







2023 FEDERAL BUDGET

at your fingertips

There are proposals in the recent Federal Budget that are important to you, your family and your business. Here's our handy tip sheet to help you manage your finances.

Highlights	Budget Proposal	Implication of Change
 <p>Intergenerational business transfer</p>	<p>Provide taxpayers with two options:</p> <ol style="list-style-type: none"> 1. Immediate intergenerational transfer (three-year test) based on an arm's-length sale term; or 2. Gradual intergenerational business transfer (five to 10-year test) based on traditional estate freeze characteristics <ul style="list-style-type: none"> • 10-year capital gains reserve for genuine intergenerational share transfers satisfying proposed conditions 	<p>Shut down loopholes left in Bill C-208</p> <p>Prevent conversion of dividends to capital gains, aka surplus stripping without genuine transfer of business between family</p> <ul style="list-style-type: none"> • Greater clarity for family business transfers • Provides tax relief for sellers
 <p>Employee Ownership Trusts (EOTs)</p>	<ul style="list-style-type: none"> • Permit employee buyout of business • Trust acquires and holds qualifying shares for eligible employees • Extend five-year capital gains reserve to a ten-year reserve for qualifying business transfers to an EOT 	<p>EOTs may be an attractive option for succession planning given that up to 75% of small business owners plan to retire in the next decade</p>
 <p>General Anti Avoidance Rule (GAAR)</p>	<ul style="list-style-type: none"> • Create interpretive rules • Lower requirements to be avoidance transaction • Introduce GAAR penalty = 25% of tax benefit • Extend GAAR reassessment period by 3 years • New rule would apply where transaction lacks economic substance 	<p>Introduces more clarity and broadens potential transactions caught by the rule</p>
 <p>Healthcare</p>	<ul style="list-style-type: none"> • \$13 billion over 5 years to implement the Canadian Dental Care Plan 	<p>Start providing dental coverage for uninsured Canadians with annual family income of < \$90,000</p>

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 <p>Automatic tax filing</p>	<ul style="list-style-type: none"> • Increase number of eligible Canadians to two million by 2025, nearly tripling current numbers. CRA will pilot a new automatic filing service to help vulnerable Canadians receive eligible tax benefits 	<p>An effort to increase the eligible number of low-income taxpayers who file their annual tax returns for automated service</p>
 <p>Alternative Minimum Tax (AMT)</p>	<p>Increasing AMT rate from 15% to 20.5%</p> <ul style="list-style-type: none"> • Increasing exemption from \$40,000 to \$173,000 indexed • Includes larger share of taxpayer income and reduces or denies deductions • Reduces tax credits which would reduce AMT 	<ul style="list-style-type: none"> • Budget aims to broaden the AMT base • Targeting high income individuals • Proposed changes can result in extra provincial AMT for individuals unless provinces introduce changes to their AMT rules • Amendments expected to generate ~ \$3 billion in revenue over five years beginning in 2024 tax year
 <p>Energy transition</p>	<ul style="list-style-type: none"> • Introduce or expand a variety of measures to help with the Government’s energy transition strategies 	<p>Tax credits for:</p> <ul style="list-style-type: none"> • Clean Electricity Clean Technology Investment • Clean Technology Manufacturing • Clean Hydrogen Investment • Carbon Capture, Utilization, and Storage • Flow-Through Shares and Critical Mineral Exploration
 <p>Registered Disability Savings Plan (RDSP)</p>	<ul style="list-style-type: none"> • Extend measure allowing qualifying family members to open RDSP for an adult beneficiary whose contractual capacity is in doubt and who does not have a legal representative to Dec. 31, 2026 	<p>Broaden definition of “qualifying family member” to include an adult brother or sister of the beneficiary</p> <p>Will enable a sibling to establish an RDSP for an adult with mental disabilities</p>
 <p>Registered Education Savings Plan (RESP)</p>	<p>Increase withdrawals</p> <ul style="list-style-type: none"> • Full-time from maximum \$5,000 to \$8,000, and • Part-time from maximum \$2,500 to \$4,000 in educational assistance payments during 1st semester of post secondary education 	<p>Proposed changes so divorced and separated parents can open joint RESPs for their children</p>

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 "Grocery rebate"	One time payout: <ul style="list-style-type: none"> • \$153 per adult + • \$81 per child • And \$81 for childless singles 	Not tied to actual grocery bills; administered through GST rebate system
 Helping the Trades	<ul style="list-style-type: none"> • Double the maximum employment deduction for tradespeople's tools from \$500 to \$1,000 	10% or more of the total labour performed by Red Seal trades to be performed by registered apprentices

 **Talk to your advisor for more advice and information on managing your finances.**

Source: *A Made-in-Canada Plan: Strong Middle Class, Affordable Economy, Healthy Future*, Federal Budget 2023

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