

NOTE ON CHANGES IN INCOME TAX LEGISLATION FOR 2022 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 2022 CPA PEP examinations and the CFE, online March 22, 2022, <https://www.cpacanada.ca/en/become-a-cpa/cpa-certification-program-evaluation/technical-update-for-examinations>)

“For the 2022 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, 2021” [...]

“To align with recent updates made to the competency map, the Excise Tax Act will be added to the reference materials this year to provide candidates with authoritative literature that they can consult and reference during the exam.”

“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 implications of current trends, emerging issues and technologies in taxation.”

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

“The Finance Minister released the 2021 Federal Budget on April 19, 2021. This budget included a proposal to allow the immediate expensing of certain capital assets by Canadian-controlled private corporations. Several other tax measures were also identified in the budget, only some of which were enacted during 2021. The legislation to enact the remaining changes, including the immediate expensing provisions, has been introduced into parliament as of December 31, 2021.

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 case responses. Objective-format questions follow the cut-off dates outlined above.

Candidates are advised that, while many of them are enacted through the *Income Tax Act*, COVID-19-specific measures such as Canada Emergency Rent Subsidy, Canada Emergency Wage Subsidy, and Canada Recovery Hiring Program will not be testable on the CFE or PEP exams in 2022. Likewise, the determination of other temporary benefits such as the Canada Emergency Response Benefit and Canada Recovery Benefit will not be testable.”

INTRODUCTION

This note aims to present changes in income tax legislation during 2022, 2021, 2020, and 2019, for the 2022 CFE. A previous note presents changes in income tax legislation for the 2021 CFE. The note includes the list of *Income Tax Act* amending acts, the list of taxation draft legislation, and the details on the recent changes in legislation included and excluded in 2022 CFE.

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

Year	Bill	Title	Chapter	Royal Assent
2022		(None)		
2021	C-14	<i>Economic Statement Implementation Act, 2020</i>	6	May 6, 2021
2021	C-210	<i>An Act to amend the Canada Revenue Agency Act (organ and tissue donors)</i>	12	June 21, 2021
2021	C-208	<i>An Act to amend the Income Tax Act (transfer of small business or family farm or fishing corporation)</i>	21	June 29, 2021
2021	C-30	<i>Budget Implementation Act, 2021, No. 1 (budget tabled on April 19, 2021)</i>	23	June 29, 2021
2021	C-2	<i>An Act to provide further support in response to COVID-19</i>	26	December 17, 2021
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 (budget tabled on March 19, 2019)</i>	29	June 21, 2019
2018	C-86	<i>Budget Implementation Act, 2018 No. 2 (budget tabled on February 27, 2018)</i>	27	December 13, 2018
	C-74	<i>Budget Implementation Act, 2018 No. 1 (budget tabled on February 27, 2018)</i>	12	June 21, 2018

(source: Justice Canada, Annual Statutes, online March 22, 2022
<https://www.laws-lois.justice.gc.ca/eng/AnnualStatutes/>)

LIST OF TAXATION DRAFT LEGISLATION

Year	Title	Released Date	Details
2022	Legislative Proposals Relating to the Selected Luxury Items Tax Act	March 2022	-
	Legislative and Regulatory Proposals Relating to the Excise Tax Act, the Air Travellers Security Charge Act, the Excise Act, 2001, and the Greenhouse Gas Pollution Pricing Act and Explanatory Notes	February 2022	-
	Legislative Proposals Related to the Income Tax Act and Other Legislation	February 2022	√(exc)
2021	Notice of Ways and Means Motion to implement certain provisions of economic and fiscal update tabled in Parliament on December 14, 2021 and other measures	December 14, 2021	√(exc)
	Explanatory Notes Relating to Amendments to the Income tax Act and the Income tax Regulations proposed by Bill C-8	December 2021	√(exc)
	Notice of Ways and Means Motion to introduce an Act to implement a Digital Services Tax	December 21, 2021	√(exc)
	Explanatory Notes for the Draft Digital Services Tax Act	February 2022	√(exc)
	Draft Regulations Amending the Fuel Charge Regulations, No. 2	December 2, 2021	-
	Legislative Proposals Relating to the Income Tax Act	December 2021	√(exc)
2019	Legislative Proposal Relating to the <i>Income Tax Act</i> (Amateur Athlete Trust) and Explanatory Notes	December 20, 2019	√(exc)
2021	Regulations Amending the Income Tax Regulations (COVID-19 - Relief for Deferred Salary Leave Plans and Pension Plans)	May 2021	√(inc)
	Notice of Ways and Means Motion to implement certain provisions of the budget tabled in Parliament on April 19, 2021 and other measures	April 19, 2021	√(inc)
	Draft Legislative Proposal Related to the Income Tax Act (Canada Emergency Wage Subsidy)	March 3, 2021	√(inc)
	Legislative Proposals Related to the Income Tax Act	February 24, 2021	√(inc)
	Legislative Proposals Related to the Income Tax Act and Explanatory Notes	January 19, 2021	√(inc)
2020	Legislative Proposals Relating to the Income Tax Act and Explanatory Notes	December, 2020	√(inc)
	Legislative Proposals Related to the Income Tax Act and Explanatory Notes - Flow-Through Shares - Time Extension	December 16, 2020	√(inc)
	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	√(inc)
	Legislative Proposals to Amend the Excise Tax Act	November 30, 2020	-

Year	Title	Released Date	Details
	Legislative Proposals to Amend the Income Tax Act and Other Related Legislation, as well as Draft Amendments to Related Regulations	November 30, 2020	√(inc)
	Legislative Proposals Relating to the Income Tax Act, Employee Life and Health Trusts and Explanatory Notes	November 27, 2020	√(inc)
	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)
	Proposed Amendments to the Income Tax Regulations (COVID-19 relief for pension plans and deferred salary leave plans)	July 2, 2020	√(inc)
	Regulations Amending the Income Tax Regulations (COVID-19 Wage Subsidy Initiatives)	May 20, 2020	√(inc)
	Legislative Proposals Relating to the Income Tax Act (Support for Canadian Journalism) and Explanatory Notes	April 17, 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 Explanatory Notes	December 9, 2019	√(inc)
	Legislative Proposal Relating to the <i>Income Tax Act</i> (Shared-Custody Parent) and Explanatory Notes	August 29, 2019	√(inc)
	Legislative Proposals Relating to the Income Tax and Other Legislation and Explanatory Notes	July 30, 2019	√(inc)
	Notice of Ways and Means Motion to amend the <i>Income Tax Act</i> and Explanatory Notes	June 17, 2019	√(inc)
	Legislative Proposals Relating to the Income Tax, Employee Life and Health Trusts and Explanatory Notes	May 27, 2019	√(inc)

(source: Department of Finance Canada, Draft Legislation, online March 22, 2022, <https://www.fin.gc.ca/legislation/draft-avant-eng.asp>)

Note: (exc) = excluded from 2022 CFE; (inc) = included in 2022 CFE; √ = details included in recent changes section

RECENT CHANGES IN LEGISLATION INCLUDED IN 2022 CFE

Acts included in 2022 CFE

- * *An Act to provide further support in response to COVID-19* (c.26 - royal assent December 17, 2021)
- extends subsidies under the Canada Emergency Wage Subsidy (CEWS), the Canada Emergency Rent Subsidy (CERS), and the Canada Recovery Hiring Program until May 7, 2022, as part of the response to the COVID-19 pandemic

NOTE: COVID-19-specific measures such as Canada Emergency Wage Subsidy and Canada Emergency Rent Subsidy will not be testable on the CFE or PEP exams in 2022.

- * *An Act to implement certain provisions of the budget tabled in Parliament on April 19, 2021 and other measures* (c.23 - royal assent June 29, 2021)
- providing relieving measures in connection with COVID-19 in respect of the use by an employee of an employer-provided automobile for the 2020 and 2021 taxation years
 - limiting the benefit of the employee stock option deduction for employees of certain employers
 - providing an adjustment for payments or repayments of government assistance in determining capital cost allowance for certain zero-emission vehicles
 - expanding the scope of the foreign affiliate dumping rules to further their objectives
 - providing change in use rules for multi-unit residential properties
 - establishing rules for advanced life deferred annuities
 - providing for an option to deduct repaid emergency benefit amounts in the year of benefit receipt and clarifying the tax treatment of non-resident beneficiaries
 - removing the time limitation for a registered disability savings plan to remain registered after the cessation of a beneficiary's eligibility for the disability tax credit and modifying grant and bond repayment obligations
 - increasing the basic personal amount for certain taxpayers
 - providing a temporary special reading of certain rules relating to the child care expense deduction and disability supports deduction for the 2020 and 2021 taxation years
 - providing flow-through share issuers with temporary additional time to incur eligible expenses to be renounced to investors under their flow-through share agreements
 - applying the short taxation year rule to the accelerated investment incentive for resource expenditures
 - introducing the Canada Recovery Hiring Program refundable tax credit to support the post-pandemic recovery
 - amending the employee life and health trust rules to allow for the conversion of health and welfare trusts to employee life and health trusts
 - expanding access to the Canada Workers Benefit by revising the applicable eligibility thresholds for the 2021 and subsequent taxation years
 - amending the income tax measures providing support for Canadian journalism
 - clarifying the definition of shared-custody parent for the purposes of the Canada Child Benefit
 - revising the eligibility criteria as well as the level of subsidization, under the Canada Emergency Wage Subsidy (CEWS) and Canada Emergency Rent Subsidy (CERS), extending the CEWS and the CERS until September 25, 2021, providing authority to enable the extension of these subsidies until November 30, 2021, and ensuring that the level of CEWS benefits for furloughed employees continues to align with the benefits provided through the *Employment Insurance Act* until August 28, 2021
 - preventing the use by mutual fund trusts of a method of allocating capital gains or income to their redeeming unitholders where the use of that method inappropriately defers tax or converts ordinary income into capital gains

- extending the income tax deferral available for certain patronage dividends paid in shares by an agricultural cooperative corporation to payments made before 2026
- limiting transfers of pensionable service into individual pension plans
- establishing rules for variable payment life annuities
- preventing listed terrorist entities under the *Criminal Code* from qualifying as registered charities and providing for the suspension or revocation of a charity's registration where it makes false statement for the purpose or maintaining registration
- ensuring the appropriate interaction of transfer pricing rules and other rules in the *Income Tax Act*
- preventing non-resident taxpayers from avoiding Canadian dividend withholding tax on compensation payments made under cross-border securities lending arrangements with respect to Canadian shares
- allowing for the electronic delivery of requirements for information to banks and credit unions
- improving existing rules meant to prevent taxpayers from using derivative transactions to convert ordinary income into capital gains
- extending to a wider array of eligible automotive equipment and vehicles the 100% capital cost allowance writ-off for business investments in certain zero-emission vehicles
- ensuring that the accelerated investment incentive for depreciable property applies properly in particular circumstances
- providing rules for contributions to a specified multi-employer plan for older members

* *An Act to amend the Income Tax Act* (transfers of small business or family farm or fishing corporation) (c.21 - royal assent June 29, 2021)

- provide that, in the case of qualified small business corporation shares and shares of the the capital stock of a family farm or fishing corporation, siblings are deemed not to be dealing at arm's length and to be related, and that, under certain conditions, the transfer of those shares by a taxpayer to the taxpayer's child or grandchild who is 18 years of age or older is to be excluded from the anti-avoidance rule of section 84.1

* *An Act to amend the Canada Revenue Agency Act (organ and tissue donors)* (c.12 - royal assent June 21, 2021)

- authorize the Canada Revenue Agency to enter into an agreement with a province or a territory regarding the collection and disclosure of information required for establishing or maintaining an organ and tissue donor registry in the province or territory

* *An Act to implement certain provisions of the economic statement tabled in Parliament on November 30, 2020 and other measures* (c.7 - royal assent May 6, 2021)

- additional support to families with young children as the coronavirus disease 2019 (COVID-19) pandemic progresses
- expenses can qualify as qualifying rent expense for the purpose of the Canada Emergency Rent Subsidy (CERS) when it becomes due rather than when it is paid, provided certain conditions are met

Draft legislation included in 2022 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)

- * May 2021
Regulations Amending the Income Tax Regulations (COVID-19 - Relief for Deferred Salary Leave Plans and Pension Plans)

- * April 19, 2021
Budget 2021
(Integrated in New statute c.23 - royal assent June 29, 2021)

- * March 3, 2021
Draft Legislative Proposal Related to the Income Tax Act (Canada Emergency Wage Subsidy)
(Integrated in New statute c.26 - royal assent December 17, 2021)

- * February 24, 2021
Legislative Proposals Related to the Income Tax Act
(Integrated in New statute c.26 - royal assent December 17, 2021)

- * January 19, 2021
Legislative Proposals Related to the Income Tax Act and Explanatory Notes
(Integrated in New statute c.23 - royal assent June 29, 2021)

- * December 16, 2020
Legislative Proposals Related to the Income Tax Act and Explanatory Notes - Flow-Through Shares - Time Extension

- * December, 2020
Legislative Proposals Relating to the Income Tax Act and Explanatory Notes
(Integrated in New statute c.23 - royal assent June 29, 2021)

- * 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
(Integrated in New statute c.23 - royal assent June 29, 2021)

- * November 30, 2020
Legislative Proposals to Amend the Income Tax Act and Other Related Legislation, as well as Draft Amendments to Related Regulations
(Integrated in New statutes c.7 - royal assent May 6, 2021 and c.23 - royal assent June 29, 2021)

- * November 27, 2020
Legislative Proposals Relating to the Income Tax Act, Employee Life and Health Trusts and Explanatory Notes
(Integrated in New statute c.23 - royal assent June 29, 2021)

- * July 2, 2020
Proposed Amendments to the Income Tax Regulations (COVID-19 relief for pension plans and deferred salary leave plans)
(Integrated in New statute c.23 - royal assent June 29, 2021)
- * April 17, 2020
Legislative Proposals Relating to the Income Tax Act (Support for Canadian Journalism) and Explanatory Notes
(Integrated in New statute c.23 - royal assent June 29, 2021)
- * December 9, 2019
Notice of Ways and Means Motion to amend the *Income Tax Act* and Explanatory Notes
(Integrated in New statute c.23 - royal assent June 29, 2021)
- * August 29, 2019
Legislative Proposal Relating to the *Income Tax Act* (Shared-Custody Parent) and Explanatory Notes
(Integrated in New statute c.23 - royal assent June 29, 2021)
- * July 30, 2019
Legislative Proposals Relating to the Income Tax and Other Legislation and Explanatory Notes
(Integrated in New statute c.23 - royal assent June 29, 2021)
- * June 17, 2019
Notice of Ways and Means Motion to amend the *Income Tax Act* and Explanatory Notes (stock options)
(Integrated in New statute c.23 - royal assent June 29, 2021)
- * May 27, 2019
Legislative Proposals Relating to the Income Tax, Employee Life and Health Trusts and Explanatory Notes
(Integrated in New statute c.23 - royal assent June 29, 2021)

RECENT CHANGES IN LEGISLATION EXCLUDED FROM 2022 CFE

Acts excluded in 2022 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 2022.**

Draft legislation excluded in 2022 CFE

* April 7, 2022
Budget 2022

Personal income tax measures

- tax-free first home savings account
- home buyers' tax credit
- multigenerational home renovation tax credit
- home accessibility tax credit
- residential property flipping rule
- labour mobility deduction for tradespeople
- medical expense tax credit for surrogacy and other rexpenses
- annual disbursement quota for registered charities
- charitable partnerships
- amendments to the *Children's special allowances Act* and to ITA
- borrowing by defined benefit pension plans
- reporting requirements for RRSPs and RRIFs

Business income tax measures

- Canada Recovery Dividend and additional tax on banks and life insurers
- investment tax credit for carbon capture, utilization, and storage
- clean technology tax incentive - air-source heat pumps
- critical mineral exploration tax credit
- flow-through shares for oil, gas, and coal activities
- small business deduction
- international financial reporting standards for insurance contracts (IFRS 17)
- hedging and short selling by Canadian financial institutions (CFI)
- application of the General Anti-Avoidance Rule (GAAR) to tax attributes
- genuine intergenerational share transfers
- substantive CCPCs

International tax measures

- international tax reform
(pillar one - reallocation of taxing rights / pillar two - global minimum tax)
- exchange of tax information on digital economy platform sellers
- interest coupon stripping

Sales and Excise tax measures

- GST/HST health care rebate
- GST/HST on assignment sales by individuals
- taxation of vaping products
- cannabis taxation framework and general administration
- WTO settlement on the 100% Canadian wine exemption
- beer taxation

- * February 2022
Legislative Proposals Related to the Income Tax Act and Other Legislation
 - electronic filing and certification of tax and information returns (ITA 150.1; ITR 205.1)
 - electronic payments (ITA 160.5, 162, 244)
 - immediate expensing - class 10.1 (ITA 13.7; ITR 1100, 1104)
 - reporting requirements for trusts (ITA 104, 163; ITR 204.2, 4802)
 - mutual fund trusts - allocations to redeemers by exchange traded funds (ITA 107(2.1))
 - disability tax credit (ITA 118.3)
 - April 2020 One-time additional GST/HST credit payment (ITA 122.5)
 - rate reduction for zero-emission technology manufacturers (ITA 125.2; ITR 5202)
 - film or video production tax credits (ITA 125.4; ITR 1106)
 - postdoctoral fellowship income (ITA 146)
 - fixing contribution errors in defined contribution pension plans (ITA 146, 147.1; ITR 8304)
 - mandatory disclosure rules (ITA 152, 237.3)
 - avoidance of tax debts (ITA 160)
 - registration and revocation rules applicable to charities (ITA 188(1.2))
 - taxes applicable to registered investments (ITA 204.6)
 - audit authorities (ITA 231.1)
 - capital cost allowance for clean energy equipment (ITR 1104, class 43.1)
 - interest deductibility limits (ITA 12, 18.2)

- * December 14, 2021
Notice of Ways and Means Motion to implement certain provisions of economic and fiscal update tabled in Parliament on December 14, 2021 and other measures
Explanatory Notes Relating to Amendments to the Income tax Act and the Income tax Regulations proposed by Bill C-8
 - air quality improvement tax credit (ITA 127.43; ITR 9700)
 - northern residents deduction (ITA 110.7; ITR 7304)
 - school supplies tax credit (ITA 122.9)
 - return of fuel charge proceeds to farmers (ITA 127.42)

- * December 21, 2021 and February 2022
Notice of Ways and Means Motion to introduce an Act to implement a Digital Services Tax
Explanatory Notes for the Draft Digital Services Tax Act
 - Digital Services Tax Act

- * December 2021
Legislative Proposals Relating to the Income Tax Act
 - Climate action incentive (ITA 122.8)

- * 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)