

# NOTE ON CHANGES IN INCOME TAX LEGISLATION FOR 2021 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.

## **TECHNICAL UPDATE FROM CPA CANADA FOR 2021**

(source: CPA Canada, Technical update for 2021 CPA PEP examinations and the CFE, online April 14, 2021, <https://www.cpacanada.ca/en/become-a-cpa/cpa-certification-program-evaluation/technical-update-for-examinations>)

“For the 2021 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 passing third reading in the House of Commons during a minority government)) up to December 3, 2020” [...]

“In addition, you are responsible for an awareness of changes that occur subsequent to the cut-off date, or that have been issued but are not in effect, at a Level C expectation at Core, and moving to Level B in the Assurance and Taxation Electives, based on the following competencies: [...]

6.1.3 explains implication of current trends, emerging issues and technologies in taxation (as of September 2021 CFE only).”

**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.”

## **Additional information regarding COVID-19**

“Candidates are reminded that they will be instructed to consider and respond to the case as presented and ignore the potential impacts of COVID-19 when writing the CFEs and PEP module examinations.”

### **Further details on taxation changes**

“On December 9, 2019, The Government tabled in the House of Commons a Notice of Ways and Means Motion that proposes to amend the *Income Tax Act* to change the way in which the basic personal amount is calculated under ss. 118(1) and proposed ss. 118(1.1) of the *Income Tax Act*. The legislation to enact these changes is anticipated but has not been introduced into parliament as of December 31, 2020.

However, following the principle that candidates may apply a more current standard that what is required, on the CFE and on the PEP exam cases, candidates may use the new rules in their responses. The reference schedule provided in exam booklets will contain indexed amounts under both the old and proposed rules. Objective-format questions follow the cut-off dates outlined above.

Candidates are advised that, while they are enacted through the *Income Tax Act*, COVID-19-specific measures such as Canada Emergency Rent Subsidy and Canada Emergency Wage Subsidy will not be testable on the CFE or PEP exams in 2021. Likewise, the determination of other temporary benefits such as the Canada Emergency Response Benefit will not be testable. This includes amendments to the *Income Tax Act* introduced in Bill C-14, which has only passed first reading by December 31, 2020.”

## INTRODUCTION

This note aims to present changes in income tax legislation during 2021, 2020, 2019, and 2018 for the 2021 CFE. A previous note presents changes in income tax legislation for the 2020 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 2021 CFE.

## LIST OF TAXATION DRAFT LEGISLATION

Year	Title	Released Date	Details
2021	Budget 2021	April 19, 2021	√(exc)
	Draft Legislative Proposal Related to the Income Tax Act (Canada Emergency Wage Subsidy)	March 3, 2021	√(exc)
	Legislative Proposals Related to the Income Tax Act	February 24, 2021	√(exc)
	Legislative Proposals Related to the Income Tax Act and Explanatory Notes	January 19, 2021	√(exc)
2020	Legislative Proposals Relating to the Income Tax Act and Explanatory Notes	December, 2020	√(exc)
	Legislative Proposals Related to the Income Tax Act and Explanatory Notes - Flow-Through Shares - Time Extension	December 16, 2020	√(exc)
	Legislative Proposals Related to the Income Tax Act and Proposed Amendments to the Income Tax Act Regulations and Explanatory Notes - Zero-Emission Vehicles and New Class 56	December 15, 2020	√(exc)
	Legislative Proposals to Amend the Excise Tax Act	November 30, 2020	√(exc)
	Legislative Proposals to Amend the Income Tax Act and Other Related Legislation, as well as Draft Amendments to Related Regulations	November 30, 2020	√(exc)
	Legislative Proposals Relating to the Income Tax Act, Employee Life and Health Trusts and Explanatory Notes	November 27, 2020	√(exc)
	Proposed Amendments to the Income Tax Regulations (COVID-19 relief for pension plans and deferred salary leave plans)	July 2, 2020	√(exc)
	Legislative Proposals Relating to the Income Tax Act (Support for Canadian Journalism) and Explanatory Notes	April 17, 2020	√(exc)
	Draft Regulations Relating to Part 1 of the <i>Greenhouse Gas Pollution Pricing Act</i> and the <i>Fuel charge Regulations</i>	March 3, 2020	-

Year	Title	Released Date	Details
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	-
2020	Legislative Proposal Relating to the Income Tax Act (Canada Emergency Rent Subsidy)	November 19, 2020	√(inc)
	Notice of Ways and Means Motion to amend the Income Tax Act	October 30, 2020	√(inc)
	Draft Legislative Proposals for Further COVID-19 Measures	July 17, 2020	√(inc)
	Regulations Amending the Income Tax Regulations (COVID-19 Wage Subsidy Initiatives)	May 20, 2020	√(inc)
	Notice of Ways and Means Motion to introduce An Act respecting certain measures in response to COVID-19	March 25, 2020	√(inc)
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)

(source: Department of Finance Canada, Draft Legislation, online April 19, 2021, <https://www.fin.gc.ca/legislation/draft-avant-eng.asp>)

Note: (exc) = excluded from 2021 CFE; (inc) = included in 2021 CFE; √ = details included in recent changes section

**LIST OF INCOME TAX ACT - AMENDING ACTS**  
(R.S.C. 1985 (5<sup>th</sup> Supplement), c.1 as amended)

Year	Bill	Title	Chapter	Royal Assent
2021		(None)		
2020	C-9	<i>An Act to amend the Income Tax Act (Canada Emergency Rent Subsidy and Canada Emergency Wage Subsidy)</i>	13	November 19, 2020
2020	C-20	<i>An Act respecting further COVID-19 measures</i>	11	July 27, 2020
2020	C-14	<i>COVID-19 Emergency Response Act, No. 2</i>	6	April 11, 2020
2020	C-13	<i>COVID-19 Emergency Response Act</i>	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 14, 2021  
<https://www.laws-lois.justice.gc.ca/eng/AnnualStatutes/>)

## RECENT CHANGES IN LEGISLATION INCLUDED IN 2021 CFE

### Acts included in 2021 CFE

\* *An Act to amend the Income Tax Act (CERS & CEWS)* (c.13 - royal assent November 19, 2020)

- revise the eligibility criteria, as well as the level of subsidization, under the Canada Emergency Wage Subsidy (CEWS) and extends the CEWS to June 30, 2021
- introduce the Canada Emergency Rent Subsidy (CERS) (relief in respect of rent and interest on debt obligations incurred to acquire real property used by businesses, charities and not-for-profit organizations in the course of their businesses or other activities. The rent subsidy is effective as of September 27, 2020.

**NOTE: COVID-19-specific measures such as Canada Emergency Rent Subsidy and Canada Emergency Wage Subsidy will not be testable on the CFE or PEP exams in 2021.**

\* *An Act respecting further COVID-19 measures* (c.11 - royal assent July 27, 2020)

- revise the eligibility criteria for the Canada Emergency Wage Subsidy (CEWS)
- extends the CEWS to November 21, 2020, with the ability to extend the CEWS by regulation to no later than December 31, 2020
- provides a revised calculation of the CEWS for the fifth and subsequent qualifying periods
- makes amendments to ensure that the CEWS operates effectively

\* *COVID-19 Emergency Response Act, No 2* (c.6 - royal assent April 11, 2020)

- introducing an emergency wage subsidy

\* *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 included in 2021 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)*

- \* November 19, 2020  
Legislative Proposal Relating to the Income Tax Act (Canada Emergency Rent Subsidy)  
(Integrated in *An Act to amend the Income Tax Act (CERS & CEWS)*)
  - revising definitions for COVID-19 rent subsidy (deeming rules) (ITA 125.7)
- \* October 30, 2020  
Notice of Ways and Means Motion to amend the Income Tax Act  
(Integrated in *An Act respecting further COVID-19 measures*)
  - revising definitions for COVID-19 wage subsidy (ITA 125.7)
- \* July 17, 2020  
Draft Legislative Proposals for Further COVID-19 Measures  
(Integrated in *An Act respecting further COVID-19 measures* or *An Act respecting further COVID-19 measures*)
  - revising rules for COVID-19 wage subsidy (ITA 125.7)
- \* May 20, 2020  
Regulations Amending the Income tax Regulations (COVID-19 Wage Subsidy Initiatives)  
(Integrated in *An Act respecting further COVID-19 measures* or *An Act respecting further COVID-19 measures*)
  - revising rules for COVID-19 wage subsidy initiatives (deemed remittance)
- \* 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* or *COVID-19 Emergency Response Act, No 2*)
  - 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 (RRIF) by 25% for 2020
  - providing eligible small employers a temporary wage subsidy for a period of three months (March 18 - June 19, 2020)
- \* 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

## RECENT CHANGES IN LEGISLATION EXCLUDED FROM 2021 CFE

### Acts excluded in 2021 CFE

**NOTE: COVID-19-specific measures such as Canada Emergency Rent Subsidy and Canada Emergency Wage Subsidy will not be testable on the CFE or PEP exams in 2021.**

### Draft legislation excluded in 2021 CFE

- \* April 17, 2020  
Budget 2021
- \* March 3, 2021  
Draft Legislative Proposal Related to the Income Tax Act (Canada Emergency Wage Subsidy)
  - revising rules regarding definition of baseline remuneration for wage subsidy (ITA 125.7)
- \* February 24, 2021  
Legislative Proposals Related to the Income Tax Act
  - revising rules, including definition of public health restriction (ITA 125.7)
- \* January 19, 2021  
Legislative Proposals Related to the Income Tax Act and Explanatory Notes
  - revising rules regarding child care expenses for COVID-19 (ITA 63)
  - revising rules regarding disability supports deduction for COVID-19 (ITA 64.01)
- \* December, 2020  
Legislative Proposals Relating to the Income Tax Act and Explanatory Notes
  - revising COVID-19 automobile benefit (operating expense & standby charge) (ITA 6)
- \* December 16, 2020  
Legislative Proposals Related to the Income Tax Act and Explanatory Notes - Flow-Through Shares - Time Extension
  - revising flow-through shares with time extension for COVID-19
- \* December 15, 2020  
Legislative Proposals Related to the Income Tax Act and Proposed Amendments to the Income Tax Act Regulations and Explanatory Notes - Zero-Emission Vehicles and New Class 56
  - revising CCA rules regarding zero-emission vehicles
  - introducing new class 56 (30%) (electric/hydrogen) (March 1, 2020 - December 31, 2027)
- \* November 30, 2020  
Legislative Proposals to Amend the Excise Tax Act
  - introducing GST/HST relief for face masks and face shields
  - revising application of the GST/HST in relation to E-commerce supplies



- \* November 30, 2020  
Legislative Proposals to Amend the Income Tax Act and Other Related Legislation, as well as Draft Amendments to Related Regulations
  - introducing immediate support for families with young children (COVID-19) (ITA 122.61, .62)
  - revising definitions regarding Registered Disability Savings Plan (RDSP) (ITA 146.4)
  - revising employee stock options (ITA 7, 110)
  - revising agricultural cooperatives (patronage dividends paid in shares) (ITA 135.1)
  
- \* November 27, 2020  
Legislative Proposals Relating to the Income Tax Act, Employee Life and Health Trusts and Explanatory Notes
  - revising rules regarding employee life and health trusts (ITA 144.1)
  - introducing Part XI.5 Tax in respect of employee life and health trust
  
- \* July 2, 2020  
Proposed Amendments to the Income Tax Regulations (COVID-19 relief for pension plans and deferred salary leave plans)
  - providing COVID-19 relief for pension plans and deferred salary leave plans
  
- \* April 17, 2020  
Legislative Proposals Relating to the Income Tax Act (Support for Canadian Journalism) and Explanatory Notes
  - revising rules for support for Canadian journalism
  - revising definitions (digital news subscription, assistance, eligible newsroom employee, qualifying journalism organization, qualifying labour expenditure)
  - designation of qualified Canadian journalism organizations
  
- \* 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