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## Budget 2024 Personal Income Tax Measures

### Lifetime Capital Gains Exemption

The amount of the Lifetime Capital Gains Exemption ("LCGE") is currently \$1,016,836 in 2024 and indexed to inflation. Budget 2024 proposes to increase the LCGE to apply to up to \$1.25 million of eligible capital gains, applicable to dispositions that occur on or after June 25, 2024. Indexation of the LCGE would resume in 2026.

### Canadian Entrepreneurs' Incentive

Budget 2024 proposes to introduce the Canadian Entrepreneurs' Incentive, which would reduce the tax rate on capital gains on the disposition of qualifying shares by an eligible individual. Specifically, this incentive would provide for a capital gains inclusion rate that is one half the prevailing inclusion rate, on up to \$2 million in capital gains per individual over their lifetime. The lifetime limit would be phased in by increments of \$200,000 per year, beginning on January 1, 2025, before ultimately reaching a value of \$2 million by January 1, 2034.

Under the two-thirds capital gains inclusion rate proposed in Budget 2024, this measure would result in an inclusion rate of one third for qualifying dispositions. This measure would apply in addition to any available capital gains exemption.

This measure would apply to dispositions that occur on or after January 1, 2025.

### Capital Gains Inclusion Rate

Budget 2024 proposes to increase the capital gains inclusion rate from one-half to two-thirds for corporations and trusts, and from one-half to two-thirds on the portion of capital gains realized in the year that exceeds \$250,000 for individuals, for capital gains realized on or after June 25, 2024.

The \$250,000 threshold would effectively apply to capital gains realized by an individual, either directly or indirectly via a partnership or trust, net of any:

- current-year capital losses;
- capital losses of other years applied to reduce current-year capital gains; and

- capital gains in respect of which the LCGE, the proposed Employee Ownership Trust Exemption, or the proposed Canadian Entrepreneurs' Incentive is claimed.

Claimants of the employee stock option deduction would be provided a one-third deduction of the taxable benefit to reflect the new capital gains inclusion rate, but would be entitled to a deduction of one-half the taxable benefit up to a combined limit of \$250,000 for both employee stock options and capital gains.

Net capital losses of prior years would continue to be deductible against taxable capital gains in the current year by adjusting their value to reflect the inclusion rate of the capital gains being offset.

### **Volunteer Firefighters and Search and Rescue Volunteers Tax Credits**

Budget 2024 proposes to double the credit amount for the Volunteer Firefighters Tax Credit and the Search and Rescue Volunteers Tax Credit from \$3,000 to \$6,000, applicable to the 2024 and subsequent taxation years.

### **Alternative Minimum Tax**

Budget 2023 announced amendments to the *Income Tax Act* that would change the Alternative Minimum Tax ("AMT") calculation. Draft legislative proposals to implement these changes were published for consultation in the summer of 2023.

Budget 2024 proposes that the tax treatment of charitable donations be revised to allow individuals to claim 80% (instead of the previously proposed 50%) of the Charitable Donation Tax Credit when calculating AMT.

Budget 2024 proposes several additional amendments to the AMT proposals which would:

- fully allow deductions for the Guaranteed Income Supplement, social assistance, and workers' compensation payments;

- allow individuals to fully claim the federal logging tax credit under the AMT;
- fully exempt Employee Ownership Trusts from the AMT; and
- allow certain disallowed credits under the AMT to be eligible for the AMT carry-forward (i.e., the federal political contribution tax credit, investment tax credits, and labour-sponsored funds tax credit).

Budget 2024 proposes to provide an exemption from the AMT for Indigenous settlement and community trusts. Parties interested in these proposed exemptions for Indigenous settlement and community trusts are invited to send written representations to the Department of Finance Canada, Tax Policy Branch at [consultation.legislation@fin.gc.ca](mailto:consultation.legislation@fin.gc.ca) by June 28, 2024.

### **Canada Child Benefit**

Budget 2024 proposes to amend the *Income Tax Act* to extend eligibility for the Canada Child Benefit ("CCB") in respect of a child for six months after the child's death (the "extended period"), if the individual would have otherwise been eligible for the CCB in respect of that particular child. The extended period would also apply to the Child Disability Benefit, which is paid with the CCB in respect of a child eligible for the Disability Tax Credit.

This measure would be effective for deaths that occur after 2024.

### **Disability Supports Deduction**

Budget 2024 proposes to expand the list of expenses recognized under the Disability Supports Deduction, subject to the specified conditions, such as the cost of:

- an ergonomic work chair (including an ergonomic assessment);
- a bed positioning device (including an ergonomic assessment);

- purchasing a mobile computer cart;
- purchasing an alternative input device to allow the individual to use a computer;
- purchasing a digital pen device to allow the individual to use a computer;
- purchasing a navigation device for low vision; and
- purchasing memory or organizational aids.

Budget 2024 also proposes that expenses for service animals be recognized under the Disability Supports Deduction.

This measure would apply to the 2024 and subsequent taxation years.

### Employee Ownership Trust Tax Exemption

Budget 2023 proposed tax rules to facilitate the creation of employee ownership trusts (“EOTs”). These legislative proposals are currently before Parliament in Bill C-59. The 2023 *Fall Economic Statement* proposed to exempt the first \$10 million in capital gains realized on the sale of a business to an EOT from taxation, subject to certain conditions. Budget 2024 provides further details on the proposed exemption and conditions.

The exemption would be available to an individual (other than a trust) on the sale of shares to an EOT where the following conditions are met:

- The individual, a personal trust of which the individual is a beneficiary, or a partnership in which the individual is a member, disposes of shares of a corporation that is not a professional corporation.
- The transaction is a qualifying business transfer in which the trust acquiring the shares is not already an EOT or a similar trust with employee beneficiaries.
- Throughout the 24 months immediately prior to the qualifying business transfer,
  - the transferred shares were exclusively owned by the individual claiming the exemption, a related person, or a partnership in which the individual is a member; and
  - over 50% of the fair market value of the corporation’s assets were used principally in an active business.
- At any time prior to the qualifying business transfer, the individual (or their spouse or common-law partner) has been actively engaged in the qualifying business on a regular and continuous basis for a minimum period of 24 months.
- Immediately after the qualifying business transfer, at least 90% of the beneficiaries of the EOT must be resident in Canada.

If a disqualifying event occurs within 36 months of the qualifying business transfer, the exemption would not be available. Where the individual has already claimed the exemption, it would be retroactively denied.

The normal reassessment period of an individual for a taxation year in respect of this exemption is proposed to be extended by three years.

Budget 2024 also proposes to expand qualifying business transfers to include the sale of shares to a worker cooperative corporation. This would allow an individual to claim an exemption on selling a business to a worker cooperative. A qualifying business transfer to a worker cooperative would also be eligible for the 10-year capital gains reserve and the 15-year exception to the shareholder loan and interest benefit rules announced in Budget 2023.

This measure would apply to qualifying dispositions of shares that occur between January 1, 2024 and December 31, 2026.

### Charities and Qualified Donees

Budget 2024 proposes to extend the period for which qualifying foreign charities are registered as a qualified donee from 24 months to 36 months.

In addition, foreign charities would be required to submit an annual information return to the CRA.

Budget 2024 proposes to permit the CRA to communicate certain official notices digitally, where the charity has opted to receive information from the CRA electronically. Budget 2024 proposes to revoke a charity's registration effective upon the publication of an official notice of revocation on a government webpage.

Budget 2024 proposes a number of changes to simplify the issuance of official donation receipts and to align the process for issuing receipts with modern practices of charities. Budget 2024 also proposes to permit charities to issue official donation receipts electronically.

Measures relating to the extension of the registration period for foreign charities would apply to foreign charities registered after April 16, 2024. New reporting requirements for foreign charities

would apply to taxation years beginning after April 16, 2024. All remaining measures would apply upon royal assent of the enacting legislation.

## Home Buyers' Plan

Budget 2024 proposes to increase the home buyers' plan ("HBP") withdrawal limit from \$35,000 to \$60,000. This increase would also apply to withdrawals made for the benefit of a disabled individual. This measure would apply to the 2024 and subsequent calendar years in respect of withdrawals made after Budget Day.

Budget 2024 proposes to temporarily defer the start of the 15-year repayment period by an additional three years for participants making a first withdrawal between January 1, 2022, and December 31, 2025. Accordingly, the 15-year repayment period would start the fifth year following the year in which a first withdrawal was made.