

NOTE ON CHANGES IN INCOME TAX LEGISLATION FOR 2020 CFE

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As a CPA candidate, you are responsible for the regulation that are “in effect as of December 31” (of the prior year). The cut-off date of the version of the *Income Tax Act* for the Common Final Examination (CFE) is December 31 of the prior year.

FURTHER DETAILS ON TAXATION CHANGES FROM CPA CANADA FOR 2020

(source: CPA Canada, Technical update for 2020 CPA PEP examinations and the CFE, online March 25, 2020, <https://www.cpacanada.ca/en/become-a-cpa/cpa-certification-program-evaluation/technical-update-for-examinations>)

“For the 2020 CPA PEP module examinations and the CFE, this should be interpreted to mean that the following standards and legislation are testable:

[...]

tax legislation substantively enacted (which includes legislation introduced into the House of Commons) up to December 31, 2019” [...]

“Reminder: You may always apply a more current standard than what is required (recognizing that the reference material provided is only updated once a year) on the CPA PEP and CFE case portion of the examinations. [...] objective-format questions follow the cut-off dates outlined above.”

“Important change to the September 2020 CFE: Due to the impacts of COVID-19 on the CPA certification program, the September 2020 CFE will continue to align with the 2019 Competency Map, but candidates will no longer be responsible for the new data analytics and information systems (DAIS) competencies or the new GST/HST competencies included in this version. All other changes to the Competency Map will be testable.”

INTRODUCTION

This note aims to present changes in income tax legislation during 2020, 2019, and 2018 for the 2020 CFE. A previous note presents changes in income tax legislation for the 2019 CFE. The note includes the list of taxation draft legislation, the list of Income Tax Act amending acts, and the details on the recent changes in legislation included and excluded in 2020 CFE.

LIST OF TAXATION DRAFT LEGISLATION

Year	Title	Released Date	Details
2020	Notice of Ways and Means Motion to introduce An Act respecting certain measures in response to COVID-19	March 25, 2020	√(exc)
2019	Legislative Proposal Relating to the <i>Income Tax Act</i> (Amateur Athlete Trust) and Explanatory Notes	December 20, 2019	√(exc)
	Notice of Ways and Means Motion to amend the <i>Income Tax Act</i> and Explanatory Notes	December 9, 2019	√(exc)
	Draft Regulations Amending Various Regulations Relating to Part 1 of the <i>Greenhouse Gas Pollution Pricing Act</i> and Explanatory Notes	December 6, 2019	-
	Legislative Proposal Relating to the <i>Income Tax Act</i> (Shared-Custody Parent) and Explanatory Notes	August 29, 2019	√(exc)
	Legislative Proposals Relating to the Income Tax and Other Legislation and Explanatory Notes	July 30, 2019	√(exc)
	Notice of Ways and Means Motion to amend the <i>Income Tax Act</i> and Explanatory Notes	June 17, 2019	√(exc)
	Draft Part 1 of the <i>Greenhouse Gas Pollution Pricing Act</i> Regulations (Alberta)	June 13, 2019	-
	Notice of Ways and Means Motion to introduce an Act to amend the Customs Tariff and the <i>Canadian International Trade Tribunal Act</i>	June 3, 2019	-
	Legislative Proposals Relating to the Income Tax, Employee Life and Health Trusts and Explanatory Notes	May 27, 2019	√(exc)
	Draft Regulation Relating to the <i>Excise Tax Act</i> and Explanatory Notes	May 17, 2019	-

Year	Title	Released Date	Details
2019	Notice of Ways and Means Motion to amend the <i>Income Tax Act</i> and other related legislation Federal Budget 2019	March 19, 2019	√(inc)
	Draft Regulation Amending the Fuel Charge Regulations and Explanatory Notes	March 19, 2019	-
	Proposed amendments to the <i>Income Tax Act</i> , <i>Canada Pension Plan</i> and <i>Employment Insurance Act</i> and Explanatory Notes Salary Overpayments, including Phoenix Pay System	January 15, 2019	√(inc)
2018	Notice of Ways and Means Motion to amend the <i>Income Tax Act</i> and the <i>Income Tax Regulations</i> , and Explanatory Notes 2018 Fall Economic Statement	November 21, 2018	√(inc)
2018	Notice of Ways and Means Motion to implement certain provisions of the budget tabled in Parliament on February 27, 2018 and other measures and Explanatory Notes <i>Budget Implementation Act, 2018 No. 2</i>	October 25, 2018	√(inc)
	Draft Regulations (Fuel charge)	October 23, 2018	-
	Regulatory and Legislative Proposals Relating to the Taxation of Cannabis and Explanatory Notes	September 17, 2018	-
	Legislative Proposals Relating to Income Tax and Explanatory Notes	September 14, 2018	√(inc)
	Legislative Proposals Relating to Income Tax and Other Legislation and Explanatory Notes	July 27, 2018	√(inc)
	Legislative and Regulatory Proposals Relating to <i>Excise Tax Act</i> , the <i>Excise Act, 2001</i> and the <i>Air Travellers Security Charge Act</i> and Explanatory Notes	July 27, 2018	-
	Notice of Ways and Means Motion to implement certain provisions of the budget tabled in Parliament on February 27, 2018 and other measures and Explanatory Notes <i>Budget Implementation Act, 2018 No. 1</i>	February 27, 2018	√(inc)
	Legislative and Regulatory Proposals Relating to the <i>Greenhouse Gas pollution Pricing Act</i> and Explanatory Notes	January 15, 2018	-

(source: Department of Finance Canada, Draft Legislation, online April 7, 2020, <https://www.fin.gc.ca/legislation/draft-avant-eng.asp>)

Note: (exc) = excluded from 2020 CFE; (inc) = included in 2020 CFE; √ = details included in recent changes section

LIST OF INCOME TAX ACT - AMENDING ACTS

(R.S.C. 1985 (5th Supplement), c.1 as amended)

Year	Bill	Title	Chapter	Royal Assent
2020	C-13	COVID-19 Emergency Response Act	5	March 25, 2020
2019	C-97	<i>Budget Implementation Act, 2019 No. 1</i> (budget tabled on March 19, 2019)	29	June 21, 2019
2018	C-86	<i>Budget Implementation Act, 2018 No. 2</i> (budget tabled on February 27, 2018)	27	December 13, 2018
	C-74	<i>Budget Implementation Act, 2018 No. 1</i> (budget tabled on February 27, 2018)	12	June 21, 2018

(source: Justice Canada, Annual Statutes, online April 7, 2020
<https://www.laws-lois.justice.gc.ca/eng/AnnualStatutes/>)

RECENT CHANGES IN LEGISLATION INCLUDED IN 2020 CFE

Acts included in 2020 CFE

* *Budget Implementation Act, 2019, No. 1* (c.97 - royal assent June 21, 2019)

- providing a temporary enhanced first-year capital cost allowance rate of 100% in respect of eligible zero-emission vehicles
- removing the requirement that property be of ‘national importance’ in order to qualify for the enhanced tax incentives for donations of cultural property
- providing a temporary enhanced first-year capital cost allowance rate in respect of a wide range of depreciable capital properties, including a temporary first-year capital cost allowance rate of 100% in respect of
 - machinery and equipment used for the manufacturing or processing of goods, and
 - specified clean energy equipment
- ensuring that social assistance payments under certain programs are non-taxable, are not included in income for the purposes of determining entitlement to income-tested benefits and credits and do not preclude an individual from being considered a ‘parent’ for the purposes of the Canada-Workers Benefit
- repealing the use of taxable income as a factor in determining a Canadian-controlled private corporation’s annual expenditure limit for the purpose of enhanced scientific and experimental development tax credit
- providing support for Canadian journalism
- introducing the Canada Training Credit
- amending the Income Tax Act to reflect the current regulations for accessing cannabis for medical purposes
- eliminating the requirement that sales be to a farming or fishing cooperative corporation in order to be excluded from specified corporate income for the purposes of the small business deduction
- extending the mineral exploration tax credit for an additional five years
- ensuring that business income of a communal organization retains its character when it is allocated to members of the communal organization for tax purposes
- increasing the withdrawal limit under the Home Buyers’ Plan and amending how it applies on the breakdown of a marriage or common-law partnership
- extending joint and several liability for tax owing on income from carrying on business in a TFSA to the TFSA’s holder and limiting the TFSA issuer’s liability for such tax
- supporting employees who must reimburse a salary overpayment to their employer due to a system, administrative or clerical error
- expanding tax support for electric vehicle charging stations and electrical energy storage equipment
- allowing joint projects of producers from Canada and Belgium to qualify for the Canadian film or video production tax credit
- ensuring appropriate pension adjustment calculations in 2019 and subsequent tax years for registered pension plans that reference the enhanced Canada Pension Plan
- implementing certain measures to provide GST/HST relief (importations of human ova / in vitro embryos, foot care devices) and to introduce similar tax treatment for zero-emission vehicles

* *Budget Implementation Act, 2018, No. 2* (c.27 - royal assent December 13, 2018)

- introducing rules intended to provide greater certainty with respect to various tax consequences arising from certain foreign divisive reorganizations
- ensuring that the existing cross-border anti-surplus stripping rules cannot be circumvented through transactions involving the use of partnerships and trusts
- introducing rules to prevent misuse of the foreign accrual property income (FAPI) regime through the use of tracking interests involving foreign affiliates
- ensuring consistency between the trading and dealing in indebtedness rules and the investment business rules within the foreign accrual property income (FAPI) regime
- ensuring that the at-risk rules apply appropriately at each level of a tiered partnership structure
- providing that the Minister of Public Safety and Emergency Preparedness can determine international operational missions for the purpose of the deduction available for income earned by members of the Canadian Forces or police officers on such missions
- amending the synthetic equity arrangements rules and securities lending arrangement rules to prevent the artificial generation of losses through the use of equity-based financial instruments
- ensuring that social assistance payments under certain programs do not preclude individuals from receiving the Canada Child Benefit
- ensuring that an individual who is eligible to receive the Canada Workers Benefit can receive the benefit without having to claim it
- introducing a refundable tax credit for the purposes of the climate action incentive
- providing allocation rules for losses applied against Part IV taxes
- preventing the creation of artificial losses on shares held as mark-to-market property by financial institutions
- revising the rules relating to the non-partisan political activities of charities
- ensuring that a taxpayer is subject to a three-year extended reassessment period in respect of any income, loss or other amount arising in connection with a foreign affiliate of the taxpayer
- providing the CRA with an extended reassessment period of an additional three years, to the extent that the reassessment relates to the adjustment of a loss carryback for transactions involving a taxpayer and non-resident non-arm's length persons
- extending the reassessment period of a taxpayer by the period of time during which a requirement for information or compliance order is contested
- requiring that information returns in respect of a taxpayer's foreign affiliates be filed within 10 months after the end of the taxpayer's taxation year
- enabling the disclosure of taxpayer and other confidential tax information to Canada's bilateral mutual legal assistance treaty partners for the purposes of non-tax criminal investigations and prosecutions of certain serious crimes
- providing a deduction for employee contributions to the enhanced portion of Québec Pension Plan (QPP)

* *Budget Implementation Act, 2018, No. 1* (c.12 - royal assent June 21, 2018)

- ensuring appropriate tax treatment of amounts received under Veterans Well-being Act
- exempting from income amounts received under Memorial Grant for First Responders
- lowering the small business tax rate and adjustments on gross-up factor / dividend tax credit
- reducing business limit on small business deduction based on passive income
- restricting access to dividend refunds on the payment of eligible dividends
- preventing the avoidance of tax through income sprinkling arrangements
- removing the risk score requirement and increasing the level of income that can be deducted for Canadian Armed Forces personnel and police officers serving on international missions
- introducing the Canada Workers Benefit
- expanding the medical expenses tax credit to recognize expenses incurred in respect of an animal specially trained to perform tasks for a patient with a severe mental impairment
- indexing the Canada Child Benefit as of July 2018
- extending, for one year, the mineral exploration tax credit for flow-through share investors
- extending, for five years, the ability of a qualifying family member to be a plan holder of an individual RDSP (Registered Disability Savings Plan)
- allowing transfers of property from charities to municipalities to be considered as qualifying expenditures for the purpose of reducing revocation tax
- ensuring that appropriate taxpayers are eligible for the Canada Child Benefit and that information related to the Canada Child Benefit can be shared with provinces and territories for certain purposes
- extending, by five years, eligibility for Class 43.2

Draft legislation included in 2020 CFE

(CAUTION: draft legislation may be broken down in pieces when included in a specific bill which become a chapter receiving royal assent modifying the ITA; not necessarily 100% of all draft legislation are kept together; it is preferable to use the enacted Acts included in a specific CFE to know what is or not included)

* March 19, 2019 - Federal Budget 2019

Notice of Ways and Means Motion to amend the Income tax Act and Other Related Legislation

(Integrated in Budget Implementation Act, 2019, No. 1)

- Canada training credit
- RRSP Home Buyers' Plan
- change in use rules for multi-unit residential properties
- permitting additional types of annuities under registered plans
- RDSP - Cessation of eligibility for the disability tax credit
- tax measures for kinship care providers
- donations of cultural property
- medical expense tax credit (cannabis)
- contributions to a specified multi-employer plan for older members
- pensionable service under an individual pension plan
- mutual funds: allocation to redeemers methodology
- carrying on Business in a Tax-Free Savings Account
- electronic delivery of requirements for information
- support for Canadian journalism (qualified donee, registered journalism organization)
- personal income tax credit for digital subscriptions
- business investment in zero-emission vehicles (new class 54, 55)
- small business deduction - farming and fishing
- scientific Research and Experimental Development (SR&ED) program
- Canadian-Belgian co-productions - Canada film or video production tax credit
- character conversion transactions
- transfer pricing measures
- foreign affiliate dumping
- cross-border share lending arrangements

* January 15, 2019

Consulting Canadians on Draft tax Legislation Regarding Salary Overpayments, including those made through Phoenix Pay System

(Integrated in Budget Implementation Act, 2019, No. 1)

- repayment of the net (not gross) amount of the overpayment received in a previous year
- income taxes, CPP, EI will be claimed by employer to the CRA
(CPP - Canada Pension Plan, EI - Employment Insurance)
- three calendar year period to make repayment

- * November 20, 2018 - Fall Economic Statement 2018
(Integrated in *Budget Implementation Act, 2019, No. 1*)
 - accelerated investment incentive on acquisition of qualifying assets before 2024
 - capital cost allowance
 - class 13, 14, vessels, 43.1, 43.2, 53
 - ½ year rule exclusion
 - Canadian development expense and Canadian oil and gas property expense

- * October 25, 2018
Notice of Ways and Means Motion to implement certain provisions of the budget tabled in Parliament on February 27, 2018 and other measures and Explanatory Notes
(Integrated in *Budget Implementation Act, 2018, No. 2*)
 - division of corporation under foreign laws
 - deemed dividend
 - non-resident corporation shares held by a partnership
 - trading or dealing in indebtedness and tracking interests
 - tiered partnership
 - dividend rental arrangements
 - climate action incentive
 - Part IV tax - allocation of losses
 - qualified donees
 - returns and information

- * September 14, 2018
Legislative Proposals Relating to Income Tax and Explanatory Notes
(Integrated in *Budget Implementation Act, 2018, No. 2*)
 - Definition of charitable organization
 - Charitable purposes, deemed charitable activity and political activity

- * July 27, 2018
Legislative Proposals Relating to Income Tax and Other Legislation and Explanatory Notes
(Integrated in *Budget Implementation Act, 2018, No. 2*)
 - Canada Workers Benefit - improving access
 - deduction for employee contributions to the enhanced portion of Québec Pension Plan (QPP)
 - reporting requirements for trusts
 - artificial losses using equity-based financial arrangements
 - stop-loss rule on share repurchase transactions
 - at-risk rules for tiered partnership structure
 - cross-border anti-surplus stripping rules using partnerships and trusts
 - foreign affiliates
 - foreign divisive reorganizations

- passive investment income - allocation of losses
- reassessment period - requirement for information and compliance
- reassessment period - non-resident non-arm's length persons
- sharing information for criminal matters
- mutual legal assistance in criminal matters act

* February 27, 2018

Notice of Ways and Means Motion to implement certain provisions of the budget tabled in Parliament on February 27, 2018 and other measures and Explanatory Notes (Tax Measures: Supplementary Information)

(Integrated in *Budget Implementation Act, 2018, No. 2*)

(Integrated in *Budget Implementation Act, 2018, No. 1*)

- Canada workers benefit
- medical expenses tax credit - eligible expenditures (animal specially trained)
- RDSP (Registered Disability Savings Plan) - qualifying plan holder
- deductibility of employee contributions to the enhanced portion of the Québec Pension Plan (QPP)
- child benefits
- charities (municipalities as eligible donee, universities outside Canada)
- flow-through mining expenditures and mineral exploration tax credit
- reporting requirements for trusts
- small business deduction / passive investment income
 - business limit reduction
 - business limit adjusted aggregate investment income
 - anti-avoidance
- refundability of taxes on investment income
 - refundable dividend tax on hand (RDTOH) (eligible / non-eligible)
 - transitional RDTOH
- tax support for clean energy
- artificial losses using equity-based financial arrangements
 - synthetic equity arrangements
 - securities lending arrangements
- stop-loss rules on share repurchase transactions
- at-risk rules for tiered partnership structure
- health and welfare trusts
- cross-border surplus stripping using partnerships and trusts
- foreign affiliates - foreign accrual property income (FAPI) regime
 - investment businesses
 - controlled foreign affiliate status
 - trading or dealing in indebtedness
 - reassessment
 - reporting requirements
- reassessment period - requirements for information and compliance orders
- reassessment period - non-resident non-arm's length persons
- sharing information for criminal matters

- * October 24, 2017 - Fall Economic Statement 2017
(Integrated in *Budget Implementation Act, 2018, No. 2*)
(Integrated in *Budget Implementation Act, 2018, No. 1*)
 - moving forward with measures to limit the tax deferral opportunities related to passive investments
 - Canada Child Benefit indexing
 - working income tax benefit (WITB)
 - lowering taxes for small business
 - income sprinkling
 - passive investments
 - conversion of income into capital gains

- * October 24, 2017
Notice of Ways and Means Motion to amend the Income Tax Act and Explanatory Notes
(Integrated in *Budget Implementation Act, 2018, No. 1*)
 - gross-up amount of non-eligible dividend (16% in 2018, 15% after 2018) (ITA 82(1))
 - dividend tax credit of non-eligible dividend (8/11 in 2018, 9/13 after 2018) (ITA 121)
 - dividend tax credit of non-eligible dividend (17.5% in 2018, 15% after 2018) (ITA 122.61)
 - annual adjustment on Canada child benefit after July 1, 2020 (ITA 122.61(5))
 - small business deduction (17.5% before 2018, 18% in 2018, 19% after 2018) (ITA 125)

- * October 18, 2017
News release - Targeted tax fairness measures will protect middle class small business owners
(Integrated in *Budget Implementation Act, 2018, No. 1*)
 - moving forward with measures to limit the tax deferral opportunities related to passive investments
 - passive income threshold of \$50,000 per year for future, go-forward investments
 - draft legislation in Budget 2018

- * September 8, 2017
Legislative Proposals Relating to the Income Tax Act and Explanatory Notes
(Integrated in *Budget Implementation Act, 2017, No. 2*)
 - ecological gifts program
 - anti-avoidance rules for registered plans
 - taxes in respect of registered plans
 - investment fund managers
 - clean energy generation equipment: geothermal energy
 - Canadian exploration expenses: oil and gas discovery wells
 - reclassification of expenses renounced to flow-through share investors
 - meaning of actual control
 - timing of recognition of gains and losses on derivatives
 - billed-basis accounting
 - extending the base erosion rules to foreign branches of life insurers
 - stub period FAPI
 - nurse practitioners
 - Armed Forces deduction

- * July 18, 2017 (consultation paper with partial draft proposal)
Consultations on Tax planning strategies using private corporations tax
Legislative Proposals Relating to the Income Tax Act, the Income Tax Act Regulations and Explanatory Notes
 - income sprinkling
 - split income to adults
 - restricting strategies that multiply access to the lifetime capital gains exemption
 - holding passive investments inside a private corporation (no draft legislation)
 - converting income into capital gains

- * May 18, 2017
Notice of Ways and Means Motion to amend the Income Tax Act and Explanatory Notes
(Integrated in *Budget Implementation Act, 2018, No. 1*)
 - tax exemption for salaries of deployed Canadian Armed Forces personnel and police officers

- * May 2017
Legislative Proposals Relating to the Income Tax Act and Explanatory Notes
(Integrated in *Budget Implementation Act, 2018, No. 1*)
 - change in definition of specified corporate income regarding specified cooperative income

RECENT CHANGES IN LEGISLATION EXCLUDED FROM 2020 CFE

Acts excluded in 2020 CFE

- * *COVID-19 Emergency Response Act* (c.5 - royal assent March 25, 2020)
 - introducing a one-time additional payment under the GST/HST tax credit
 - providing temporary additional payment under the Canada Child Benefit
 - reducing required minimal withdrawals from registered retirement income funds by 25% for 2020
 - providing eligible small employers a temporary wage subsidy for a period of three months

Draft legislation excluded in 2020 CFE

- * March 25, 2020
 Notice of Ways and Means Motion to introduce An Act respecting certain measures in response to COVID-19
 (Integrated in *COVID-19 Emergency Response Act*)
 - introducing a one-time additional payment under the GST/HST tax credit
 - providing temporary additional payment under the Canada Child Benefit
 - reducing required minimal withdrawals from registered retirement income funds by 25% for 2020
 - providing eligible small employers a temporary wage subsidy for a period of three months
- * December 20, 2019
 Legislative Proposal Relating to the *Income Tax Act* (Amateur Athlete Trust) and Explanatory Notes
 - introducing ITA 143.1(3.1) to ensure that amounts held by amateur athlete trusts are included in a individual's income within a reasonable period of time (if an individual has not competed in an international sporting event as a Canadian national team member for eight years)
- * December 9, 2019
 Notice of Ways and Means Motion to amend the *Income Tax Act* and Explanatory Notes
 - eligible child (ITA 63(3))
 - preferred beneficiary (ITA 108(1))
 - annual adjustment to new basic personal amount calculation (ITA 117.1(1))
 - personal credits 2020: \$13,229; 2021: \$13,808; 2022: \$14,398; 2023: \$15,000 (ITA 118, 118(1))
 - restriction - financial dependent (ITA 146(1.1))
 - person deemed resident (ITA 250(1))
 - RDSP disability assistance payment - withholding amount (ITR 103.1(2))

- * August 29, 2019
Legislative Proposal Relating to the *Income Tax Act* (Shared-Custody Parent) and Explanatory Notes
 - amended shared-custody parent definition (ITA 122.6)
replace 'equal or near equal' for 2 tests and give a range of 40%-60%

- * July 30, 2019
Legislative Proposals Relating to the Income Tax and Other Legislation and Explanatory Notes
 - accelerated investment incentive for resource expenditures
 - accelerated investment incentive for depreciable property (ITR)
 - change in use rules for multi-unit residential properties (ITA 45)
 - permitting additional types of annuities under registered plans
 - ALDA - Advanced Life Deferred Annuities
 - VPLA - Variable Payment Life Annuities
 - Registered Disability Savings Plan - cessation of eligibility for the disability tax credit
 - contributions to a specified multi-employer plan for older members (ITR)
 - pensionable service under an individual pension plan
 - mutual funds: allocation to redeemers methodology
 - electronic delivery of requirements for information (ITA 231.2; 231.6; 231.8; 244)
 - accelerated investment incentive for zero-emission vehicles (ITA 13(7))
 - character conversion transactions - derivative forward agreement
 - transfer pricing measures (ITA 247)
 - foreign affiliate dumping
 - cross-border share lending arrangements

- * June 17, 2019
Notice of Ways and Means Motion to amend the *Income Tax Act* and Explanatory Notes
 - stock options and non-qualified securities (ITA 7; 110)
 - specified person
 - vesting year
 - vesting limit
 - employee options (ITA 110(1)(d))
 - employer deduction - non-qualified securities (new ITA 110(1)(e))

- * May 27, 2019
Legislative Proposals Relating to the Income Tax, Employee Life and Health Trusts and Explanatory Notes
 - amended Employee Life and Health Trusts (ITA 144.1)
 - new Part XI.5 - Tax on Employee Life and Health Trusts (ITA 207.9)

* May 17, 2019

Draft Regulation Relating to the *Excise Tax Act* and Explanatory Notes

- drop shipments
- holding corporations and takeovers
- registration permitted