



## 2021 FEDERAL BUDGET HIGHLIGHTS

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## NEW LUXURY TAX

- A luxury tax will apply on the purchase of new vehicles and aircraft with a cost of more than \$100,000 and boats with a cost of more than \$250,000 beginning January 1, 2022. The tax will be equal to the lesser of (a) 10% of the total cost or (b) 20% of the cost in excess of the amounts indicated. The amounts indicated above are before sales taxes.

## COVID-19 MEASURES

- The new Canada Recovery Hiring Program ("CRHP") provides a subsidy to employers that increase employee wages during the period from June 6, 2021 to November 20, 2021, when compared to wages paid between March 14, 2021 and April 10, 2021. The subsidy is capped at 50% of the incremental salaries up to a maximum of \$1,129 per employee per week. The CRHP and the Canada Emergency Wage Subsidy ("CEWS") cannot be claimed during the same period.
- Extension of the CEWS and Canada Emergency Rent Subsidy ("CERS") until September 2021 with a possibility of an extension until November 20, 2021.
- Starting July 4, 2021, only employers with a revenue decline of greater than 10% are eligible for CEWS and CERS and there are no proposed changes to the comparative periods for purposes of determining revenue declines.
- Public corporations will be required to repay wage subsidies for periods that begin after June 5, 2021 if certain executives are compensated in 2021 in excess of a 2019 benchmark.

## PERSONAL

- No increase in personal tax rates.
- Taxpayers will have the ability to amend their personal tax returns for the year in which a COVID-19 benefit was received to obtain a deduction for any such benefits repaid before 2023.

## BUSINESS

- No increases to corporate tax rates.
- Canadian controlled private corporations (“CCPCs”) will be able to fully write off up to \$1.5 million per taxation year (within the associated group) of certain capital assets acquired and made available for use between April 19, 2021 and January 1, 2024. Any unused room for a year cannot be carried to another taxation year.
- A new limitation on interest expense will be introduced on certain debts for taxation years beginning on or after 2023. This may not apply to interest amounts within Canadian corporate groups to utilize losses and will not apply to certain CCPCs.
- The government is reviewing and broadening the existing mandatory disclosure rules to include those that would be described as “Notifiable Transactions” and “Uncertain Tax Treatments”. The changes are expected to be applicable for taxation years that begin after 2021.
- Certain film and video producing tax credit timelines are extended by 12 months.

## INTERNATIONAL TAX MEASURE

- Certain cross-border payments made between Canadians and foreign residents that are treated differently for tax purposes in each jurisdiction will be subject to new rules that either restrict deductions or create income inclusions to negate these results. These “Hybrid Mismatch Arrangement” measures will apply principally to payments made between related parties, but certain arrangements between unrelated parties could also be caught. The legislation has not been released yet but is expected to apply as of July 1, 2022.

## OTHER

- Expansion of the Minister’s ability to issue electronic correspondences and Notices of Assessment.
- Filing by taxpayers of additional information returns and slips electronically as well as the ability to send electronic payments.
- Elimination of the requirement for handwritten signatures for certain prescribed forms.
- More powers allowing the Minister to refuse or revoke a registration of a charity where certain “ineligible” individuals control or manage the charity, or where false statements are made by the charity. This measure will apply as of the date of Royal Assent.
- Expansion of CRA’s authority to conduct audits, including oral interviews during the audit process.
- Effective January 1, 2022, there will be a new national 1% tax on the value of non-resident, non-Canadian owned residential real estate considered to be vacant or underused.