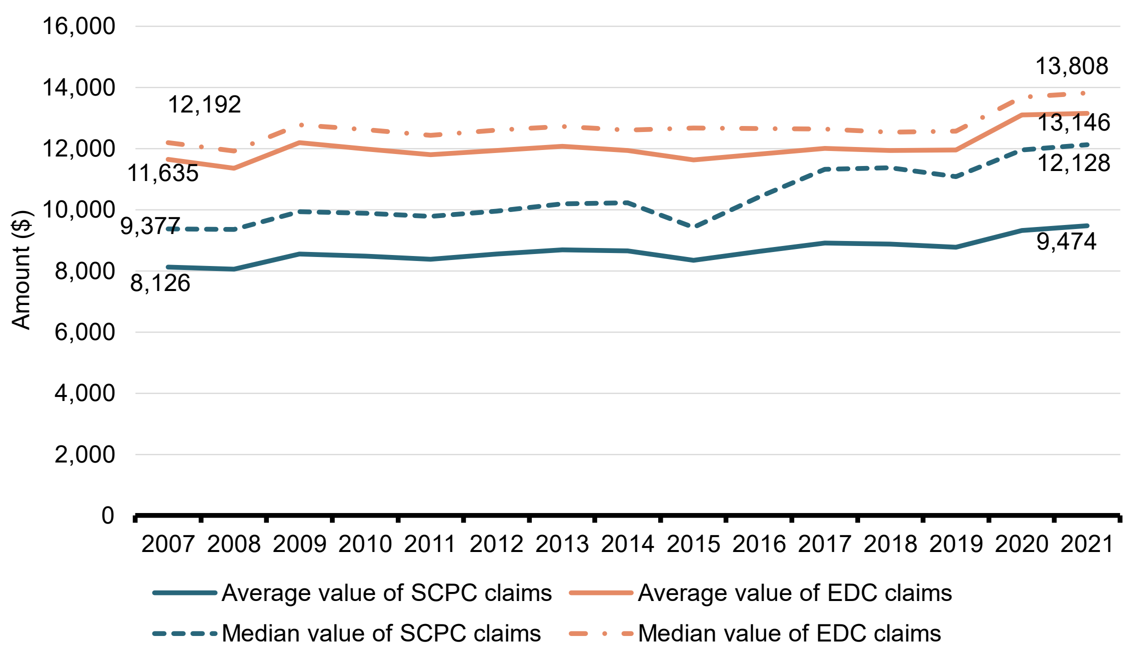
Notes: The proportion of families in which the wife earns a specific proportion of the family income was calculated as: Number of husband-wife families where the wife contributes a specific proportion of the family income divided by the total number of husband-wife families. Likewise, the proportion of families in which the husband contributes a specific proportion of the family income is calculated as: Number of husband-wife families where the husband contributes a specific proportion of the family income divided by the total number of husband-wife families.

[13] The terms husband and wife are used to accurately describe the families in the data source for Chart 3. Statistics Canada does not publish a similar breakdown of employment income between partners in non-husband-wife families.

Chart 4 shows that the average values of both the SCPC and EDC claims are consistently lower than the median values from 2007 to 2021, indicating a negative skew. This suggests that many tax filers are claiming amounts below the maximum credit amounts. Interestingly, SCPC average claim values are significantly lower than the maximum allowable credit[14] while EDC average claim values are only slightly lower than median values over this time period. The average SCPC claim remained relatively steady over the period apart from 2015, where a drop in the average claim value is observed. The decline in the average value of SCPC claims in 2015 can be attributed to a higher net income earned by the spouses or common-law partners in that year as compared to the previous years (not shown).[15] The UCCB, a component of the previous child benefit system, was enhanced in 2015. The UCCB had to be reported in the income of the lower-income partner, which increased their net income and therefore reduced the SCPC claim of the tax filer claiming the credit. Overall, the average SCPC claim ranged between $8,126 and $9,474 whereas the average EDC claim ranged from $11,635 to $13,146 from 2007 to 2021. This difference is due to the SCPC being claimed for spouses or common-law partners who are more likely to have a positive net income than EDC eligible dependants, many of whom are minor children. On average, 16.6% of eligible dependants of EDC claimants had positive net incomes, compared to 70.1% of partners of SCPC claimants between 2007 to 2021.[16] That being said, the income-tested supplements introduced in December 2019 would be expected to increase average and median SCPC and EDC claims overall starting in 2020.

Chart 4

Average and median value of SCPC and EDC claims (in 2021 dollars), 2007 to 2021



Source: T1 tax data.

[14] The maximum SCPC or EDC claim amount up until 2011 was limited to the BPA. However, starting in 2012, SCPC and EDC claimants were eligible to claim an additional amount if they qualified for the Family Caregiver Tax Credit (until 2016) or the Canada Caregiver Credit (from 2017 onwards) if they supported a partner or an eligible dependant with an impairment. In 2021, the maximum SCPC or EDC claim amount was $16,103 for claimants supporting a partner or an eligible dependant with an impairment. The maximum amount for those supporting a partner or an eligible dependant without an impairment was $13,808 in 2021 (for claimants with a net income equal to or less than $151,978).

[15] The average net income of the spouses or common-law partners was approximately $4,300 between the years 2007-2014 while it was $5,550 in 2015. An increase in the spouses' or common-law partners' net income reduces the SCPC amount that can be claimed.

[16] See Annex, Table A4.

5. Cross-sectional Analysis

This section presents a profile of claimants and beneficiaries of the SCPC and EDC in 2021. It uses 2021 tax data given that it is the latest available data allowing for a detailed analysis of claimants and beneficiaries in different socioeconomic groups.

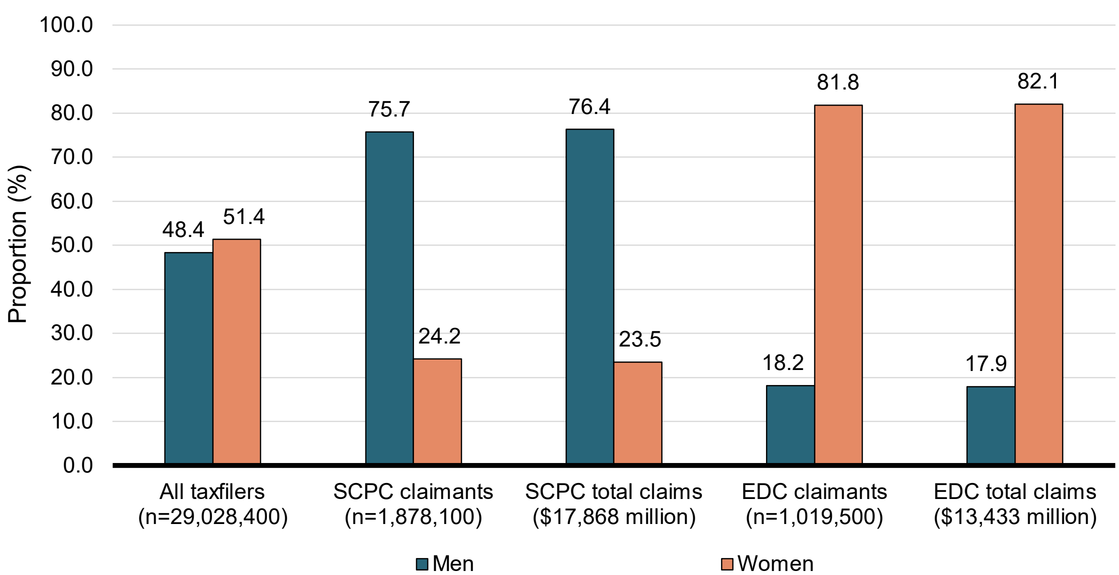
5.1 Profile of Claimants

About 29,448,500 individuals filed a T1 income tax and benefit return in 2021. Overall, 1,878,100, or 6.4% of all tax filers, claimed the SCPC while 1,019,500, or 3.5% of all tax filers, claimed the EDC.[17]

Chart 5 illustrates contrasting patterns with respect to sex among SCPC and EDC claimants, especially considering the relatively equal share of men (48.4%) and women (51.4%) among all tax filers aged 18 and older. Among SCPC claimants, men make up the majority of claimants (75.7%) and total claims (76.4%). In cisgender, different-gender couples with one main income earner, men are generally the higher-income partner.[18] Conversely, women make up the majority of EDC claimants (81.8%) and total claims (82.1%). In a study by Statistics Canada looking at an intersectional analysis of one-parent families in the 2021 Census, the author finds that most parents in one-parent families with minor children are women.[19] Given that the EDC is claimed by many parents in one-parent families with children aged 0 to 17 (discussed in Chart 8), the finding that a high share of EDC claimants are women is aligned with this Statistics Canada analysis.

Chart 5

Proportion of claimants and total claims relative to all tax filers, by sex, individuals aged 18 and older, SCPC and EDC, 2021



Notes: Population figures are rounded to the nearest 100. Percentages are rounded to the nearest 0.1. Dollar figures are rounded to the nearest unit in millions. Totals may not add up to 100.0% due to rounding.

Tax filers whose sex cannot be identified in the data have been excluded from the table. Assigned sex at birth is used in this study given that information on gender identity is generally not available in 2021 tax data. However, the variable used to identify tax filers' sex may reflect gender identity information in specific cases; tax filers can contact Employment and Social Development Canada (ESDC) to change their gender identity in their government records when it does not match their assigned sex at birth.

[17] Includes claimants who meet all the eligibility criteria to claim the SCPC or EDC and who are aged 18 and older.

[18] Statistics Canada. Table 11-10-0029-01 Couple census families by wife's contribution to couple's employment income and by number of children. Statistics Canada does not publish a similar breakdown of employment income between partners in non-husband-wife families.

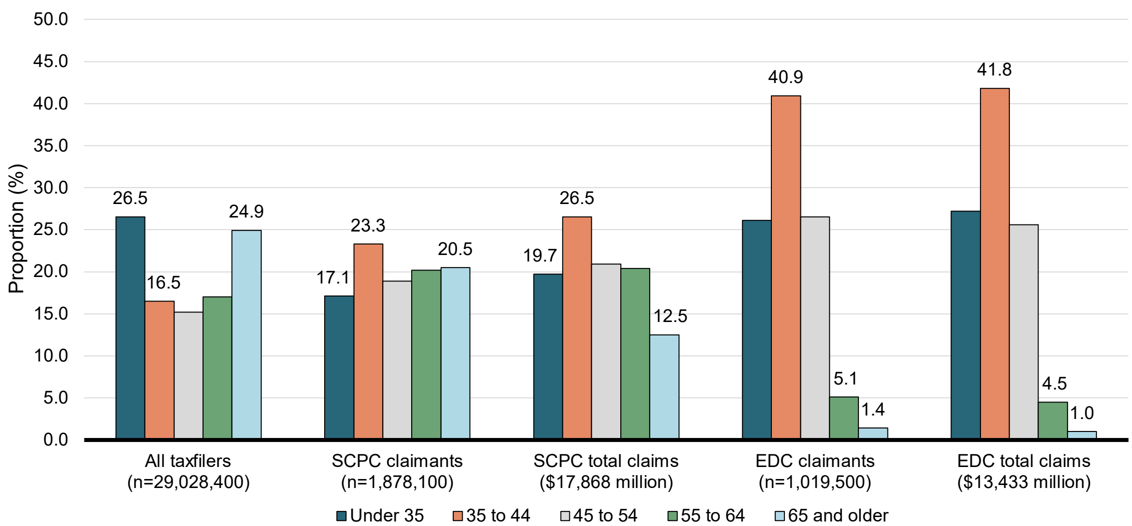
[19] Statistics Canada. 2024. Prevalence of low income among persons in one-parent families headed by an immigrant parent: An intersectional analysis.

Chart 6 reveals different age distributions for SCPC and EDC claimants. First, the shares of SCPC claimants under 35 and those aged 35 to 44 represent 17.1% and 23.3% of SCPC claimants, compared to 26.5% and 16.5%, respectively, among all tax filers aged 18 and older. This is likely due to individuals in their mid to late thirties and forties having a higher probability of being married or in a common-law relationship compared to younger individuals. Next, although SCPC claimants aged 65 and older make up similar shares of claimants (20.5%) and all tax filers (24.9%), they account for only 12.5% of total SCPC claims. As will be discussed in the profile of beneficiaries, these claimants are often supporting partners in a similar age range who receive age and retirement related benefits such as Old Age Security and the Canada Pension Plan or Québec Pension Plan. These benefits increase the partners' net income and therefore reduce the allowable SCPC amount for those claiming the credit.

Turning to EDC claimants, those aged 35 to 44 represent the highest share of claimants (40.9%) and total claims (41.8%). Similarly to the breakdown by sex, this result is consistent with many EDC claimants supporting a child aged 0 to 17 since many parents of minor children are in this age group. In contrast, claimants in the last two age groups are the least likely to claim the EDC (5.1% and 1.4%) and account for a small portion of total claims (4.5% and 1.0%). This could be due to a combination of factors, such as older individuals being less likely to live with and support minor children or adult dependants. Correspondingly, caregivers aged 35 to 44 as well as those aged 45 to 54 are the most likely to be "sandwiched" between caregiving responsibilities for young children and care-dependant adults in the latest data on caregiving from the Canadian Social Survey.[20]

Chart 6

Proportion of claimants and total claims relative to all tax filers, by age group, individuals aged 18 and older, SCPC and EDC, 2021



Notes: Population figures are rounded to the nearest 100. Percentages are rounded to the nearest 0.1. Dollar figures are rounded to the nearest unit in millions. Totals may not add up to 100.0% due to rounding.

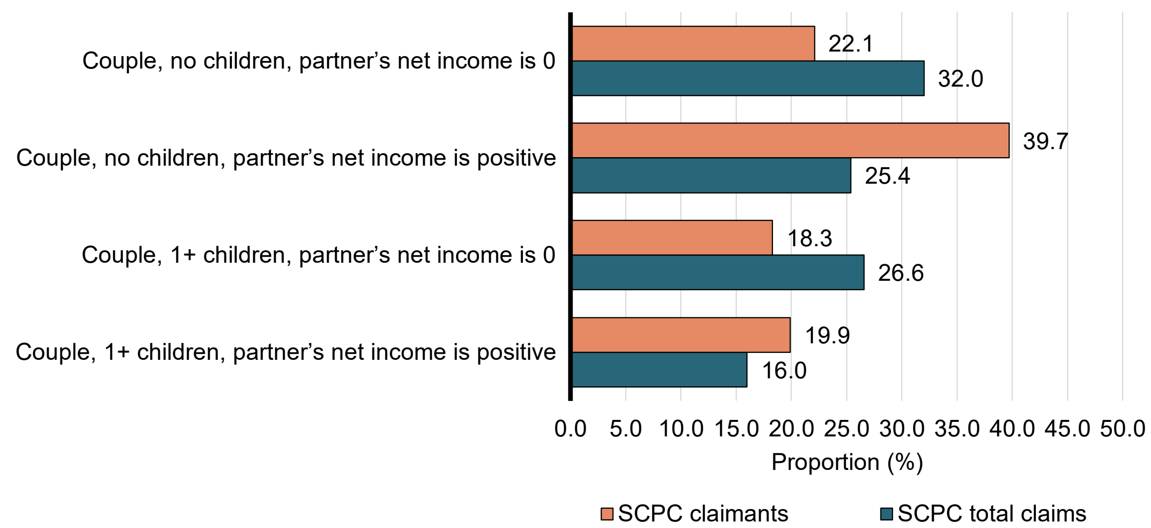
Data labels for subgroups that are not discussed in the text have been removed to improve the clarity of the chart.

[20] Statistics Canada. 2024. "Sandwiched" between unpaid care for children and care-dependent adults: A gender-based study.

Chart 7 shows that claimants in a couple without children and whose partner's net income is positive make up the largest share of SCPC claimants (39.7%). Looking at intersecting identity factors (not shown), we find that many claimants in this family situation are aged 65 and older (46.0%) and 55 to 64 (29.3%), who are less likely to be living with minor children and more likely to receive age and retirement related benefits. In addition, there is a diverging pattern among all subgroups in which higher shares of claimants are associated with lower shares of total claims, and vice versa. This can be explained by partners' positive net income reducing the allowable SCPC amount that individuals can claim. Therefore, SCPC claimants whose partners have a positive net income will claim smaller amounts and likely account for smaller shares of total claims in aggregate. Conversely, SCPC claimants whose partners have a zero net income will claim higher amounts and likely account for higher shares of total claims.

Chart 7

Proportion of SCPC claimants and total claims, by family situation, individuals aged 18 and older, 2021

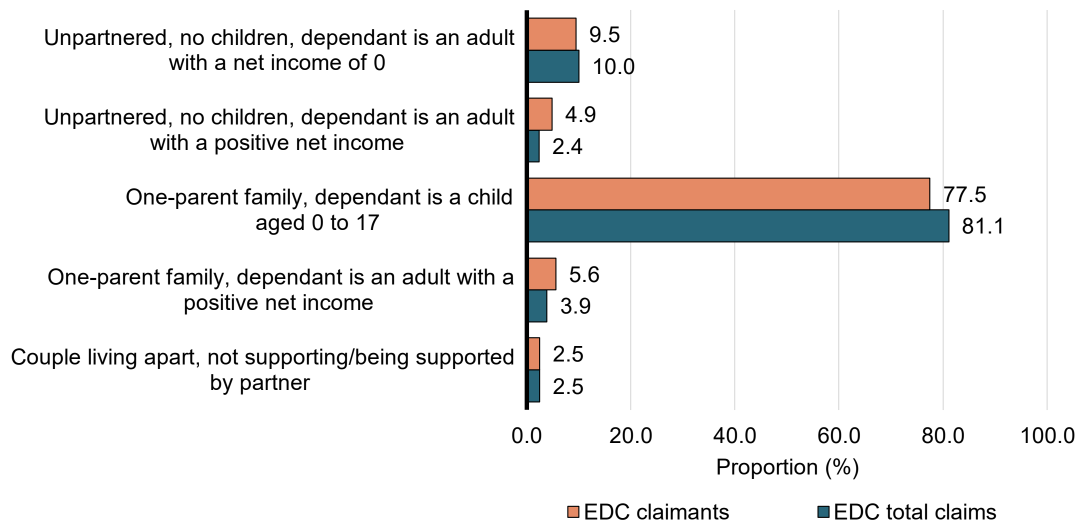


Notes: Population figures are rounded to the nearest 100. Percentages are rounded to the nearest 0.1. Dollar figures are rounded to the nearest unit in millions. Totals may not add up to 100.0% due to rounding.

Chart 8 highlights that one-parent families with minor children are the main claimants of the EDC (77.5%) and account for most claims (81.1%). This finding explains many of the results for EDC claimants disaggregated by other sociodemographic characteristics (particularly by sex and age), reflecting common features of one-parent families with minor children in Canada. Among EDC claimants who support adult dependants,[21] those who are unpartnered without children and whose dependants have a net income of zero account for the highest share of claimants (9.5%) and total claims (10.0%). For example, these include claimants supporting a parent or an adult family member with an impairment who does not earn an income.

Chart 8

Proportion of EDC claimants and total claims, by family situation, individuals aged 18 and older, 2021



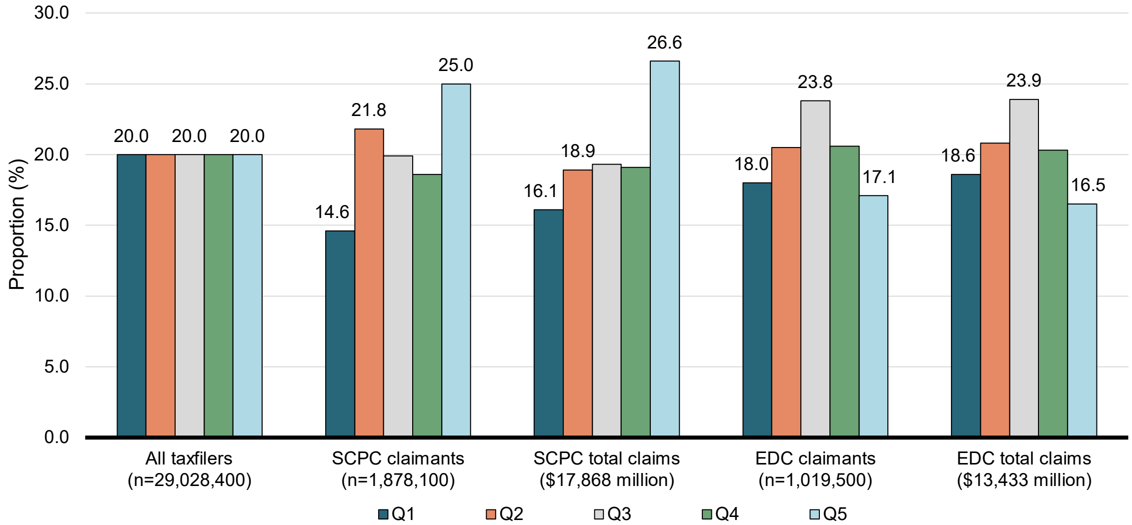
Notes: Population figures are rounded to the nearest 100. Percentages are rounded to the nearest 0.1. Dollar figures are rounded to the nearest unit in millions. Totals may not add up to 100.0% due to rounding.

[21] Given the information available in 2021 tax data, we need to make assumptions to distinguish EDC claimants supporting a child aged 0 to 17 from those supporting an adult dependant, and whether their dependant has a positive net income. In this study, using linked Canada Child Benefit (CCB) data, we assume that EDC claimants who do not appear in the CCB data do not have minor children, and are therefore supporting an adult. We then use the dependant's net income in Schedule 5 to determine if the dependant has a positive net income. Next, among those with minor children, we assume that if the dependant's net income in Schedule 5 is zero, the EDC claimant is supporting a minor child. Alternatively, if the dependant's net income is positive, we assume the EDC claimant is supporting an adult with a positive net income.

Chart 9 illustrates that the proportions of SCPC claimants and total claims increase overall with personal pre-tax income. Claimants in the lowest income quintile represent 14.6% of all claimants and as expected account for a small share of total claims (16.1%). Conversely, those in the highest income quintile represent 25.0% of all claimants and account for a larger share of total claims (26.6%). This could be explained by higher-income individuals being in a better position to support a low-income partner relative to individuals in other income groups. Moreover, some tax filers in lower income groups may not claim the SCPC if they do not have a sufficiently high taxable income to benefit from the credit. In contrast, we observe lower shares of EDC claimants and total claims in the lowest and highest income groups, respectively, and a higher share of claimants and total claims in the middle of the income distribution. Most tax filers in one-parent families claimed the EDC in 2021, with the highest shares of one-parent families being part of the third income quintile and the second income quintile among tax filers aged 18 and older.[22]

Chart 9

Proportion of claimants and total claims relative to all tax filers, by personal pre-tax income quintile, individuals aged 18 and older, SCPC and EDC, 2021



Notes: Population figures are rounded to the nearest 100. Percentages are rounded to the nearest 0.1. Dollar figures are rounded to the nearest unit in millions. Totals may not add up to 100.0% due to rounding.

Data labels for subgroups that are not discussed in the text have been removed to improve the clarity of the chart.

Personal pre-tax income quintiles are calculated based on tax filers aged 18 and older in 2021.

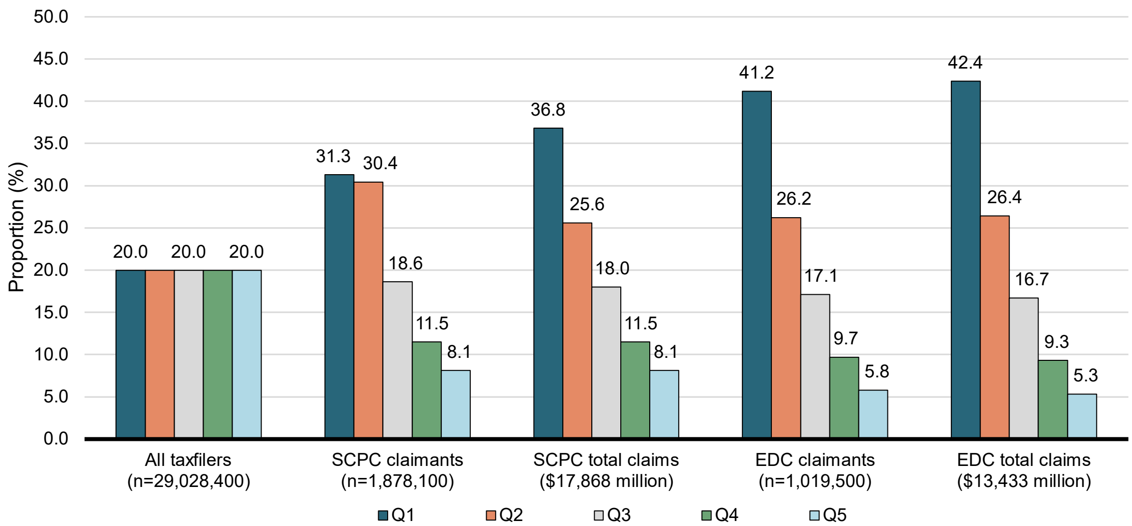
Personal pre-tax income quintiles: Q1 (under $17,547), Q2 (from $17,547 to $31,062), Q3 (from $31,062 to $50,193), Q4 (from $50,193 to $80,950), Q5 (at or above $80,950).

[22] Chart 9 includes only EDC claimants and not all tax filers in one-parent families in 2021.

Chart 10 shows that SCPC and EDC claiming patterns differ significantly when we disaggregate results by adjusted family pre-tax income instead of personal pre-tax income. The adjusted family pre-tax income is obtained by dividing a tax filer's total pre-tax family income by the square root of the number of family members in the household. Among both SCPC and EDC claimants, proportions of claimants and total claims decrease with family pre-tax income. Among SCPC claimants, households are comprised of one main income earner and a lower-income partner whose combined income is generally lower than households in which both partners earn similar levels of income. This translates into many of these claimants being concentrated in the lower and middle family income quintiles. Notably, this pattern is more pronounced among EDC claimants, with claimants in the lowest quintile representing a higher share of claimants and total claims while those in the highest quintile represent smaller shares of claimants and total claims. One-parent families in Canada have consistently lower family incomes compared to other family types, especially compared to couple families.[23] This is expected given that these families are supported by one income earner instead of two in many couple families. Moreover, family income in this study is adjusted for the presence of a partner as well as the number of children in a household, meaning that EDC claimants in one-parent families with multiple children will generally have a lower adjusted family income. These results align with previous Gender-based Analysis Plus (GBA Plus)[24] findings wherein these tax expenditures tend to benefit lower-income households in the first three family income quintiles.

Chart 10

Proportion of claimants and total claims relative to all tax filers, by adjusted family pre-tax income quintile (adjusted for household size)*, individuals aged 18 and older, SCPC and EDC, 2021



Notes: Population figures are rounded to the nearest 100. Percentages are rounded to the nearest 0.1. Dollar figures are rounded to the nearest unit in millions. Totals may not add up to 100.0% due to rounding.

Adjusted family pre-tax income quintiles are calculated based on tax filers aged 18 and older in 2021.

Adjusted family pre-tax income quintiles: Q1 (under $21,704), Q2 (from $21,704 to $38,397), Q3 (from $38,397 to $59,758), Q4 (from $59,758 to $91,947), Q5 (at or above $91,947).

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

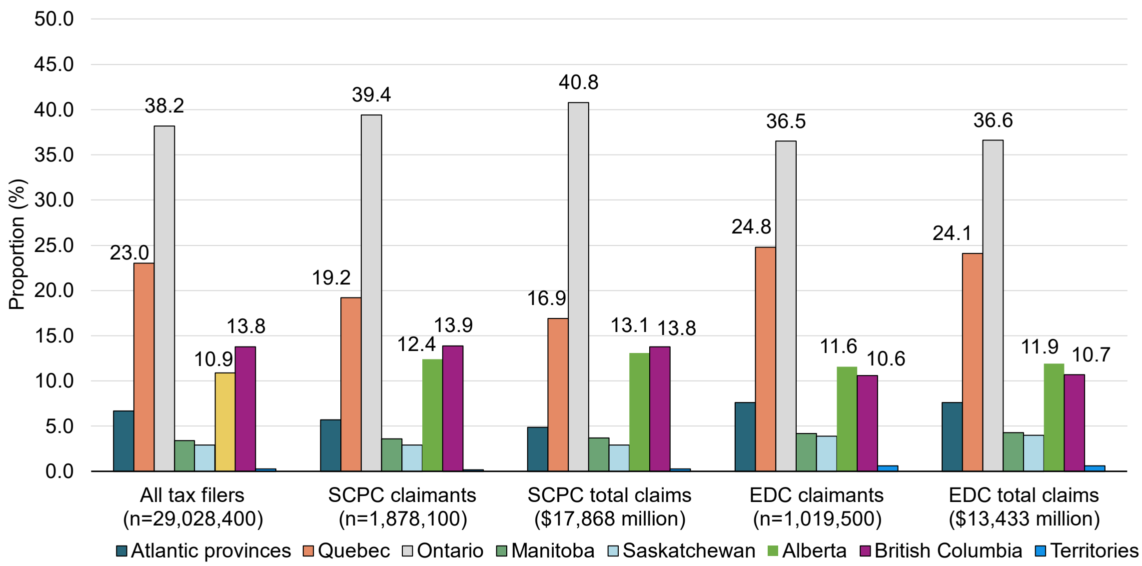
[23] Statistics Canada. Table 11-10-0013-01 Census families by total income, family type and number of children.

[24] Department of Finance Canada. 2021. *Report on Federal Tax Expenditures—Concepts, Estimates and Evaluations 2021*. Gender-Based Analysis Plus of Federal Personal Income Tax Measures: Impacts by Identity Factors other than Gender.

Finally, Chart 11 illustrates that shares of SCPC and EDC claimants across provinces and territories are largely consistent with geographic shares of all tax filers aged 18 and older. Looking at larger provinces, SCPC claimants are slightly overrepresented in Ontario (39.4% of claimants and 40.8% of total claims compared to 38.2% of tax filers) and Alberta (12.4% of claimants and 13.1% of total claims compared to 10.9% of all tax filers). However, they are slightly underrepresented in Quebec (19.2% of claimants and 16.9% of total claims compared to 23.0% of tax filers). This could reflect the higher percentage of dual-earner couples in Quebec in 2021.[25] EDC claimants are somewhat underrepresented in British Columbia with 10.6% of claimants and 10.7% of total claims compared to 13.8% of all tax filers. This could be due to the lower share of one-parent families in British Columbia in 2021 relative to other provinces.[26]

Chart 11

Proportion of claimants and total claims relative to all tax filers, by region of residence, individuals aged 18 and older, SCPC and EDC, 2021



Notes: Population figures are rounded to the nearest 100. Percentages are rounded to the nearest 0.1. Dollar figures are rounded to the nearest unit in millions. Totals may not add up to 100.0% due to rounding.
Regions of residence: Tax filers for whom region of residence is "non-resident", "multiple jurisdiction", unknown or missing have been excluded from the table.
Data labels for subgroups that are not discussed in the text have been removed to improve the clarity of the chart.

Table A6 (Annex) shows that average and median SCPC claims are $9,514 and $12,225 in 2021 while average and median EDC claims are higher at $13,176 and $13,808, respectively. As discussed in the trend analysis, this can be largely attributed to a greater proportion of SCPC claimants supporting a dependant with a positive net income, which reduces their allowable SCPC amount. Conversely, most EDC claimants support dependants with no income, allowing many of them to claim the maximum amount.[27] Looking at adjusted family income in particular, SCPC claimants in the second income quintile have lower average and median claims compared to other income quintiles. This can be attributed to partners' net incomes being higher on average for SCPC claimants in this family income group in 2021.[28] Average and median EDC claims are equal or relatively close to the $13,808 maximum amount across family income groups.

[25] Statistics Canada. Table 11-10-0028-01 Single-earner and dual-earner census families by number of children.

[26] Statistics Canada. Table 11-10-0028-01 Single-earner and dual-earner census families by number of children.

[27] The maximum SCPC or EDC amount in 2021 is $13,808 for those supporting a dependant without an impairment and $16,103 for those supporting a dependant with an impairment.

[28] Average partner net incomes for SCPC claimants by family income quintile are $2,511 in Q1, $5,864 in Q2, $4,721 in Q3, $4,412 in Q4 and $3,666 in Q5 in 2021.

5.2 Interactions with Other Tax Expenditures Related to the SCPC and EDC

This subsection explores the overlap among SCPC or EDC claimants and claimants of related tax expenditures. These tax expenditures are the Canada Caregiver Credit (CCC) and the Disability Tax Credit (DTC). Specifically, this subsection will discuss interactions with the three components of the CCC[29] and the two components of the DTC.[30] Chart 12 presents an Upset plot of interactions among SCPC claimants and claimants of these tax expenditure components. This chart is equivalent to a Venn diagram with five intersecting sets. An Upset plot is used to illustrate the overlap among different groups when there are more than three groups, which would make a traditional Venn diagram difficult to interpret visually. In this context, the five groups represent SCPC claimants who claim one of the three CCC components or the two DTC components (e.g., the first group represents all those who claim line 30425 of the CCC among SCPC claimants). Importantly, this Upset plot shows only SCPC claimants who claim at least one of these components. In 2021, the majority of SCPC claimants do not claim any of the five components. However, it is important to note that given that the focus of this paper is on SCPC and EDC claimants, we are observing only a small subset of the claimants of these related tax expenditures. Many CCC and DTC claimants do not claim the SCPC or EDC. Overall, a small percentage of SCPC and EDC claimants are supporting a partner or a dependant with an impairment.

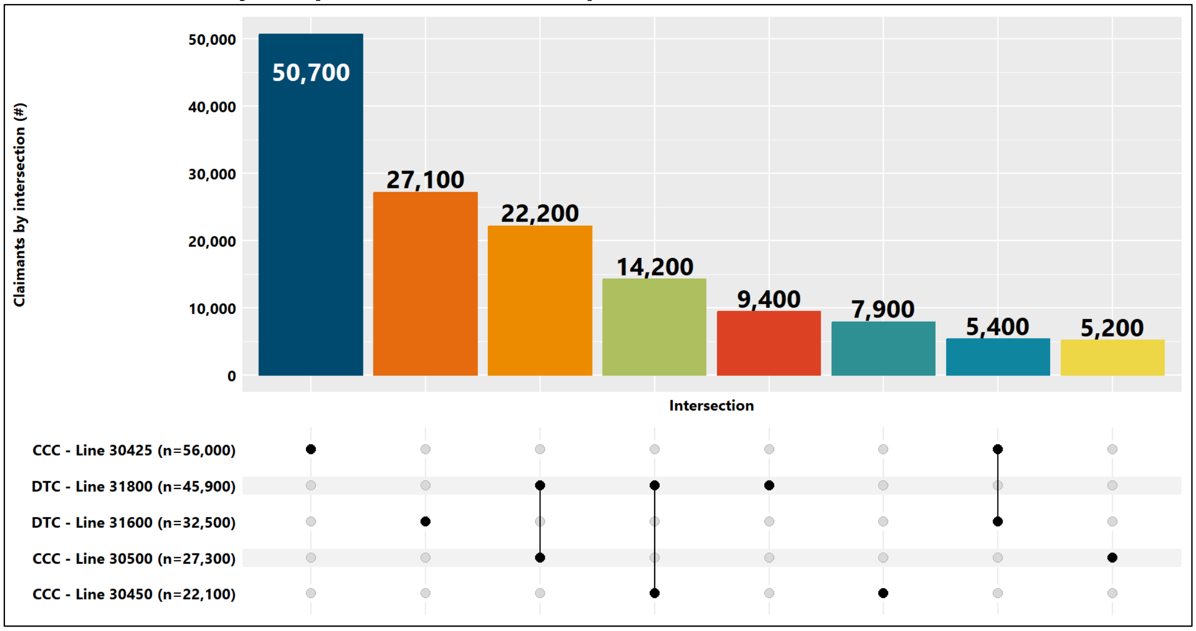
In the bottom left corner, Chart 12 shows that these five groups range in size (in descending order) from 56,000 individuals who claim the CCC on behalf of their partner (line 30425) to 22,100 individuals who claim the CCC on behalf of another dependant aged 18 and older among SCPC claimants (line 30425). The largest group represents individuals who support a low-income partner with an impairment and a positive net income. Accordingly, these filers are claiming both the SCPC and the complementary amount on line 30425 to obtain the same amount of tax relief that they would have received by claiming only the CCC (i.e., $7,348 in 2021). In contrast, those claiming the CCC on behalf of another dependant aged 18 and older on line 30450 form a smaller interaction; this is likely due to fewer individuals supporting both a partner and another adult family member with an impairment (including extended family such as an aunt, uncle, niece or nephew as part of this component of the CCC). The main part of Chart 12 emphasizes the unique overlap combinations of SCPC claimants who claim the CCC or DTC. In descending order, the largest combination (50,700) is comprised of those who claim only the CCC on behalf of a partner (line 30425) and the smallest combination is comprised of those who claim only the CCC for a minor child (line 30500). Notably, the second largest combination (27,100) is a group of SCPC claimants who also claim the DTC for self (line 31600). This means that these individuals have a severe and prolonged disability and support a low-income partner. Similarly, the third largest combination (22,200) represents SCPC claimants who claim the CCC for one or more minor children as well as the portion of the DTC transferred from a dependant (line 31800). These filers are supporting a low-income partner as well as one or more children with a severe and prolonged disability.

[29] CCC components include the Canada caregiver amount for spouse or common-law partner, or eligible dependant age 18 or older (line 30425), the Canada caregiver amount for other infirm dependants age 18 or older (line 30450), and the Canada caregiver amount for infirm children under 18 years of age (line 30500). These are the three components of the CCC in Step 5 – Part B – Federal non-refundable tax credits in the 2021 T1 Income Tax and Benefit Return. Claims on line 51090 (SCPC) and line 51100 (EDC) are also components of the CCC as discussed in Section 3.

[30] DTC components include the Disability amount for self (line 31600) and the Disability amount transferred from a dependant (line 31800).

Chart 12

Number of SCPC claimants who claim the Canada Caregiver Credit (CCC) and/or the Disability Tax Credit (DTC), by component of each tax expenditure, 2021

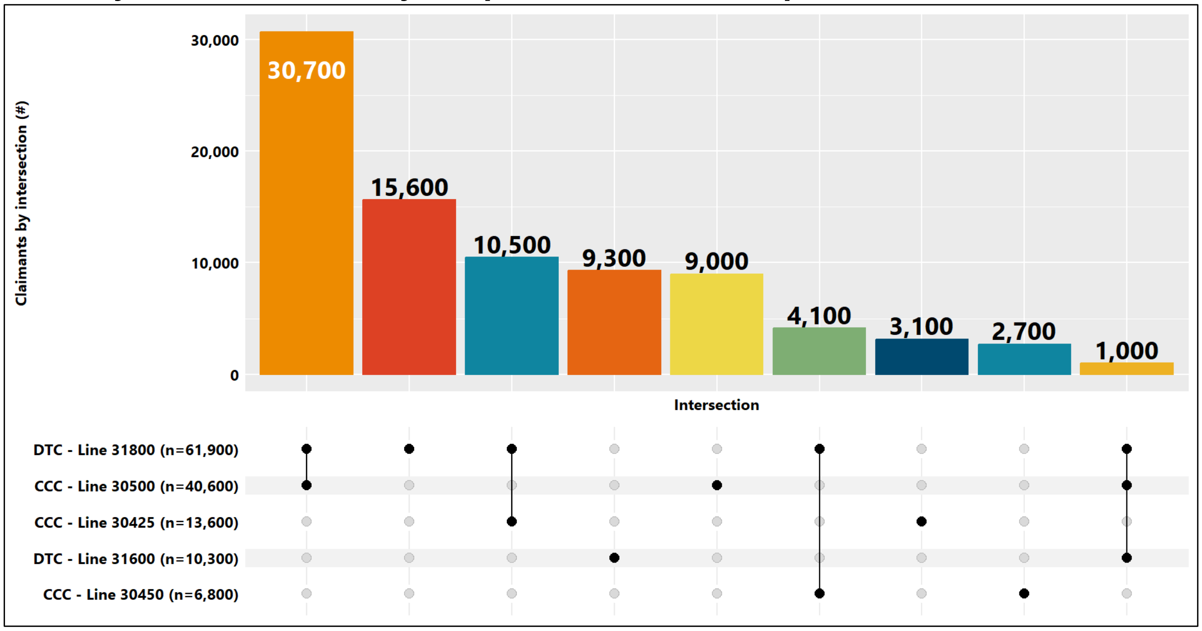


Notes: Population figures are rounded to the nearest 100. Intersections may not add up to group totals due to rounding.
This chart shows only SCPC claimants who claim at least one of the components of the CCC or DTC.
Intersections with fewer than 1,000 claimants are excluded.
CCC – Line 30425: Canada caregiver amount for spouse or common-law partner, or eligible dependant age 18 or older.
DTC – Line 31800: Disability amount transferred from a dependant.
DTC – Line 31600: Disability amount for self.
CCC – Line 30500: Canada caregiver amount for infirm children under 18 years of age.
CCC – Line 30450: Canada caregiver amount for other infirm dependants age 18 or older.

Chart 13 illustrates the same interactions among EDC claimants. Looking at groups overall in the bottom left corner, the largest interaction (61,900) represents EDC claimants who also claim the DTC transferred from a dependant. This result is somewhat expected given that the EDC may be claimed in respect of certain adult dependants if the dependant has an impairment. Although the eligibility criteria are different for the CCC and DTC, there is overlap in the disability and health impacts that are recognized under both credits. Moreover, those who qualify for the DTC do not need additional medical documentation to qualify for the CCC. Many of these dependants with low taxable incomes would likely transfer their portion of the DTC to a parent or caregiver. Similarly to the SCPC, the smallest group (6,800) represents those who claim the CCC on behalf of another dependant aged 18 and older, including extended family members. Looking at the unique combinations of overlap, the largest combination (30,700) is comprised of EDC claimants who claim both the DTC transferred from a dependant and the CCC for a minor child while the smallest combination includes filers who claim three CCC or DTC components. This result is in line with previous findings showing that most EDC claimants are supporting a minor child. In contrast to the SCPC, the overlap with the DTC is more focused on the portion transferred from a dependant rather than the portion for self; in 2021, EDC claimants are slightly more likely to be supporting a dependant with an impairment without having a severe and prolonged disability themselves in comparison to SCPC claimants.

Chart 13

Number of EDC claimants who claim the Canada Caregiver Credit (CCC) and/or the Disability Tax Credit (DTC), by component of each tax expenditure, 2021



Notes: Population figures are rounded to the nearest 100. Intersections may not add up to group totals due to rounding.
This chart shows only EDC claimants who claim at least one of the components of the CCC or DTC.
Intersections with fewer than 1,000 claimants are excluded.
DTC – Line 31800: Disability amount transferred from a dependant.
CCC – Line 30500: Canada caregiver amount for infirm children under 18 years of age.
CCC – Line 30425: Canada caregiver amount for spouse or common-law partner, or eligible dependant age 18 or older.
DTC – Line 31600: Disability amount for self.
CCC – Line 30450: Canada caregiver amount for other infirm dependants age 18 or older.

5.3 Profile of Beneficiaries

In this study, the tax benefits from claiming the SCPC are determined by subtracting the net federal tax to pay in the current personal income tax (PIT) system (i.e., including the SCPC) from the net federal tax to pay in a hypothetical scenario where the SCPC is removed from the PIT system. The difference between these two amounts is the amount of taxes that tax filers save by claiming the SCPC. The tax benefits from claiming the EDC are calculated in the same way.

As non-refundable credits, the SCPC and the EDC recognize that individuals who are supporting a low-income partner or family member have a reduced ability to pay taxes. This means that some claimants may not benefit from these credits due to having an insufficient taxable income and/or due to not having additional tax to pay after accounting for all other non-refundable tax credits.[31]

[31] In addition, in the case of the SCPC and EDC specifically, some tax filers may not benefit from these tax expenditures due to a positive claim on line 30425 of the T1, which is a claim for a spouse or a dependant aged 18 and older as part of the CCC. In light of how the two measures are linked to the CCC, we need to make additional assumptions about how the tax benefits are calculated. In a hypothetical scenario where we remove the SCPC or EDC from the PIT system, we assume that this portion of the CCC would still exist. In the absence of the SCPC or EDC, we assume that eligible tax filers would claim the maximum $7,348 CCC amount on line 30425. Therefore, even if we remove the SCPC or EDC from the PIT system, the claimants who originally had positive SCPC or EDC claims and a positive CCC claim on line 30425 would not be affected by removing the tax expenditures. This is because the sum of their original claims is $7,348 and the new hypothetical CCC claim on line 30425 is $7,348, effectively leaving their total amount of non-refundable tax credits unchanged.

As described in subsection 5.1, Table 1 shows that there are 1,878,100 SCPC claimants and 1,019,500 EDC claimants aged 18 and older in 2021. Of these claimants, there are 1,325,700 SCPC beneficiaries and 760,800 EDC beneficiaries, representing 70.6% of SCPC claimants and 74.6% of EDC claimants, respectively. Total SCPC benefits represent about 10.2% of total claims and total EDC benefits represent about 9.9% of total claims.

Table 1
Number of claimants, number of beneficiaries, benefit rate, total claims, total benefits, and total benefits as a share of total claims, individuals aged 18 and older, SCPC and EDC, 2021

	SCPC	**EDC**
Claimants (#)	1,878,100	1,019,500
Beneficiaries (#)	1,325,700	760,800
Benefit rate (%)	70.6	74.6
Total claims ($ million)	17,868	13,433
Total benefits ($ million)*	1,826	1,332
Total benefits as a share of total claims (%)	10.2	9.9

Notes: Population figures are rounded to the nearest 100. Percentages are rounded to the nearest 0.1. Dollar figures are rounded to the nearest unit in millions. Totals may not add up to 100.0% due to rounding.
* Total benefits for the SCPC and EDC may not be equal to the cost information presented for these tax expenditures in Part 3 of this report. The concept of net federal tax appears before the consideration of social benefits repayment, refundable Quebec abatement and refundable credits in the 2021 T1 Income Tax and Benefit Return.

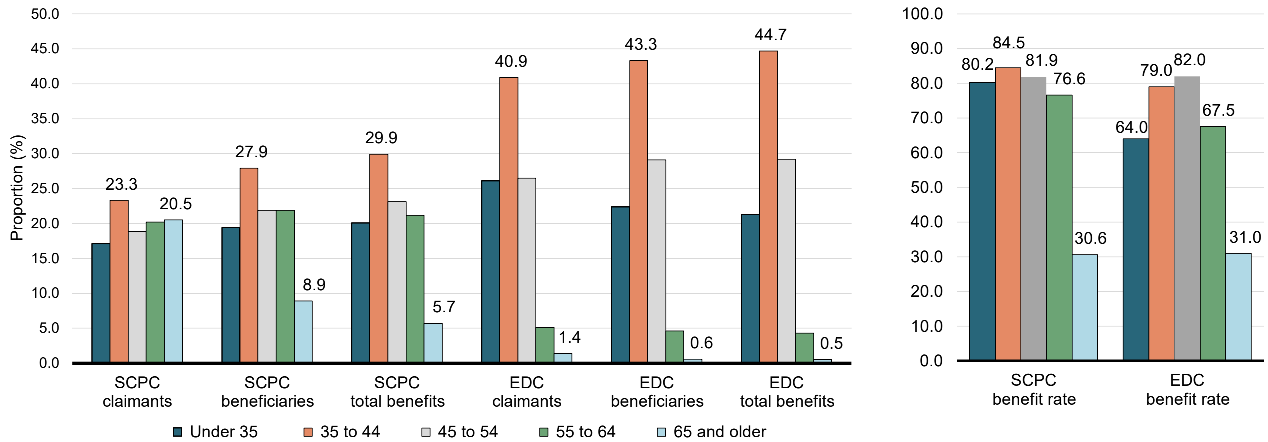
Chart 14, Chart 15, and Chart 16 present results for select sociodemographic groups where the beneficiary population differs from the claimant population. For gender, family situation, and region of residence, the proportions of beneficiaries and total benefits are similar to the proportions of SCPC and EDC claimants across subgroups. Moreover, disaggregated benefit rates for these characteristics are largely similar across subgroups and in line with the overall results presented in Table 1.

Chart 14 highlights that for both SCPC and EDC claimants, shares of beneficiaries and total benefits among those aged 35 to 44 are higher than their respective shares of claimants. For example, EDC claimants aged 35 to 44 make up 40.9% of claimants, 43.3% of beneficiaries, and 44.7% of total benefits. As mentioned in the profile of claimants, many one-parent families are in this age group and would often claim the maximum EDC amount since their minor children do not generally earn income. This would increase their tax benefit. Similarly, many couples eligible to claim the SCPC are in their mid-thirties and forties, particularly those raising children where one partner earns less income to focus on managing the household.

In contrast, SCPC and EDC claimants aged 65 and older are less likely to benefit from these measures than claimants in other age groups. When looking at the distributions of taxable income within each age group among SCPC and EDC claimants, we observe that claimants aged 65 and older generally have lower taxable incomes. This limits their ability to benefit from these two non-refundable tax credits. In addition, many tax filers aged 65 and older can access age and retirement related tax credits such as the age amount and the pension income amount; claimants must have sufficient tax to pay after accounting for these credits and others to be beneficiaries of the SCPC or EDC. Pension income splitting may also play a role in the lower benefit rates among claimants aged 65 and older; for those in lower income groups, electing to split pension income may reduce their net income and, in turn, their taxable income below the threshold to benefit from the SCPC or EDC.

Chart 14

Proportion of claimants, beneficiaries, total benefits, and benefit rate, by age group, individuals aged 18 and older, SCPC and EDC, 2021

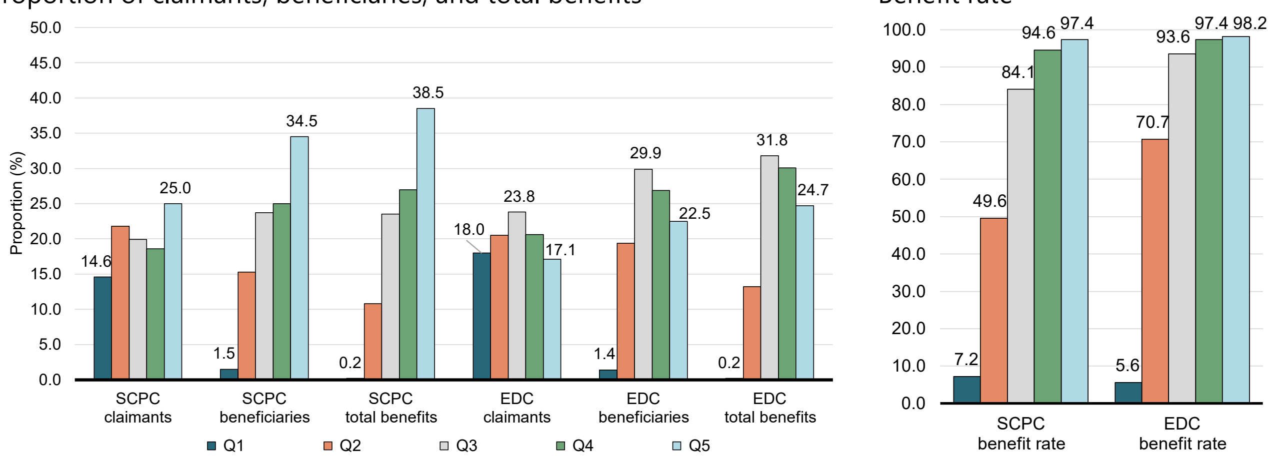


Percentages are rounded to the nearest 0.1.
Data labels for subgroups that are not discussed in the text have been removed to improve the clarity of the chart.

Chart 15 illustrates a similar pattern with respect to income whereby SCPC and EDC claimants in lower personal income quintiles do not benefit as much from these tax expenditures compared to claimants in higher personal income quintiles. Looking at SCPC claimants and beneficiaries, while individuals in the first quintile make up 14.6% of claimants, they represent only 1.5% of beneficiaries and 0.2% of total benefits. Conversely, individuals in the fifth quintile represent 25.0% of SCPC claimants and represent a higher share of beneficiaries (34.5%) and total benefits (38.5%). EDC claimants and beneficiaries also exhibit this pattern. Benefit rates echo these findings, with fewer lower-income claimants benefiting from the SCPC and EDC compared to higher-income claimants.

Chart 15

Proportion of claimants, beneficiaries, total benefits, and benefit rate, by personal income quintile, individuals aged 18 and older, SCPC and EDC, 2021

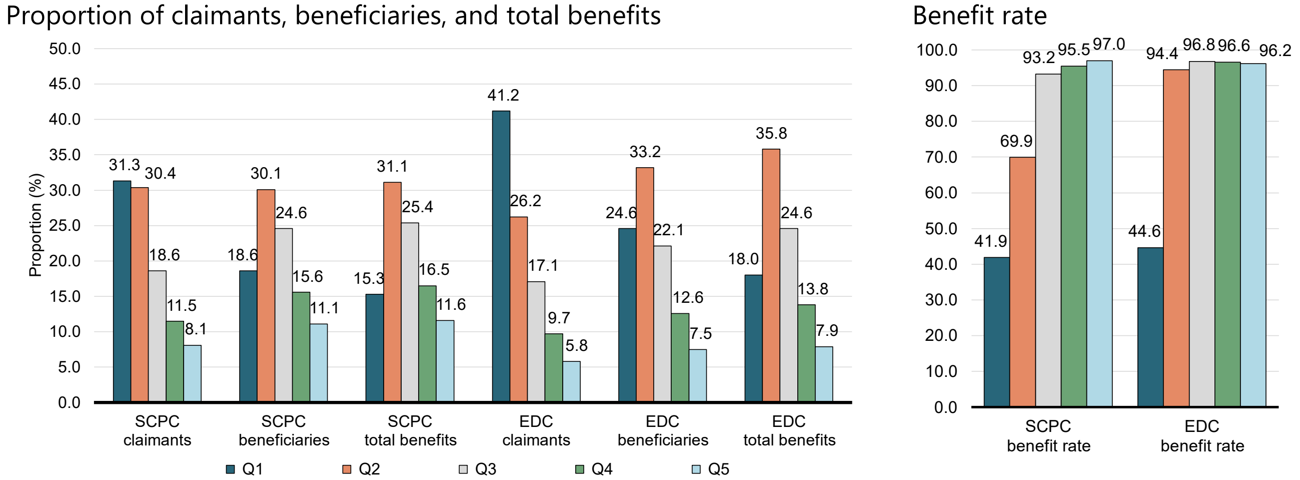


Percentages are rounded to the nearest 0.1.
Data labels for subgroups that are not discussed in the text have been removed to improve the clarity of the chart.

Chart 16 shows that although we observe a similar pattern for SCPC and EDC claimants with the lowest and highest family incomes, claimants in the second family income quintile generally have a higher probability of benefiting from these measures relative to their respective shares of claimants. Moreover, claimants in lower family income groups benefit from the SCPC and EDC at higher rates relative to those in lower personal income groups. These results align with those discussed in the profile of claimants as well as previous GBA Plus findings;[32] these tax expenditures tend to benefit lower-income households overall when looking at adjusted family income.

Chart 16

Proportion of claimants, beneficiaries, total benefits, and benefit rate, by adjusted family pre-tax income quintile, individuals aged 18 and older, SCPC and EDC, 2021



Percentages are rounded to the nearest 0.1.

Table A7 (Annex) shows that SCPC beneficiaries' average benefit is $1,377 and their median benefit is $1,610, while EDC beneficiaries' average benefit is $1,751 and their median benefit is $2,071. Average and median benefits from claiming the EDC are consistently higher than average and median benefits from claiming the SCPC, mirroring the findings showing that EDC claimants largely claim higher amounts than SCPC claimants. Notably, when we disaggregate median EDC benefits by sociodemographic characteristic, many subgroups of EDC beneficiaries are receiving the maximum benefit of $2,071, which represents 15% of the maximum $13,808 claim amount in 2021 (not including the additional $2,295 for those supporting a dependant with an impairment). Interestingly, SCPC and EDC beneficiaries who support a dependant with an impairment receive higher average and median benefits than those who do not support a dependant with an impairment. Many of them save additional taxes from claiming the extra CCC[33] amount (up to a maximum claim of $16,103 in 2021).

Chart 17 provides additional context surrounding the economic circumstances of the partners of SCPC beneficiaries, using a selection of characteristics available in the 2021 tax data. Overall, 602,200 SCPC beneficiaries (45.4%) are supporting a low-income partner and minor children (not shown); these families represent a typical situation for a SCPC claim in which one parent takes on more of the household management tasks while the children are young. Chart 17 sheds some light on additional life circumstances in which tax filers

[32] Department of Finance Canada. 2021. *Report on Federal Tax Expenditures—Concepts, Estimates and Evaluations 2021*. Gender-Based Analysis Plus of Federal Personal Income Tax Measures: Impacts by Identity Factors other than Gender.

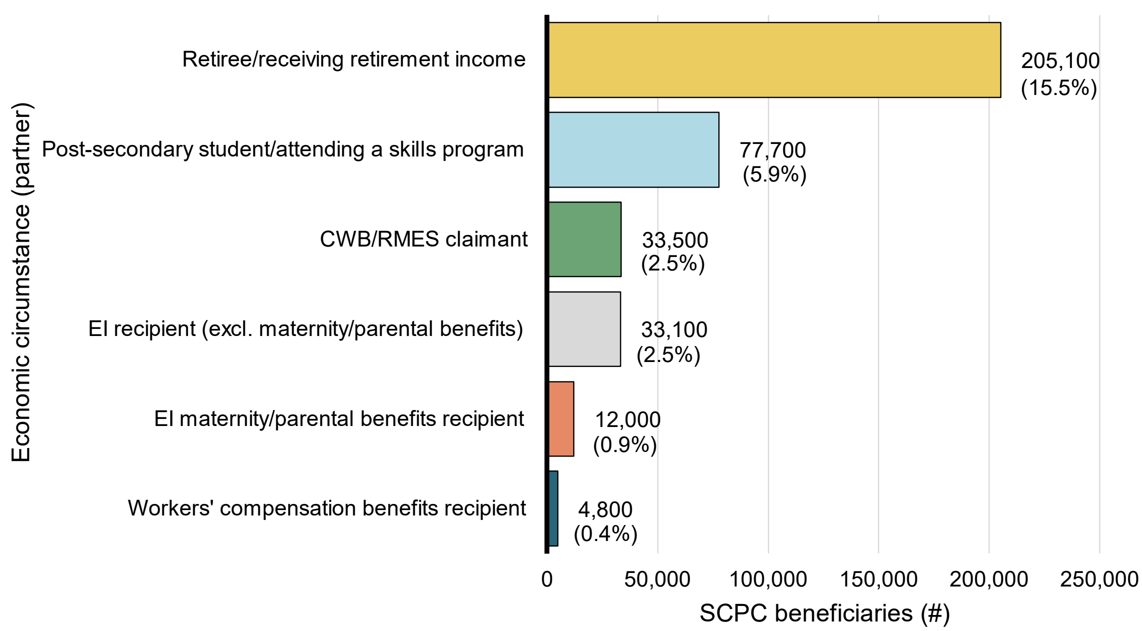
[33] Canada Caregiver Credit eligibility was determined using three indicators: 1) the presence of the additional $2,295 Canada Caregiver Credit amount on line 30300 (SCPC) or line 30400 (EDC), accounting for the claimant's net income and the net income of the partner or dependant, 2) a positive amount on line 30425 – Canada caregiver amount for spouse or common-law partner, or eligible dependant age 18 or older, or 3) a positive amount in Schedule 5 on line 51090 (SCPC) or line 51100 (EDC) – Eligibility for the Canada caregiver amount for your spouse or common-law partner (SCPC); Eligibility for the Canada caregiver amount for your dependant, other than your infirm child under 18 years of age (EDC).

may be likely to claim the SCPC. First, about 205,100 SCPC beneficiaries (15.5%) are supporting partners who are either retired or receiving certain types of retirement income (e.g., receiving split-pension income). About 30.8% of SCPC beneficiaries are aged 55 and older, coinciding with retirement or near retirement for many individuals. Many of these beneficiaries are supporting their lower-income partner while both being in retirement. Further, in line with the lower benefit amounts in Table A7 among beneficiaries aged 65 and older, the partners they are supporting in the same age range would be expected to receive new sources of retirement income between the ages of 60 and 70. These include Old Age Security, including the Guaranteed Income Supplement or Spousal Allowance for low-income individuals, as well as the Canada Pension Plan or Québec Pension Plan.

Next, about 77,700 SCPC beneficiaries (5.9%) are supporting partners who are post-secondary students or students attending an occupational skills program. This result can be explained by many students earning little or no income while they focus on completing their studies. Similarly, 33,500 SCPC beneficiaries (2.5%) are supporting a partner in the labour force who earns income within the eligibility thresholds of the Canada Workers Benefit (CWB) and/or the Refundable Medical Expense Supplement (RMES). The CWB and RMES are refundable tax credits providing additional support to low-income employed or self-employed tax filers. Finally, some beneficiaries are supporting partners who receive various types of Employment Insurance (EI) benefits, EI maternity or parental benefits, and workers' compensation benefits. These filers are supporting partners who have not been working for all or part of the year for various reasons, including job loss, maternity or parental leave, illness, injury or disability.

Chart 17

Number of SCPC beneficiaries, by selected economic circumstance of the partner, individuals aged 18 and older, 2021



Population figures are rounded to the nearest 100. Categories are not mutually exclusive – SCPC beneficiaries may be part of multiple categories. Further, many SCPC beneficiaries are not part of any of the listed categories.

Retiree/receiving retirement income: beneficiaries whose partner receives one of the following sources of income – Old Age Security, including the Guaranteed Income Supplement or Spousal Allowance, Canada Pension Plan or Québec Pension Plan, pension income, split-pension income, Registered Retirement Savings Plan withdrawal, Registered Disability Savings Plan withdrawal.

Post-secondary student/attending a skills program: beneficiaries whose partner reports a positive current-year tuition amount in Schedule 11 of the T1.

CWB/RMES claimant: beneficiaries whose partner claims the Canada Workers Benefit (CWB) and/or the Refundable Medical Expense Supplement (RMES).

EI recipient (excl. maternity/parental benefits): beneficiaries whose partner reports a positive amount of Employment Insurance (EI) benefits, excluding those who report maternity/parental benefits.

EI maternity/parental benefits recipient: beneficiaries whose partner reports a positive amount of EI maternity or parental benefits.

Workers' compensation benefits recipient: beneficiaries whose partner reports a positive amount of workers' compensation benefits.

Due to data limitations,[34] a similar chart cannot be presented to show the economic circumstances of EDC beneficiaries' dependants. However, the majority of EDC beneficiaries (76.2%) are supporting minor children aged 0 to 17, and most of these children would not have filed a tax return in 2021 given their age and/or limited income. In addition, the economic circumstances discussed above largely pertain to adults, such as post-secondary education, labour force participation, and retirement. Despite the data limitations, among the EDC beneficiaries supporting adult dependants for which information is available, we find that 67,900 of them are supporting dependants who are retired and/or receiving retirement income. This implies that among the smaller share of EDC beneficiaries who are supporting adults, many of them are supporting an older family member in retirement. Together with the share of SCPC beneficiaries supporting a partner in retirement or receiving retirement income, these findings could also be due in part to a tax filing effect. Older individuals may be more likely to file a tax return to access new retirement benefits and to elect to split pension income.[35]

6. Conclusion

The SCPC and EDC provide tax relief to individuals who are supporting a low-income partner or an eligible dependant. These tax credits allow households with one primary income earner to receive comparable tax relief to that received by households with two income earners.

The proportion of SCPC claimants and EDC claimants among all tax filers decreased from 2007 to 2021. Average claims for the SCPC and EDC were consistently lower than median claims over this period, indicating that claims were negatively skewed overall. SCPC claimants' amounts are consistently lower due to many of them supporting a partner with a positive net income compared to EDC claimants who mostly support minor children without an income.

In 2021, SCPC claimants are most likely to be men, aged 35 to 44, in a couple without children in which the partner's net income is positive, and in lower family income quintiles. EDC claimants are most likely to be women, aged 35 to 44, in a one-parent family with children aged 0 to 17, and in lower family income quintiles. For both SCPC and EDC claimants, their geographic representation largely reflects shares of all tax filers across provinces and territories, and small shares of them claim the CCC because they support a partner or an eligible dependant with an impairment.

Many SCPC and EDC beneficiaries, particularly in older age groups, are supporting a dependant who is retired or receiving retirement income. Smaller shares of SCPC beneficiaries are also supporting post-secondary students, low-income workers as well as partners receiving various types of EI benefits or workers' compensation benefits.

[34] The variable used to identify the dependants of EDC claimants and beneficiaries is a new variable introduced in 2021. It appears in Schedule 5 which is not in the main part of the T1 Income Tax and Benefit Return. Tax filer and tax preparer unfamiliarity with the new variable could explain part of the data gaps. Further, even when dependant information is available in the 2021 tax data, many groups disaggregated by economic circumstance contain a small number of tax filers and are thus not presented to protect their confidentiality.

[35] Canada Revenue Agency. 2024. Who has to file an income tax and benefit return.

Annex

Table A1

Number of SCPC and EDC claimants and total value of claims* (in 2021 constant $), 2007 to 2021**

Tax year	SCPC claimants	EDC claimants	Total value of SCPC claims	Total value of EDC claims
	#	#	$ million	$ million
2007	1,955,600	954,300	15,891	11,104
2008	1,948,000	953,200	15,690	10,819
2009	2,073,600	971,400	17,727	11,839
2010	2,089,700	978,500	17,715	11,725
2011	2,077,300	975,200	17,411	11,500
2012	2,092,600	967,100	17,872	11,537
2013	2,119,000	950,600	18,417	11,469
2014	2,099,400	948,200	18,155	11,323
2015	2,036,400	964,300	16,991	11,205
2016	2,070,900	969,200	17,879	11,446
2017	2,068,700	975,400	18,426	11,704
2018	2,058,700	985,400	18,285	11,756
2019	2,059,700	995,400	18,070	11,900
2020	1,826,700	1,003,800	17,036	13,139
2021	1,938,600	1,021,800	18,367	13,432

Source: T1 tax data

* Population figures are rounded to the nearest 100. Dollar figures are rounded to the nearest unit in millions.

** Statistics Canada. Table 18-10-0005-01 Consumer Price Index, annual average, not seasonally adjusted.

Table A2
Proportion of SCPC claimants and EDC claimants*, 2007 to 2021

Tax year	All tax filers	Proportion of SCPC claimants among all tax filers	Proportion of EDC claimants among all tax filers
	#	%	%
2007	24,599,200	7.9	3.9
2008	24,963,800	7.8	3.8
2009	25,230,200	8.2	3.9
2010	25,460,900	8.2	3.8
2011	25,767,000	8.1	3.8
2012	26,119,000	8.0	3.7
2013	26,505,600	8.0	3.6
2014	26,909,500	7.8	3.5
2015	27,152,900	7.5	3.6
2016	27,445,100	7.5	3.5
2017	27,847,900	7.4	3.5
2018	28,359,000	7.3	3.5
2019	28,903,800	7.1	3.4
2020	29,019,100	6.3	3.5
2021	29,448,500	6.6	3.5

Source: T1 tax data

* Population figures are rounded to the nearest 100. Percentages are rounded to the nearest 0.1.

Table A3

Proportion of families in Canada in which the husband or wife earns 76% to 99% or 100% of the family income, 2007 to 2021

Tax year	Proportion of families in Canada in which the wife earns 76% to 99% of the family income	Proportion of families in Canada in which the husband earns 76% to 99% of the family income	Proportion of families in Canada in which the wife earns 100% of the family income	Proportion of families in Canada in which the husband earns 100% of the family income
	%	%	%	%
2007	5.2	19.4	8.4	19.5
2008	5.3	19.0	8.5	19.7
2009	5.8	18.0	9.1	20.2
2010	5.7	17.8	9.5	20.5
2011	5.7	17.9	9.5	20.4
2012	5.6	17.8	9.5	20.7
2013	5.6	17.7	9.7	20.8
2014	5.6	17.6	9.8	20.9
2015	5.6	17.4	10.0	20.7
2016	5.7	16.9	10.1	20.8
2017	5.6	16.9	10.2	20.7
2018	5.5	16.7	10.2	20.6
2019	5.6	16.6	10.2	20.2
2020	6.3	17.5	10.6	20.5
2021	5.8	16.4	11.0	20.6

Source: Department of Finance calculations based on Statistics Canada - Table 11-10-0029-01 Couple census families by wife's contribution to couple's employment income and by number of children.

Notes: The proportion of families in which the wife earns a specific proportion of the family income was calculated as: Number of husband-wife families where the wife contributes a specific proportion of the family income divided by the total number of husband-wife families. Likewise, the proportion of families in which the husband contributes a specific proportion of the family income is calculated as: Number of husband-wife families where the husband contributes a specific proportion of the family income divided by the total number of husband-wife families.

Table A4

Proportion of SCPC and EDC claimants claiming amounts higher than or equal to the BPA*, SCPC and EDC, 2007 to 2021

Tax year	Maximum BPA	Proportion of spouses with net income>0 (SCPC)	Proportion of dependants with net income>0 (EDC)**	Proportion of SCPC claimants who claimed an amount>=BPA***	Proportion of EDC claimants who claimed an amount>=BPA
	$	%	%	%	%
2007	9,600	77.3	12.1	29.3	87.9
2008	9,600	54.4	12.1	30.0	87.9
2009	10,320	79.3	11.6	29.4	88.4
2010	10,382	78.7	16.3	30.3	83.7
2011	10,527	80.3	17.5	30.1	82.5
2012	10,822	82.7	17.2	30.4	82.6
2013	11,038	82.9	17.6	30.9	81.4
2014	11,138	83.0	17.8	31.5	81.4
2015	11,327	72.1	36.2	26.2	63.1
2016	11,474	71.9	36.6	26.4	62.9
2017	11,635	58.2	11.9	40.7	87.5
2018	11,809	57.5	11.0	41.5	88.5
2019	12,069	58.4	11.0	40.8	88.5
2020	13,229	57.5	9.7	39.1	88.5
2021	13,808	57.9	10.8	39.2	87.2

Source: T1 tax data

* Dollar figures are rounded to the nearest unit. Percentages are rounded to the nearest 0.1

** The net income of the dependant was only available from tax year 2012. Hence, prior to 2012, the dependant's net income has been calculated as: BPA – Amount of EDC claimed by the tax filer, since the credit is reduced dollar for dollar by the dependant's net income.

*** The maximum SCPC or EDC claim amount up until 2011 was limited to the BPA. However, starting in 2012, SCPC and EDC claimants were eligible to claim an additional amount if they qualified for the Family Caregiver Tax Credit (until 2016) or the Canada Caregiver Credit (from 2017 onwards) if they supported a partner or an eligible dependant with an impairment.

Table A5

Average and median SCPC and EDC claims (in 2021 constant $)*, 2007 to 2021

Tax year	SCPC average claim	EDC average claim	SCPC median claim	EDC median claim
	$	$	$	$
2007	8,126	11,635	9,377	12,192
2008	8,054	11,350	9,361	11,914
2009	8,549	12,188	9,927	12,774
2010	8,477	11,983	9,874	12,619
2011	8,382	11,792	9,773	12,432
2012	8,541	11,930	9,957	12,592
2013	8,692	12,065	10,197	12,728
2014	8,648	11,941	10,217	12,597
2015	8,344	11,620	9,414	12,669
2016	8,633	11,810	10,404	12,654
2017	8,907	11,999	11,310	12,634
2018	8,882	11,930	11,364	12,535
2019	8,772	11,954	11,071	12,566
2020	9,326	13,089	11,955	13,673
2021	9,474	13,146	12,128	13,808

Source: T1 tax data

Dollar figures are rounded to nearest unit.

* Statistics Canada. Table 18-10-0005-01 Consumer Price Index, annual average, not seasonally adjusted.

Table A6

Average and median claim, by sociodemographic characteristic, individuals aged 18 and older, SCPC and EDC, 2021 ($)

	SCPC average claim	SCPC median claim	EDC average claim	EDC median claim
All claimants	9,514	12,225	13,176	13,808
Sex				
Men	9,602	12,421	12,970	13,808
Women	9,232	11,067	13,221	13,808
Age group				
18 to 34	10,924	13,808	13,713	13,808
35 to 44	10,847	13,771	13,467	13,808
45 to 54	10,543	13,404	12,713	13,808
55 to 64	9,593	11,809	11,587	13,808
65 and older	5,805	4,111	9,224	11,815
SCPC family situation				
Couple, no children, partner’s net income is 0	13,811	13,808	n/a	n/a
Couple, no children, partner’s net income is positive	6,100	5,219	n/a	n/a
Couple, 1+ children, partner’s net income is 0	13,777	13,808	n/a	n/a
Couple, 1+ children, partner’s net income is positive	7,628	7,846	n/a	n/a
EDC family situation				
Unpartnered, no children, dependant is an adult with a net income of 0	n/a	n/a	13,887	13,808
Unpartnered, no children, dependant is an adult with a positive net income	n/a	n/a	6,364	5,809
One-parent family, dependant is a child aged 0-17	n/a	n/a	13,801	13,808
One-parent family, dependant is an adult with a positive net income	n/a	n/a	9,272	10,560
Couple living apart, not supporting/being supported by partner	n/a	n/a	13,289	13,808
CCC eligibility				
Eligible for the CCC	7,183	5,714	8,278	5,960
Not eligible for the CCC	9,641	12,421	13,313	13,808
Personal pre-tax income quintile				
Q1 (under $17,547)	10,494	13,806	13,563	13,808
Q2 (from $17,547 to $31,062)	8,230	8,956	13,368	13,808
Q3 (from $31,062 to $50,193)	9,201	11,208	13,183	13,808
Q4 (from $50,193 to $80,950)	9,756	12,354	13,001	13,808
Q5 (at or above $80,950)	10,128	12,421	12,736	13,808
Adjusted family pre-tax income quintile				
Q1 (under $21,704)	11,161	13,808	13,567	13,808
Q2 (from $21,704 to $38,397)	8,019	8,128	13,234	13,808
Q3 (from $38,397 to $59,758)	9,196	10,988	12,905	13,808
Q4 (from $59,758 to $91,947)	9,474	11,557	12,551	13,808
Q5 (at or above $91,947)	9,545	11,936	11,979	13,705
Region of residence				
Atlantic provinces	8,144	8,333	13,172	13,808
Quebec	8,364	9,077	12,838	13,808
Ontario	9,851	12,644	13,225	13,808
Manitoba	9,716	12,421	13,393	13,808
Saskatchewan	9,536	12,120	13,436	13,808
Alberta	10,041	12,689	13,474	13,808
British Columbia	9,459	11,732	13,260	13,808
Territories	10,005	12,308	13,484	13,808

Source: T1 tax data. Notes: All values have been rounded to the nearest unit. Refer to earlier notes in Charts 5-11 for additional information on the sociodemographic groups. Personal and family income quintiles are calculated based on tax filers aged 18 and older in 2021.

Table A7

Average and median benefit, by sociodemographic characteristic, individuals aged 18 and older, SCPC and EDC, 2021 ($)

	SCPC average benefit	SCPC median benefit	EDC average benefit	EDC median benefit
All beneficiaries	1,377	1,610	1,751	2,071
Sex				
Men	1,419	1,714	1,830	2,071
Women	1,224	1,251	1,731	2,071
Age group				
18 to 34	1,425	1,704	1,663	2,071
35 to 44	1,476	1,824	1,810	2,071
45 to 54	1,449	1,771	1,752	2,071
55 to 64	1,335	1,503	1,647	2,071
65 and older	888	698	1,587	1,901
SCPC family situation				
Couple, no children, partner's net income is 0	1,800	2,071	n/a	n/a
Couple, no children, partner's net income is positive	954	869	n/a	n/a
Couple, 1+ children, partner's net income is 0	1,891	2,071	n/a	n/a
Couple, 1+ children, partner's net income is positive	1,082	1,082	n/a	n/a
EDC family situation				
Unpartnered, no children, dependant is an adult with a net income of 0	n/a	n/a	1,897	2,071
Unpartnered, no children, dependant is an adult with a positive net income	n/a	n/a	1,083	1,122
One-parent family, dependant is a child aged 0 to 17	n/a	n/a	1,805	2,071
One-parent family, dependant is an adult with a positive net income	n/a	n/a	1,299	1,447
Couple living apart, not supporting/being supported by partner	n/a	n/a	1,792	2,071
CCC eligibility				
Eligible for the CCC	1,728	1,865	1,844	2,177
Not eligible for the CCC	1,370	1,605	1,750	2,071
Personal pre-tax income quintile				
Q1 (under $17,547)	181	152	230	188
Q2 (from $17,547 to $31,062)	971	914	1,194	1,196
Q3 (from $31,062 to $50,193)	1,364	1,609	1,859	2,071
Q4 (from $50,193 to $80,950)	1,487	1,891	1,961	2,071
Q5 (at or above $80,950)	1,538	1,863	1,930	2,071
Adjusted family pre-tax income quintile				
Q1 (under $21,704)	1,135	1,113	1,278	1,321
Q2 (from $21,704 to $38,397)	1,421	1,770	1,889	2,071
Q3 (from $38,397 to $59,758)	1,424	1,758	1,948	2,071
Q4 (from $59,758 to $91,947)	1,454	1,804	1,916	2,071
Q5 (at or above $91,947)	1,449	1,811	1,838	2,065
Region of residence				
Atlantic provinces	1,318	1,462	1,729	2,071
Quebec	1,280	1,400	1,747	2,071
Ontario	1,398	1,655	1,763	2,071
Manitoba	1,381	1,606	1,671	2,071
Saskatchewan	1,371	1,590	1,696	2,071
Alberta	1,470	1,837	1,781	2,071
British Columbia	1,379	1,608	1,757	2,071
Territories	1,395	1,593	1,720	2,071

Source: T1 tax data. Dollar values are rounded to the nearest unit. Refer to earlier notes in Charts 5-11 for additional information on sociodemographic groups. Personal and family income quintiles are calculated based on tax filers aged 18 and older in 2021.

List of Tax Expenditures