

# 2024 YEAR-END TAX PLANNER

Critical tax issues for end-of-year planning

RSM

Building on previous years' budgets, 2024 held some significant tax changes. These include an increase to the capital gains inclusion rate, introduction of the Digital Services Tax Act and Global Minimum Tax Act, enactment of the excessive interest and financing expense rules, and updates to the general anti-avoidance rule.

This guide summarizes the key federal, provincial and territorial tax updates taxpayers should consider when preparing for 2024 planning opportunities and year-end obligations.

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## FEDERAL BUSINESS TAX CONSIDERATIONS

### Increase to the capital gains inclusion rate

Proposed in the 2024 federal budget ([Budget 2024](#)), the [capital gains inclusion rate](#) will increase from 50 per cent to 66.67 per cent, effective June 25, 2024. This adjustment will affect how capital gains are reported and taxed for corporations going forward. The draft legislation to effect this change was released Aug. 12, 2024, and introduces transitional measures to address the midyear change.

For the 2024 tax year, the legislation divides the taxation year into two periods for purposes of the capital gains inclusion rate change:

- Period 1: From the start of the taxation year to June 24, 2024: Old rate of 50 per cent.
- Period 2: From June 25, 2024, to the end of the taxation year: New rate of 66.67 per cent.

During the 2024 tax year, taxpayers must carefully track and allocate capital gains and losses around the transition date. The change will influence tax liability, particularly in how gains are offset by losses, affecting overall tax planning strategies.



## Crypto-Asset Reporting Framework and the Common Reporting Standard

[Budget 2024](#) proposes [new reporting requirements](#) to address the evolving financial landscape, particularly with the rise of crypto-assets. This includes the adoption of the Crypto-Asset Reporting Framework (CARF) and amendments to the Common Reporting Standard (CRS).

Under the CARF framework, Canadian crypto-asset service providers—such as exchanges, brokers, dealers and automated teller machine operators—will be required to report detailed information on transactions involving crypto-assets and customer details. In addition to the CARF, Budget 2024 proposes amendments to the CRS to include specified electronic money products and central bank digital currencies, which were previously outside its scope.

Although the CARF will not come into force until Jan. 1, 2026, crypto-asset service providers and financial institutions must start thinking about:

- Updating compliance procedures
- Implementing new reporting mechanisms
- Preparing for the collection and management of detailed customer information

The CARF and CRS amendments will significantly affect how crypto-asset transactions are reported and monitored, making it essential for financial institutions and all entities involved in crypto-asset markets to think of solutions now to ensure compliance and avoid potential reporting issues.

## Digital services tax

On Oct. 8, 2021, the Organisation of Economic Co-operation and Development (OECD) announced that 136 countries, including Canada, had agreed to a landmark two-pillar solution for [international tax reform](#).

[Pillar One](#) aims to shift some taxation rights over multinational corporations from their home countries to the markets where they conduct business and earn profits, despite not having a physical presence there. The implementation deadline of Pillar One was set for June 30, 2024.

In the meantime, Canada's federal government implemented its own interim measure, passing the Digital Services Tax Act (DSTA) on June 28, 2024, under [Bill C-59](#), which governs the administration of the digital services tax (DST).

The DST is a 3 per cent tax on resident and non-resident businesses that earn both of the following:

1. Revenue from digital services in Canada exceeding \$20 million Canadian dollars (in-scope revenue)
2. Worldwide general revenues of 750 million euros, calculated on a consolidated basis

The 3 per cent DST applies to the in-scope revenue exceeding the entity's first \$20 million of in-scope digital service revenue for the year. The DSTA takes effect from June 28, 2024, and applies retroactively to in-scope revenues earned from Jan. 1, 2022. Additionally, taxpayers are required to register with the Canada Revenue Agency (CRA) by Jan. 31, 2025, if they meet relevant thresholds.

The DST will affect large corporations or corporate groups that earn revenue from digital services in Canada. As the 3 per cent tax applies directly to revenue rather than profits, the impact will be disproportionately felt by companies with thin profit margins.

# PERSONAL TAX CONSIDERATIONS

## Increase to the capital gains inclusion rate and the new Canadian entrepreneurs' incentive

[Budget 2024](#) proposed to increase the capital gains inclusion rate from 50 per cent to 66.67 per cent for corporations and trusts. Individuals will also be subject to the 66.67 per cent rate on capital gains above an annual threshold of \$250,000. The increased rate will lead to a higher tax liability for taxpayers who dispose of assets such as shares, bonds, etc. where they realize a capital gain. These changes are proposed to be effective June 25, 2024.

The \$250,000 annual threshold would apply to current year capital gains net of:

- Current year capital losses
- Capital losses of other years applied to reduce current year capital gains
- Capital gains in respect of which the individual claimed one of the following:
  - The lifetime capital gains exemption
  - The proposed employee ownership trust exemption
  - The proposed Canadian entrepreneurs' incentive (CEI)

Budget 2024 proposed the CEI as a relief measure, reducing the capital gains inclusion rate to 33.3 per cent on a lifetime maximum of \$2 million in eligible capital gains. Based on recent draft legislation released in August 2024, shareholders will qualify for the incentive if they meet all the following criteria:

- Own at least 5 per cent of the voting shares in their corporation
- Conduct business in certain sectors
- Have been regularly and actively engaged in the business for at least three years

The CEI represents a useful tax incentive for owner–manager taxpayers who are interested in exiting their business.



## Intergenerational business transfers

Surplus stripping rules prevent a taxpayer from lowering their taxable income by distributing a corporation's assets as a capital gain instead of a dividend and can apply inadvertently in circumstances where taxpayers are looking to transfer their business to the next generation. To accommodate this, [intergenerational business transfers](#) (IBTs) are exempt from the surplus stripping rules as long as they meet certain criteria. The new rules will apply to transactions occurring on or after Jan. 1, 2024.

There are two types of exempted IBTs:

1. An immediate IBT: Takes place over three years
2. A gradual IBT: Takes place over five to ten years

For both types of exempted IBTs, the following must occur, albeit within different time frames depending on the type of transfer:

- Management must be transferred
- The children must retain legal control
- At least one child must remain actively involved in the business
- Each relevant business of the transferred corporation must be carried on as an active business

The IBT rules, despite their restrictions, offer a significant benefit for taxpayers who are looking to transfer their business to the next generation without triggering adverse tax consequences.

## Employee ownership trusts

[Employee ownership trusts](#) (EOTs) have been introduced to allow for the purchase of a business by its employees without requiring direct payment. Certain benefits arise from the use of EOTs include an extended time frame the seller can claim a capital gains reserve and an exemption from the 21-year rule, which otherwise generally deems certain trusts to have disposed of their property every 21 years. These rules are effective from Jan. 1, 2024.

Additionally, for qualifying share dispositions between Jan. 1, 2024, and Dec. 31, 2026, there is a \$10 million capital gains exemption on the sale of a qualifying business to an EOT, provided certain conditions are met, providing exiting owner-managers with a compelling tax-beneficial avenue to explore.

## Alternative minimum tax

[The alternative minimum tax](#) (AMT) is a parallel calculation of tax owing that has special computation rules. For individuals and trusts, if the tax balance determined under AMT exceeds the tax balance computed under the regular income tax calculation using graduated rates, the taxpayer pays the AMT amount.

Effective Jan. 1, 2024, the basic AMT exemption amount is increased from \$40,000 to the second highest marginal tax rate threshold, which is currently \$173,205 for 2024 and will be indexed annually. The AMT inclusion rate was increased on most types of capital gains as well as employee stock options, and certain expenses and credits are being limited to 50 per cent deductibility. The AMT rate is also increased from 15 per cent to 20.5 per cent. Certain types of trusts are now exempted from being subject to AMT, namely graduated rate estates and qualifying employee ownership trusts.

All changes above have received royal assent and are now in law. However, the [August 2024](#) draft legislation introduces some further minor changes to the above amendments, including special computation rules for the capital gain earned on flow-through shares and resource expenditures, and expanding the 50 per cent expense denial to fees paid to investment counsel.

AMT can now apply to many high net worth individuals engaging in certain types of tax planning when they previously did not, especially for the 2024 tax year.



## Underused housing tax

The [Underused Housing Tax Act](#) requires owners of residential property in Canada, except excluded owners, to file an annual return. Effective Jan. 1, 2022, if the property is considered vacant or underused and is not otherwise exempted, the owner is liable for tax on the property. For calendar year 2023 onward, specified Canadian partnerships, trusts and corporations will be considered "excluded owners" and will no longer be required to file an underused housing tax return.

## Amendments to trust legislation

New draft legislation released [August 2024](#) provides amendments to the enhanced trust reporting rules that were otherwise enacted for the 2023 tax year. The [enhanced reporting rules](#) were broad and comprehensive, including expanding filing requirements to bare and informal trusts as well as requiring detailed disclosure details about trustees, beneficiaries and settlors. Additionally, the amendments provide an extension to the loss carryback election, which allows an estate to carryback capital losses incurred to the deceased taxpayer's terminal return.

The proposed amendments include:

- Expansion of trusts that are exempt from the enhanced reporting requirements
- Exempting bare trusts from the enhanced reporting requirements for 2024
- Expansion of the ability to claim the loss carryback election from only the first taxation year of the estate to the first three years of the estate

These changes are welcome changes for taxpayers, as they aim to reduce the filing burden for many trusts as well as introduce some added flexibility.

# INTERNATIONAL TAX CONSIDERATIONS

## Withholding tax on non-resident service providers

[Budget 2024](#) proposes to allow the CRA to waive the withholding tax requirement on multiple transactions with a single waiver for payments made in a specified period to a non-resident service provider if:

- The non-resident would not be subject to Canadian income tax in respect of the payments due to a tax treaty, or
- The income is exempt due to being earned from international shipping or from operating an aircraft in international traffic

Draft legislation for this amendment was released in [August 2024](#) and will come into force upon royal assent.

This new waiver would reduce the current burden on both the person required to withhold and remit payments to the CRA and the exempt non-resident applying for a refund of withholding or an advance waiver.



## Excessive interest and financing expense limitation rules

The [excessive interest and financing expense limitation](#) (EIFEL) rules are now in effect. They apply to restrict the deductibility of interest and financing expenses (IFE) for Canadian resident corporations and trusts for taxation years that begin on or after Oct. 1, 2023.

EIFEL will not apply to corporations and trusts that are "excluded entities," which generally includes a taxpayer who:

- Is a CCPC and, along with associated corporations, has taxable capital employed in Canada of less than \$50 million
- Along with group members, has less than \$1 million in net IFE, or
- Along with group members, meets the following criteria:
  - Does not have greater than 25 per cent foreign ownership
  - Does not pay significant IFE to certain non-arm's length persons, and
  - Does not have a material interest in foreign affiliates (i.e., one that can be valued at greater than \$5 million)

After the transitional period, EIFEL will limit a taxpayer's net IFE deduction to 30 per cent of its earnings before interest, taxes, depreciation and amortization (EBITDA) calculated for tax purposes.

Taxpayers who may be affected by the EIFEL rules should consider mitigation strategies leading up to the application of EIFEL in 2024, such as the ability to make a "pre-regime election" to carry forward deduction capacity to the first tax year when EIFEL first becomes effective. Taxpayers who are part of a consolidated group with audited financial statements may also file a joint election to calculate their ratio of permissible expenses according to a group ratio, which could yield a higher deduction capacity.

Affected taxpayers may want to review current and anticipated debt and financing obligations, especially if operating in a highly leveraged industry.

## Hybrid mismatch arrangements

Hybrid mismatch arrangements (HMAs) are cross-border tax avoidance structures that exploit differences in the income tax treatment of business entities or financial instruments under the laws of two or more countries to produce mismatches in tax results. The HMA rules were enacted as part of Bill C-59 and received royal assent; these rules apply to payments arising on or after July 2022.

These rules address circumstances in which a hybrid mismatch amount may arise and provides operative rules that either create an income inclusion or deny a deduction associated with a hybrid mismatch amount.

The application of the rules is limited to transactions between:

- Taxpayers who do not deal at arm's length
- Taxpayers who have a specified percentage of equity interest in one another, or
- Taxpayers where the pricing of a payment reflects the hybrid mismatch

Taxpayers will need to be aware of these rules when organizing their cross-border structures going forward to ensure awareness of when an expense may be denied or an income inclusion would arise.

## Global Minimum Tax Act

[Bill C-69](#) enacted the [Global Minimum Tax Act](#) (GMTA) to ensure large multinational enterprises (MNEs) pay at least a 15 per cent effective tax rate (ETR) on their global profits. For these purposes, MNEs must earn more than 750 million euros in worldwide revenues, on a consolidated basis, in at least two of the four fiscal years immediately preceding the particular year. In general, these rules aim to subject MNEs to a 15 per cent tax on income earned in every country they do business.

The GMT includes an income inclusion rule (IIR) and qualified domestic minimum top-up tax (QDMTT), which are effective for fiscal years that begin after Dec. 31, 2023. Generally, MNE groups will be required to compute their ETR in countries where they have a foreign subsidiary or permanent establishment (PE). The QDMTT will raise the ETR to 15 per cent for Canadian subsidiaries, whereas the IIR will apply a top-up tax where the ultimate parent entity is located in Canada and has a subsidiary or PE in a foreign jurisdiction where the ETR is below 15 per cent. The QDMTT will apply in priority to the IIR.

Further amendments were made in the latest set of draft legislation released [August 2024](#) to introduce the undertaxed profits rule (UTPR), which operates as a backstop to the QDMTT and IIR. In general, the UTPR requires a taxpayer to pay a top-up tax in situations where low-taxed profit of a group entity is still undertaxed relative to the minimum tax rate. Various other changes were introduced to adjust the GMTA to be better in line with newly released Pillar Two additional guidance issued by the OECD, addressing certain specific situations such as the use of securitization vehicles.

Compliance with the GMTA, which is based on consolidated financial information, may be a rigorous data-driven exercise. Early conversations with advisors on the GMTA will help meet the demands of this new legislation and ensure the right systems are in place to do so.



## Capital gains rate for taxable Canadian property

Certain international tax measures will be adjusted to be brought in line with the change in the capital gains inclusion rate. This includes the applicable rate when a non-resident of Canada disposes of [taxable Canadian property](#) (TCP). Generally, TCP can include real or immovable property in Canada or property used in a business in Canada.

Section 116 provides procedures for ensuring that tax is collected when non-residents dispose of TCP. The current rate of 25 per cent applicable on the disposition of TCP is meant to approximate the highest marginal combined federal and provincial tax rate on capital gains. Accordingly, the withholding tax rate for non-residents disposing of TCP will increase from 25 per cent to 35 per cent, effective for dispositions occurring on or after Jan. 1, 2025.

## Foreign accrual business income

The [August 2024](#) set of draft legislation introduced a new concept known as foreign accrual business income (FABI). FABI and various other related terms are intended to account for a [lack of tax consistency](#) when comparing the domestic and international tax regimes with respect to certain types of income earned by foreign affiliates of CCPCs and substantive CCPCs.

The FABI regime ensures that the income can be sheltered from Canadian tax if an effective 25 per cent tax rate is paid (rather than the current 52.63 per cent) on the income earned by its foreign affiliates in their respective foreign jurisdiction. These new rules will apply to taxation years starting after 2024.

These changes are welcome in light of related amendments currently in law that otherwise subject CCPCs and substantive CCPCs to inconsistent tax consequences when this type of income is earned abroad. Note that access to these rules are via various elections; therefore, taxpayers should ensure that they are filed within the necessary timelines.



## TRANSFER PRICING CONSIDERATIONS

### Transfer pricing consultation paper

In [Budget 2024](#), the government confirmed its intention to proceed with legislative amendments to implement changes discussed in the transfer pricing consultation paper. Presently, no legislative amendments have been published.

### Dow Chemical Canada ULC v. Canada

In Dow Chemical Canada ULC v. Canada, the taxpayer (Dow Chemical) incurred interest expense on a loan as well as earned toll manufacturing service revenue with a related Swiss company. The CRA reassessed Dow Chemical, resulting in a significant increase in the company's income in that taxation year. Dow Chemical subsequently made a request for a downward [transfer pricing adjustment](#) subject to CRA discretion.

Procedurally, Dow Chemical adopted a belt and suspenders approach, so to speak, by both filing an appeal to the Tax Court of Canada (TCC) to dispute the CRA's reassessment, and by seeking judicial review of the minister's decision to not exercise discretion. The Supreme Court of Canada (SCC) concluded that the TCC cannot hear disputes on downward transfer pricing adjustments since it is a discretionary decision. Accordingly, it should be appealed to Federal Court (FC).

Although the SCC's decision is aligned with the clear delineation between the powers of the FC and TCC, it may cause practical challenges because, in many cases, upward and downward transfer pricing adjustments are interrelated.

## PROVINCIAL TAX CONSIDERATIONS

### Green initiatives

Provinces across Canada [have introduced or updated green initiatives](#) to foster development in key industries while addressing environmental challenges including the following measures:

#### Alberta's new electric vehicle tax

Beginning Jan. 1, 2025, Alberta proposes a new annual \$200 tax on electric vehicles (EVs) to be collected during vehicle registration, making hybrid vehicles a potentially more cost-effective option.

#### Phase-out of rebates for electric vehicles in Quebec

Effective Jan. 1, 2025, Quebec proposes phasing out the rebates on fully electric and plug-in hybrid vehicles under the Roulez Vert program, with a full wind-down by Jan. 1, 2027. Taxpayers have only a few more months to capitalize on existing rebates before they phase out.

### Innovation and credits

In response to evolving industry needs, provinces across Canada have introduced adjustments to [various tax credits](#). Key changes include:

- **British Columbia: Extension of training tax credits**

The training tax credit, which is based on eligible wages paid to certain apprentices in skilled trades, has been extended until the end of 2027.

- **British Columbia: Changes to the interactive digital media tax credit**

Effective Sept. 1, 2024, products that enable gambling with currency will no longer qualify for the [interactive digital media tax credit](#).

- **Ontario: Changes to the Ontario computer animation and special effects tax credit**

The eligibility criteria for the 18 per cent Ontario computer animation and special effects (OCASE) tax credit starting on or after March 26, 2024, will have its own eligibility criteria, rather than requiring certification for other Ontario film tax credits.

- **Quebec: Quebec's amendments to the e-business and multimedia productions tax credit**

Quebec introduces various changes to the wage-based tax credits for e-business development and multimedia production starting in taxation years beginning after Dec. 31, 2024. Key changes include limiting the credit to a threshold of wages, removing the current wage limit and gradually shifting the refundable portion of the credit to a new non-refundable portion between 2025 and 2028.

- **Quebec: Quebec's adjustments to the film production services refundable tax credit**

Quebec proposes increasing the current 20 per cent refundable tax credit for film production services to 25 per cent, while capping eligible costs for computer-aided special effects and animation at 65 per cent for all productions applying after March 12, 2024, or after May 31, 2024, under certain circumstances.

## Housing affordability and inflation

Several Canadian provinces have recently implemented [new housing affordability measures](#) aimed at addressing the ongoing challenges in the real estate market, including:

- **Alberta: Alberta's new lowest tax bracket for individuals**

Alberta proposes an 8 per cent tax bracket on the first \$60,000 of income starting in 2024 for two years, with a planned increase to 9 per cent in 2026 and a return to 8 per cent in 2027. As a result of this change, individual taxpayers will get a temporary tax break of up to \$760 annually for the next two years.

- **British Columbia: Various measures for individuals**

Various measures to improve housing affordability have been proposed, including changes to the homeowner grant phase-out threshold, a new tax on residential property sold within two years of purchase and various property transfer tax exemptions, which could affect taxpayers' decisions on buying or selling a home in the current year.

- **Ontario: Vacant home tax**

Ontario allows all municipalities to tax vacant homes and recommends higher rates for homes owned by foreigners, effective March 27, 2024, since publishing some best practices when implementing a vacant home tax for municipalities [here](#). This could result in more municipalities increasing taxes on vacant homes and foreign-owned properties in Ontario.

## CREDITS AND INCENTIVES CONSIDERATIONS

### Government grants and funding

[Government grants](#) can provide Canadian businesses with non-dilutive funding as a 0 percent interest loan or non-repayable grant to support the execution of business goals and initiatives.

It is important to embed government grants in the business planning process to take advantage of funding opportunities. Applications must be submitted before incurring any eligible project costs.

### Scientific research and experimental development (R&D)

To boost R&D and intellectual property (IP) retention, the federal government is modernizing the scientific research and experimental development (SR&ED) [tax incentives](#). Consultations held from January to April 2024 and a second consultation phase which ended May 27, 2024, aimed to enhance support for innovative small- and medium-sized businesses. The government proposes \$600 million over four years, starting in 2025–26, to support SR&ED program enhancements. Additionally, consultations on a patent box regime to encourage IP development and retention in Canada closed in April 2024, with results pending.



## Clean energy investment tax credits

As part of a commitment to fighting climate change, the federal government is introducing five clean economy investment tax credits (ITCs) including those in Bills C-59 and C-69, which both received royal assent in 2024:

1. Carbon capture, utilization and storage: [Bill C-59](#) introduced a refundable ITC of up to 60 per cent for businesses investing in eligible carbon capture, utilization and storage (CCUS) equipment acquired by 2040 in select designated jurisdictions. This ITC is effective on eligible expenditures incurred after Jan. 1, 2022.
2. Clean technology: [Bill C-59](#) introduced a 30 per cent refundable ITC for businesses investing in clean technology such as equipment to generate electricity from solar, wind and water. This ITC is effective on eligible property that becomes available for use between March 28, 2023, and Dec. 31, 2034.
3. Clean technology manufacturing: [Bill C-69](#) introduced a 30 per cent refundable ITC for businesses investing in manufacturing equipment for zero-emission vehicles or technology. This ITC is effective on eligible property that is acquired on or after Jan. 1, 2024, and available for use on or before Dec. 31, 2034.
4. Clean hydrogen: [Bill C-69](#) introduced a refundable ITC for businesses investing in clean hydrogen production, which ranges from 15 to 40 per cent based on the lifecycle carbon intensity of hydrogen. This ITC is effective on eligible property that is acquired on or after March 28, 2023, and available for use on or before Dec. 31, 2034.
5. Clean electricity: The 2023 federal budget proposed a refundable ITC of 15 per cent for eligible property such as equipment used to generate electricity from green sources (e.g. solar, tidal, geothermal) to store energy and other related equipment tied to clean electricity. Draft legislation for this credit was released in [August 2024](#) and will be effective on eligible property that becomes available for use on or after April 16, 2024, and before 2035.

For more **DETAILED INFORMATION** on the above credits, please refer to our article [Profiles of the Clean Economy ITCs](#).



For middle market companies, the updated tax credits for clean technologies and R&D offer substantial financial benefits. These incentives support investments in sustainability and innovation, enhancing long-term growth and competitiveness while improving profitability.

## AUDIT AND ENFORCEMENT CONSIDERATIONS

### General anti-avoidance rule

The general anti-avoidance rule (GAAR) is a tool used by the CRA to counteract abusive tax avoidance strategies not addressed by specific anti-avoidance rules within the Income Tax Act. To bolster its effectiveness in curbing abusive tax avoidance, [Bill C-59](#) introduced changes to GAAR, which apply to transactions occurring on or after Jan. 1, 2024. Key details of the changes are summarized below:

- Transactions lacking economic substance will now indicate a "misuse or abuse" of the ITA
- A new penalty generally equal to 25 per cent of the tax benefit obtained due to the application of GAAR for transactions on or after June 20, 2024
- The normal reassessment period has been extended by three years for GAAR assessments
- The threshold for an avoidance transaction to exist has been lowered from the "primary purpose" test to "one of the main purposes" test
- A preamble has been introduced in the ITA to guide the interpretation of GAAR, effective for transactions occurring on or after June 20, 2024

The new GAAR has an increased scope and a new penalty provision requiring careful attention from taxpayers, advisors and promoters.



## Mandatory disclosure rules

The ITA includes penalties, such as fines or imprisonment, for not filing a return required under the [mandatory disclosure rules](#). Bill C-69 has removed reportable and notifiable transaction reporting from these penalties, applying retroactively to June 22, 2023.

While the proposed amendment potentially reduces the legal and financial exposure of the affected taxpayers, taxpayers should remain vigilant about other filing obligations under mandatory disclosure rules that still carry penalties.

## Notice of non-compliance

[Budget 2024](#) proposes to allow the CRA to issue a "notice of non-compliance" to a person who has not complied with a requirement or a notice to provide assistance or information. Updated draft legislation detailing these changes was released in [August 2024](#).

Affected taxpayers might have to face prolonged periods of uncertainty regarding their tax assessments leading to delayed resolution of tax matters.

# CUSTOMS CONSIDERATIONS

## Customs verification priorities

The Canada Border Services Agency (CBSA) has announced its [current verification priorities](#). These include classification of certain frozen desserts containing dairy (tariff rate quota and supply managed goods), gloves (tariff classification) and import origin under the Canada-EU Comprehensive Economic and Trade agreement as well as the Canada-United Kingdom Trade Continuity agreement. The CBSA will also be prioritizing compliance related to vaping products as the excise duties for vaping products have increased.

## CARM delayed

The CBSA is implementing the CBSA Assessment and Revenue Management ([CARM](#)) tool as the mandatory system of record to interact with the CBSA for commercial import shipments into Canada, including paying duties and taxes. Originally slated to enter into use on May 13, 2024, it was [delayed](#) to Oct. 21, 2024. Importers and other affected entities will need to register for CARM to continue importing commercial goods into Canada.

## Update on the value for duty consultation

The CBSA is proposing to use the "last sale" to calculate value for duty (VFD). VFD forms the basis upon which customs duties and sales taxes are levied on imported goods. In [response](#) to concerns from affected entities that domestic sales could be used to determine VFD, the CBSA indicated it does not expect Canadian resident importers who are declaring their purchase price from a foreign supplier to see any changes as a result of these amendments.

# INDIRECT TAX CONSIDERATIONS

## Goods and services tax/harmonized sales tax (GST/HST)

### Extending GST relief to student residences

Since university and college student housing are not considered long-term residences, new student housing could not qualify for the enhanced 100 per cent GST rental rebate. [Budget 2024](#) proposed to amend the rules to apply the normal GST/HST rules that apply to other builders (i.e., paying GST/HST on the final value of the building) to new student housing projects. New rebate conditions would allow student housing provided by universities, public colleges and school authorities that operate on a non-profit basis to qualify for the 100 per cent rebate.

Student housing projects that begin construction after Sept. 13, 2023, and before 2031 and complete construction before 2036 will be subject to these measures.

### Imposing GST on masks

[Budget 2024](#) proposed to repeal the temporary zero-rating of certain face masks or respirators and certain face shields under the GST/HST. This measure applies to supplies made on or after May 1, 2024.

## BC provincial sales tax

[The 2024 BC budget](#) proposed various changes to the Provincial Sales Tax Act (PST Act) and to the PST Exemption and Refund Regulation, including changes on PST refund availability, the definition of "software," and new administrative penalties.

## Quebec sales tax

### Taxing the used road vehicle

The Quebec sales tax (QST) regime includes an anti-avoidance rule with respect to the sale of used road vehicles between unrelated individuals. [The 2024 Quebec budget](#) proposed to amend the anti-avoidance rule to not apply when a used road vehicle is brought into Quebec following its transfer, outside Quebec, between related individuals. The change will be effective for used road vehicles brought into Quebec after March 12, 2024.

### Value of used road vehicles

To tackle under-declaration of the selling price of used vehicles, [the 2024 Quebec budget](#) proposed to extend the number of years published in the Guide d'Évaluation Hebdo (Automobiles et Camions Légers) from nine to 14 starting on Jan. 1, 2025.

## Manitoba retail sales tax

### Sales tax registration

Effective Jan. 1, 2024, Manitoba Budget 2024 increased the sales tax registration threshold for businesses located in Manitoba from \$10,000 to \$30,000 of taxable sales to align it with the federal GST/HST registration threshold of \$30,000.

## Industry highlights



### Real estate

Housing affordability in Canada is a key focus of recent tax initiatives with targeted tax (dis)incentives relating to vacant homes, property flipping and the construction of certain rental housing.



### Business and professional services

Numerous new tax initiatives better allow the exit of business owners, including the new Canadian entrepreneurs' incentive, the intergenerational business transfer exception to the surplus stripping rules using an employee ownership trust.



### Technology

Owners of crypto-assets will need to be aware of new disclosure requirements under Canada's new Crypto-Asset Reporting Framework and large corporate groups offering digital services to Canadians may be subject to the new Digital Services Tax.



### Industrials

Significant green technology initiatives have been introduced to encourage investment in green energy, including the clean technology, clean hydrogen and clean electricity investment tax credits.

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