

NOTE ON CHANGES IN INCOME TAX LEGISLATION FOR 2024 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 2024 (for taxation)

(source: CPA Canada, Technical update for 2024 CPA PEP examinations and the CFE, online March 25, 2024, <https://www.cpacanada.ca/en/become-a-cpa/cpa-certification-program-evaluation/technical-update-for-examinations>)

“For 2024, 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 31, 2023” [...]

“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. [...] Therefore, objective-format questions follow the cut-off dates outlined above.”

Further details on taxation changes

“The Minister of Finance released the 2023 Federal Budget on March 28, 2023, and the Fall Economic Statement on November 21, 2023, both of which included a number of tax measures. Only some of the Federal budget measures were enacted during 2023 and none of the Fall Economic Statement measures were enacted, though several of the measures were included in Bill C-59, which is only at the second reading stage as of December 31, 2023. In a minority parliament, this bill is not considered to be substantively enacted.

Specific measures relevant to CPA candidates that have been proposed but not substantively enacted as of December 31, 2023, include changes to the Alternative Minimum Tax (AMT), changes to the General Anti-Avoidance Rule (GAAR), and the introduction of several investment tax credits for investments such as carbon capture utilization and storage, clean hydrogen, clean technology, clean technology manufacturing, and clean electricity.

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, should these measures be substantively enacted during 2024, candidates may use the new rules in their case responses. Objective-format questions follow the cut-off dates outlined above.”

INTRODUCTION

This note aims to present changes in income tax legislation during 2023, 2022, and 2022 for the 2024 CFE. A previous note presents changes in income tax legislation for the 2023 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 2024 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 keep together; it is preferable to use the enacted Acts included in a specific CFE to know what is or not included)

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

Year	Bill	Title	Chapter	Royal Assent
2024		(None)		
2023	C-42	<i>An Act to amend the Canada Business Corporations Acts and to make consequential and related amendments to other Acts</i>	29	November 2, 2023
2023	C-47	<i>Budget Implementation Act, 2023, No. 1 (An Act to implement certain provisions of the budget tabled in Parliament on March 28, 2023)</i>	26	June 22, 2023
2023	C-41	<i>An Act to amend the Criminal Code and to make consequential amendments to other Acts</i>	14	June 20, 2023
2023	C-46	<i>Cost of Living Relief Act. No. 3 (An Act to amend the Federal-Provincial Fiscal Arrangements Act and the Income Tax Act)</i>	11	May 11, 2023
2022	C-32	<i>Fall Economic Statement Implementation Act, 2022</i>	19	December 15, 2022
2022	C-31	<i>Cost of Living Relief Act, no. 2 (Targeted Support for Households)</i>	14	November 17, 2022
2022	C-30	<i>An Act to amend the Income Tax Act (temporary enhancement to the Goods and Services Tax / Harmonized Sales Tax credit)</i>	13	October 18, 2022
2022	C-19	<i>Budget Implementation Act, 2022, No. 1 (budget tabled on April 7, 2022)</i>	10	June 23, 2022
2022	C-8	<i>Economic and Fiscal Update Implementation Act, 2022 (Economic and fiscal update tabled on December 14, 2021)</i>	5	June 9, 2022

(source: Justice Canada, Annual Statutes, online April 2, 2024
<https://www.laws-lois.justice.gc.ca/eng/AnnualStatutes/>)

LIST OF TAXATION DRAFT LEGISLATION

Year	Title	Released Date	Details
2024	Tax Measures Budget 2024	April 16, 2024	√(exc)
2023	Legislative Proposals Relating to the <i>Income Tax Act</i>	December 2023	√(exc)
	Draft Real Property (GST/HST) Regulations	December 2023	√(exc)
	Notice of Ways and Means Motion to introduce a bill entitled <i>An Act to implement certain provisions of the fall economic statement tabled in Parliament on November 21, 2023 and certain provisions of the budget tabled in Parliament on March 28</i> and Explanatory Notes	November 2023	√(exc)
	Legislative Proposals Relating to New GST/HST Joint Venture Election Rules	November 2023	√(exc)
	Legislative Proposals and Explanatory Notes Relating to Various Statutes	August 2023	√(exc)
	Draft Regulations Amending Part 1 of Schedule 1 to the <i>Greenhouse Gas Pollution Pricing Act</i> and Fuel Charge Regulations	May 2023	-
	Notice of Ways and Means Motion to introduce an <i>Act to implement certain provisions of the budget tabled in Parliament on March 28, 2023</i>	April 2023	√(inc)
	Explanatory Notes Relating to Bill C-42. <i>An Act to amend the Canada Business Corporations Act and to make consequential and related amendments to other Acts</i>	April 2023	√(inc)
	Explanatory Notes Relating to Bill C-46. <i>An Act to amend the Federal-Provincial Fiscal Arrangements Act and the Income Tax Act</i>	April 2023	√(inc)
	Tax Measures Budget 2023	March 28, 2023	√(inc)
2022	Draft Regulations Amending Part 1 of Schedule 1 and Schedule 2 to the <i>Greenhouse Gas Pollution Pricing Act</i> and Fuel Charge Regulations, No. 2	December 2022	-
	<i>Legislative Proposals Relating to Amendments to the Income Tax Act</i> and Explanatory Notes	November 2022	√(inc)
	Legislative Proposals Relating to the <i>Payment Card Networks Act</i>	November 2022	-
	Explanatory Notes Relating to Amendments to the <i>Income Tax Act</i> , <i>Excise Tax Act</i> and the <i>Excise Act, 2001</i>	September 2022	√(inc)
	Legislative Proposals Relating to the <i>Income Tax Act</i> - Hybrid Mismatch Arrangements and Explanatory Notes	April 2022	√(exc)
	Legislative Proposals Relating to the <i>Selected Luxury Items Tax Act</i>	March 2022	-
	Legislative and Regulatory Proposals Relating to the <i>Excise Tax Act</i> , the <i>Air Travellers Security Charge Act</i> , the <i>Excise Act, 2001</i> , and the <i>Greenhouse Gas Pollution Pricing Act</i> and Explanatory Notes	February 2022	-

Year	Title	Released Date	Details
2022	Notice of Ways and Means Motion to introduce an Act to implement certain provisions of the fall economic statement tabled in Parliament on November 3, 2022 and certain provisions of the budget tabled in Parliament on April 7, 2022 and Explanatory Notes	November 2022	√(inc)
	Legislative Proposals Relating to the <i>Income Tax Act</i> and Other Legislation and Explanatory Notes	August 2022	√(inc)
	Notice of Ways and Means Motion to introduce an Act to implement certain provisions of the budget tabled in Parliament on April 7, 2022 and other measures	April 2022	√(inc)
	Legislative Proposals Related to the <i>Income Tax Act</i> and Other Legislation	February 2022	√(inc)
	Explanatory Notes for the Draft <i>Digital Services Tax Act</i>	February 2022	-
2019	Legislative Proposal Relating to the <i>Income Tax Act</i> (Amateur Athlete Trust) and Explanatory Notes	December 20, 2019	√(exc)

(source: Department of Finance Canada, Draft Legislation, online April 2, 2024, <https://www.fin.canada.ca/drleg-apl/index-enhtml>)

Note: (exc) = excluded from 2024 CFE; (inc) = included in 2024 CFE; √= details included in recent changes section

RECENT CHANGES IN LEGISLATION INCLUDED IN 2024 CFE

Acts included in 2024 CFE

**** An Act to amend the Canada Business Corporations Acts and to make consequential and related amendments to other Acts**

(c.29 - royal assent November 2, 2023)

- addition of paragraph 241(4)(u) authorizing communication of certain taxpayer information

**** Budget Implementation Act, 2023, No. 1 (An Act to implement certain provisions of the budget tabled in Parliament on March 28, 2023)**

(c.26 - royal assent June 22, 2023)

Income Tax Act

- enabling the Canada Revenue Agency (CRA) to use electronic certification of tax and information returns and requiring taxpayers to file electronically in certain circumstances;
- doubling the maximum deduction for tradespeople's tools from \$500 to \$1,000;
- providing that any gain on the disposition of a right to acquire Canadian housing property within a one-year period of its acquisition is treated as business income;
- excluding from a taxpayer's income certain benefits for Canadian Forces members, veterans and their spouses or common-law partners;
- exempting from taxation any income earned by the Band Class Settlement Trust in accordance with section 24.05 of the Settlement Agreement entered into on January 18, 2023 relating to the attendance of day scholars at residential schools;
- providing an additional payment of the Goods and Services Tax/Harmonized Sales Tax (GST/HST) credit equal to double the amount of the regular January 2023 payment;
- providing for automatic, quarterly advance payments of the Canada Workers Benefit;
- allowing divorced and separated spouses to open joint Registered Educational Savings Plans and increasing educational assistance amounts under those plans;
- extending, by three years, the ability of a qualifying family member to be the plan holder of an individual's Registered Disability Savings Plan and expanding the definition of "qualifying family member" to include a sister or a brother of the individual;
- allowing defined contribution registered pension plans to correct contribution errors and requiring that the contributions or refunds are reported to the CRA for the purpose of correcting the RRSP deduction limit;
- modifying reporting requirements in respect of reportable transactions, introducing reporting requirements for notifiable transactions and providing reporting requirements with respect to uncertain tax treatments, as well as extending the reassessment periods applicable to those transactions and creating or modifying penalties for non-compliance with those requirements;
- allowing the CRA to share taxpayer information for the purposes of the Canadian Dental Care Plan;
- expanding the definition of "dividend rental arrangement" to include "specified hedging transactions" carried out in whole or in part by registered securities dealers;
- implementing the Model Reporting Rules for Digital Platforms developed by the Organisation for Economic Co-operation and Development;
- requiring annual reporting by financial institutions of the fair market value of registered retirement savings plans and registered retirement income funds;
- expanding the permissible borrowing by defined benefit pension plans; and
- implementing a number of technical amendments to correct mistakes or inconsistencies and to better align the law with its intended policy objectives.

GST/HST (Excise Tax Act)

- clarifying that the international transportation of money benefits from Goods and Services Tax/Harmonized Sales Tax (GST/HST) relief and other special rules in the same manner as a service of internationally transporting other kinds of freight;
- permitting a pension entity, in specific circumstances, to claim the pension entity rebate or an input tax credit, or to make the pension entity rebate election, after the end of the two-year limitation period;
- specifying that cryptoasset mining is generally not considered a supply for GST/HST purposes; and
- ensuring that payment card clearing services are excluded from the definition “financial service” under the GST/HST legislation

*** An Act to amend the Criminal Code and to make consequential amendments to other Acts*

(c.14 - royal assent June 20, 2023)

- change to paragraph 241(4)(d) regarding Criminal Code

*** Cost of Living Relief Act. No. 3 (An Act to amend the Federal-Provincial Fiscal Arrangements Act and the Income Tax Act)*

(c.11 - royal assent May 11, 2023)

- providing an additional payment of the Goods and Services Tax/Harmonized Sales Tax (GST/HST) credit equal to double the amount of the regular January 2023 payment.

**** An Act to implement certain provisions of the fall economic statement tabled in Parliament on November 3, 2022 and certain provisions of the budget tabled in Parliament on April 7, 2022**

(c.19 - royal assent December 15, 2022)

- providing that any gain on the disposition of a Canadian housing unit within a one-year period of its acquisition is treated as business income (residential property flipping rule)
- introducing a Tax-Free First Home Savings Account
- phasing out flow-through shares for oil, gas, and coal activities
- introducing a new 30% Critical Mineral Exploration Tax Credit for specified mineral exploration expenses incurred in Canada and renounced to flow-through share investors
- introducing the Canada Recovery Dividend under which banks and life insurers' groups pay a temporary one-time 15% tax on taxable income above \$1 billion over 5 years
- increasing the corporate tax rate of banks and life insurers' groups by 1.5% on taxable income above \$100 million
- providing additional reporting requirements for trusts (RRSPs and RRIFs)
- providing rules applicable to mutual fund trusts listed on a designated stock exchange in Canada with respect to amounts that are allocated to redeeming unitholders
- providing the minister of National Revenue with the discretion to decline to issue a certificate under section 116 of the *Income Tax Act* in certain circumstances relating to the administration and enforcement of the *Underused Housing Tax Act*
- doubling the First-Time Homebuyers' Tax Credit
- expanding the eligibility criteria for the Medical Expense Tax Credit in respect of medical expenses incurred in Canada related to surrogate mothers and donors and fees paid in Canada to fertility clinics and donor banks
- introducing the Multigenerational Home Renovation Tax Credit
- allowing access to the small business tax rate on a phased-out basis up to taxable capital of \$50 million
- modifying the computation of income as a result of the adoption of a new international accounting standards for insurance contracts (IFRS 17)
- introducing a new graduated disbursement quota rate for charities
- providing that the General Anti-Avoidance Rule (GAAR) can apply to transactions that affect tax attributes that have not yet been used to reduce taxes
- strengthening the rules on avoidance of tax debts
- modifying the tax treatment of certain interest coupon stripping arrangements that might otherwise be used to avoid tax on cross-border interest payments
- clarifying the applicable rules with respect to audits by Canada Revenue Agency officials, including requiring taxpayers to give reasonable assistance and to answer all proper questions for tax purposes
- extending the capital cost allowance for clean energy and the tax rate reduction for zero-emission technology manufacturing to include air-source heat pumps

*** Cost of Living Relief Act, no. 2 (Targeted Support for Households)**

(c.14 - royal assent November 17, 2022)

- expand to include *Dental Benefit Act* and *Rental Housing Benefit Act*

*** An Act to amend the Income Tax Act (temporary enhancement to the Goods and Services Tax / Harmonized Sales Tax credit)**

(c.13 - royal assent October 18, 2022)

- double the Goods and Service Tax / Harmonized Sales Tax (GST/HST) credit for six months, effectively increasing the maximum annual GST/HST credit amounts by 50% for the 2022-2023 benefit year

** An Act to implement certain provisions of the budget tabled in Parliament on April 7, 2022 and other measures*

(c.10 - royal assent June 23, 2022)

Income Tax Act

- providing a Labour Mobility Deduction for the temporary relocation of tradespeople to a work location
- allowing for the immediate expensing of eligible property by certain Canadian businesses
- allowing the Children's Special Allowance to be paid in respect of a child who is maintained by an Indigenous governing body and providing consistent tax treatment of kinship care providers and foster parents receiving financial assistance from an Indigenous governing body and those receiving such assistance from a provincial government
- doubling the allowable qualifying expense limit under the Home Accessibility Tax Credit
- expanding the criteria for the mental functions impairment eligibility as well as the life-sustaining therapy category eligibility for the Disability Tax Credit
- providing clarity in respect of the determination of the one-time additional payment under the GST/HST tax credit for the period 2019-2020
- changing the delivery of Climate Action Incentive payments from a refundable credit claimed annually to a credit paid quarterly
- temporarily extending the period for incurring eligible expenses and other deadlines under film or video production tax credits
- providing a tax incentive for specified zero-emission technology manufacturing activities
- providing the Canada Revenue Agency (CRA) the discretion to accept late applications for the Canada Emergency Wage Subsidy, the Canada Emergency Rent Subsidy and the Canada Recovery Hiring Program
- including postdoctoral fellowship income in the definition of 'earned income' for RRSP aims
- enabling registered charities to enter into charitable partnerships with organizations other than qualified donees under certain conditions
- allowing automatic and immediate revocation of the registration of an organization as a charity where that organization is listed as a terrorist entity under the *Criminal Code*
- enabling the CRA to use taxpayer information to assist in the collection of Canada Emergency Business Account loans
- expanding capital cost allowance deductions to include new clean energy equipment

GST/HST (Excise Tax Act)

- ensuring that all assignment sales in respect of newly constructed or substantially renovated residential housing are taxable supplies for GST/HST purposes
- extending eligibility for the expanded hospital rebate to health care services supplied by charities or non-profit organizations with the active involvement of, or on the recommendation of, either a physician or a nurse practitioner, irrespective of their geographic location

** An Act to implement certain provisions of the economic and fiscal update tabled in Parliament on December 14, 2021 and other measures*

(c.5 - royal assent June 9, 2022)

- introduce a new refundable tax credit for eligible businesses on qualifying ventilation expenses made to improve air quality
- expand the travel component of the northern residents deduction by giving all northern residents the option to claim up to \$1,200 in eligible travel expenses even if the individual has not received travel assistance from their employer
- expand the School Supplies Tax Credit from 15% to 25% and expand the eligibility criteria to include electronic devices used by eligible educators
- introduce a new refundable tax credit to return fuel charge proceeds to farming businesses in backstop jurisdictions

Draft legislation included in 2024 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)

- * April 2023
Explanatory Notes Relating to Bill C-42. *An Act to amend the Canada Business Corporations Act and to make consequential and related amendments to other Acts*
(Integrated in New statute c.29 - royal assent November 2, 2023)
- * April 2023
Explanatory Notes Relating to Bill C-46. *An Act to amend the Federal-Provincial Fiscal Arrangements Act and the Income Tax Act*
(Integrated in New statute c.11 - royal assent May 11, 2023)
- * April 2023
Notice of Ways and Means Motion to introduce an *Act to implement certain provisions of the budget tabled in Parliament on March 28, 2023*
(Integrated in New statute c.26 - royal assent June 22, 2023)
- * March 28, 2023
Budget 2023
(Integrated in New statute c.26 - royal assent June 22, 2023)
- * November 2022
Notice of Ways and Means Motion to introduce an Act to implement certain provisions of the fall economic statement tabled in Parliament on November 3, 2022 and certain provisions of the budget tabled in Parliament on April 7, 2022 and Explanatory Notes
(Integrated in New statute c.19 - royal assent December 15, 2022)
- * September 2022
Explanatory Notes Relating to Amendments to the *Income Tax Act, Excise Tax Act* and the *Excise Act, 2001*
(Integrated in New statute c.11 - royal assent May 11, 2023)
- * August 2022
Legislative Proposals Relating to the *Income Tax Act* and Other Legislation and Explanatory Notes
(Integrated in New statute c.19 - royal assent December 15, 2022)
- * April 7, 2022
Budget 2022
Notice of Ways and Means Motion to introduce an Act to implement certain provisions of the budget tabled in Parliament on April 7, 2022 and other measures
(Integrated in New statute c.10 - royal assent June 23, 2022 /c.19 - royal assent December 15, 2022)
- * February 2022
Legislative Proposals Related to the *Income Tax Act* and Other Legislation
(Integrated in New statute c.19 - royal assent December 15, 2022)

RECENT CHANGES IN LEGISLATION EXCLUDED FROM 2024 CFE

Draft legislation excluded in 2024 CFE

- * April 16, 2024
Tax Measures Budget 2024

- * December 2023
Legislative Proposals Relating to the *Income Tax Act*
 - investment tax credit for clean hydrogen (ITA 127.48)
 - clean technology manufacturing investment tax (ITA 127.49)
 - investment tax credits related sections
 - concessional loans (ITA 12(1))
 - short-term rentals (ITA 67.7)
 - international shipping (ITA 81(1))

- * December 2023
Draft Real Property (GST/HST) Regulations

- * November 2023
Notice of Ways and Means Motion to introduce a bill entitled *An Act to implement certain provisions of the fall economic statement tabled in Parliament on November 21, 2023 and certain provisions of the budget tabled in Parliament on March 28* and Explanatory Notes
 - hybrid financial instrument and hybrid mismatch arrangements (ITA 18.4)
 - interest and financing expenses + EIFEL (excessive interest and financing expenses limitation)
 - Canadian development expense (lithium brine well)
 - intergenerational business transfer and non-arm's length sale of shares (ITA 84.1)
 - amalgamation and wind-up
 - FHSA (First Home Savings Plans) (ITA 146.6)
 - FAPI (foreign accrual property income)
 - loss restriction
 - carbon capture utilization and storage (CCUS) tax credit (class 57-60)
 - clean technology investment tax credit
 - clean electricity investment tax credit
 - labour requirements related to certain investment tax credit
 - tax on repurchase of equity (Part II.2)
 - General Anti-Avoidance Rule (GAAR)
 - substantive CCPC

- * November 2023
Legislative Proposals Relating to New GST/HST Joint Venture Election Rules

- * August 2023
Legislative Proposals and Explanatory Notes Relating to Various Statutes
 - employee ownership trust
 - retirement compensation arrangements
 - Alternative Minimum Tax (AMT) for high-income individuals (ITA 127.51)
 - intergenerational business transfer
 - carbon capture utilization and storage (CCUS)

- clean technology investment tax credit
 - labour requirements related to certain investment tax credit
 - zero-emission technology manufacturers
 - flow-through shares and critical mineral exploration - lithium from brine
 - tax on repurchase of equity (Part II.2)
 - General Anti-Avoidance Rule (GAAR)
 - credit unions
 - interest and financing expenses + EIFEL (excessive interest and financing expenses limitation)
 - technical amendments
- * November 2022
Legislative Proposals Relating to Amendments to the *Income Tax Act* and Explanatory Notes
- excessive interest and financing expenses (EIFEL BEPS G20 OECD) (ITA 12, 18.2, 18.21)
 - part II reporting rules for digital platform operators (ITA 282-295)
- * April 2022
Legislative Proposals Relating to the *Income Tax Act* - Hybrid Mismatch Arrangements and Explanatory Notes
- implementing the recommendations in the Action 2 Report of the Organization for Economic Cooperation and Development (OECD / G20 Base Erosion and Profit Sharing (BEPS) project on 'Neutralizing the Effects of Hybrid Mismatch Arrangements'
- * 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)