Notice of Ways and Means Motion to Amend the Income Tax Act and the Income Tax Regulations

That it is expedient to amend the *Income Tax Act* (the "Act") and the *Income Tax Regulations* (the "Regulations") as follows:

Notice to readers : Various clauses in these draft legislative proposals take into consideration the possibility that Bill C-31, introduced in the 1st session of the 45th Parliament and entitled *A second Act to implement certain provisions of the budget tabled in Parliament on November 4, 2025*, may be granted royal assent.

2027 Canada Groceries and Essentials Benefit Supplement

1 (1) Section 122.5 of the *Income Tax Act* is amended by adding the following after subsection (3.005):

Additional deemed payment — January 2027

(3.006) An eligible individual in relation to a month specified for a taxation year who files a return of income for the taxation year is deemed to have paid during the specified month on account of their tax payable under this Part for the taxation year an amount determined by the formula

$$0.25 \times (A - B) - C$$

where

A is the total of

(a) $1,335,

(b) $1,335 for the qualified relation, if any, of the individual in relation to the specified month,

(c) if the individual has no qualified relation in relation to the specified month and is entitled to deduct an amount for the taxation year under subsection 118(1) because of paragraph (b) of the description of B in that subsection in respect of a qualified dependant of the individual in relation to the specified month, $1,335,

(d) $702 times the number of qualified dependants of the individual in relation to the specified month, other than a qualified dependant in respect of whom an amount is included under paragraph (c) in computing the total for the specified month,

(e) if the individual has no qualified relation and has one or more qualified dependants, in relation to the specified month, $702, and

(f) if the individual has no qualified relation and no qualified dependant, in relation to the specified month, the lesser of $702 and 6% of the amount, if any, by which the individual's income for the taxation year exceeds $11,564;

B is 15% of the amount, if any, by which the individual's adjusted income for the taxation year exceeds $46,432; and

C is the amount that the eligible individual is deemed to have paid under subsection (3.005) during the specified month on account of their tax payable for the taxation year.

(2) Section 122.5 of the Act is amended by adding the following after subsection (3.06):

January 2027 payment — shared-custody parent

(3.07) Notwithstanding subsection (3.006), if an eligible individual is a *shared-custody parent* (as defined in section 122.6, with reference to the term "qualified dependant" read as a reference to that term as defined in subsection (1)) in

respect of one or more qualified dependants at the beginning of a month, the amount deemed by subsection (3.006) to have been paid during the specified month is equal to the amount determined by the formula

0.5 × (A + B)

where

A is the amount determined by the formula in subsection (3.006), calculated without reference to this subsection; and

B is the amount determined by the formula in subsection (3.006), calculated without reference to this subsection and subparagraph (b)(ii) of the definition *eligible individual* in section 122.6.

(3) Section 122.5 of the Act is amended by adding the following after subsection (4.6):

January 2027 — month specified

(4.7) Notwithstanding subsection (4) and for the purposes of this section, the month specified in subsection (3.006) is January 2027 and the taxation year is the 2025 taxation year.

2 (1) Paragraph 152(1)(b) of the Act is replaced by the following:

(b) the amount of tax, if any, deemed by any of subsections 120(2) or (2.2), 122.5(3) to (3.006), 122.51(2), 122.7(2) or (3), 122.72(1), 122.8(4), 122.9(2), 122.91(1), 122.92(3), 122.93(2), 125.4(3), 125.5(3), 125.6(2) or (2.1), 127.1(1), 127.41(3), 127.42(2) or (3), 127.421(2) or (3), 127.44(2), 127.45(2), 127.48(2), 127.49(2), 127.491(2) or 210.2(3) or (4) to be paid on account of the taxpayer's tax payable under this Part for the year.

(2) Paragraph 152(1.2)(d) of the Act is replaced by the following:

(d) the Minister determines the amount deemed by any of subsections 122.5(3) to (3.006), 122.72(1), 122.8(4) or 127.421(2) or (3) to have been paid by a person for a taxation year to be nil, subsection (2) does not apply to the determination unless the person requests a notice of determination from the Minister.

(3) Paragraph 152(4.2)(b) of the Act is replaced by the following:

(b) redetermine the amount, if any, deemed by any of subsections 120(2) or (2.2), 122.5(3) to (3.006), 122.51(2), 122.7(2) or (3), 122.8(4), 122.9(2), 122.91(1), 122.92(3), 122.93(2), 127.1(1), 127.41(3) or 210.2(3) or (4) to be paid on account of the taxpayer's tax payable under this Part for the year or deemed by subsection 122.61(1) to be an overpayment on account of the taxpayer's liability under this Part for the year.

3 Paragraph 160.1(1.1)(b) of the Act is replaced by the following:

(b) the total of the amounts deemed by any of subsections 122.5(3) or (3.002) to (3.006) to have been paid by the individual during those specified months.

Mineral Exploration Tax Credit and Critical Mineral Exploration Tax Credit

1 (1) The definition *critical mineral* in subsection 127(9) of the Act is replaced by the following:

critical mineral means antimony, bismuth, cesium, chromium, cobalt, copper, fluorspar, gallium, germanium, graphite, indium, lithium, magnesium, manganese, molybdenum, nickel, niobium, phosphate, a platinum group metal, a rare earth element, scandium, tantalum, tellurium, tin, titanium, tungsten, uranium, vanadium or zinc; (*minéral critique*)

(2) Paragraphs (c) and (d) of the definition *flow-through critical mineral mining expenditure* in subsection 127(9) of the Act are replaced by the following:

(c) that is an amount in respect of which is renounced in accordance with subsection 66(12.6) by the corporation to the taxpayer (or a partnership of which the taxpayer is a member) under an agreement described in that subsection and made after April 7, 2022 and on or before March 31, 2032,

(d) that is not an expense that was renounced under subsection 66(12.6) to the corporation (or a partnership of which the corporation is a member), unless that renunciation was under an agreement described in that subsection and made after April 7, 2022 and on or before March 31, 2032,

(3) Paragraph (a) of the definition *flow-through mining expenditure* in subsection 127(9) of the Act is replaced by the following:

(a) that is a Canadian exploration expense incurred by a corporation after March 2025 and before 2033 (including, for greater certainty, an expense that is deemed by subsection 66(12.66) to be incurred before 2033) in conducting mining exploration activity from or above the surface of the earth for the purpose of determining the existence, location, extent or inherent natural qualities of a mineral resource described in paragraph (a) or (d) of the definition *mineral resource* in subsection 248(1),

(4) Paragraphs (c) and (d) of the definition *flow-through mining expenditure* in subsection 127(9) of the Act are replaced by the following:

(c) an amount in respect of which is renounced in accordance with subsection 66(12.6) by the corporation to the taxpayer (or a partnership of which the taxpayer is a member) under an agreement described in that subsection and made after March 2025 and before April 2032,

(d) that is not an expense that was renounced under subsection 66(12.6) to the corporation (or a partnership of which the corporation is a member), unless that renunciation was under an agreement described in that subsection and made after March 2025 and before April 2032, and

(5) Subsection (1) applies in respect of expenses renounced under a flow-through share agreement entered into after Budget Day.

(6) Subsections (2) to (4) apply in respect of expenses renounced under a flow-through share agreement entered into after March 2027.

Canada Caregiver Credit

1 The Act is modified to give effect to the proposals relating to the Canada Caregiver Credit as described in the budget documents tabled by the Minister of Finance in the House of Commons on Budget Day.

Canada Growth Incentive — Capital Gains Exemption

1 The Act is modified to give effect to the proposals relating to the Canada Growth Incentive — Capital Gains Exemption as described in the budget documents tabled by the Minister of Finance in the House of Commons on Budget Day.

Canada Growth Incentive — Rollover for Investments in Small Businesses

1 The Act is modified to give effect to the proposals relating to the Canada Growth Incentive — Rollover for Investments in Small Businesses as described in the budget documents tabled by the Minister of Finance in the House of Commons on Budget Day.

Instalment Payments for Individuals and Corporations

1 (1) Paragraph 117.1(1)(a) of the Act is replaced by the following:

(a) the amount that would, but for subsections (3) and (3.1), be the amount to be used under the relevant provision for the preceding taxation year, and

(2) Subsection 117.1(2) of the Act is amended by striking out "and" at the end of paragraph (s) and by adding the following after that paragraph:

(s.1) each of the amounts expressed in dollars in the definition *instalment threshold* in subsection 156.1(1), for a taxation year that begins after 2028;

(s.2) each of the amounts expressed in dollars in subsection 157(2.1), for a taxation year that begins after 2028; and

(3) Section 117.1 of the Act is amended by adding the following after subsection (3):

Rounding — instalment thresholds

(3.1) If an amount referred to in subsection 156.1(1) or 157(2.1), when adjusted as provided in this section, is not a multiple of $500, it is to be rounded to the nearest multiple of $500 or, if it is equidistant from two such consecutive multiples, to the higher of the two multiples.

(4) Subsections (1) to (3) apply to the 2028 and subsequent taxation years.

2 (1) The portion of subsection 155(1) of the Act before paragraph (a) is replaced by the following:

Business income

155 (1) Subject to section 156.1, every individual whose primary source of income for a taxation year is income from a business or whose chief source of income for a taxation year is farming or fishing shall, on or before December 31 in the year, pay to the Receiver General in respect of the year, 2/3 of

(2) Subsection (1) applies to the 2028 and subsequent taxation years.

3 (1) The portion of the definition *plafond des acomptes provisionnels* in subsection 156.1(1) of the French version of the Act before paragraph (a) is replaced by the following:

seuil des acomptes provisionnels Le seuil des acomptes provisionnels d'un particulier pour une année d'imposition correspond au montant suivant :

(2) Paragraphs (a) and (b) of the definition *instalment threshold* in subsection 156.1(1) of the Act are replaced by the following:

(a) in the case of an individual resident in the Province of Quebec at the end of the year, $4,500, and

(b) in any other case, $7,500; (*seuil des acomptes provisionnels*)

(3) The portion of subsection 156.1(2) of the French version of the Act before paragraph (a) is replaced by the following :

Aucun acompte provisionnel exigé

(2) Les articles 155 et 156 ne s'appliquent pas à un particulier pour une année d'imposition donnée lorsque, selon le cas :

(4) Paragraph 156.1(2)(a) and (b) of the Act are replaced by the following:

(a) the individual's chief source of income for the particular year is farming or fishing and the individual's net tax owing for the particular year, or either of the two preceding taxation years, does not exceed the individual's instalment threshold for the particular year;

(b) the individual's net tax owing for the particular year, or for each of the two preceding taxation years, does not exceed the individual's instalment threshold for the particular year; or

(5) Paragraph 156.1(2)(c) of the French version of the Act is replaced by the following:

c) le particulier est une succession assujettie à l'imposition à taux progressifs pour l'année donnée.

(6) Subsections (1) to (5) apply to the 2028 and subsequent taxation years.

4 (1) Subsection 157(2.1) of the Act is amended by replacing "$3,000" with "$7,500".

(2) Subsection (1) applies to taxation years that begin on or after January 1, 2028.

Income Tax Return Filing and Balance-Due Dates for Individuals

1 The Act is modified to give effect to the proposals relating to the Income Tax Return Filing and Balance-Due Dates for Individuals as described in the budget documents tabled by the Minister of Finance in the House of Commons on Budget Day.

Northern Residents Deductions

1 (1) Paragraph 110.7(1)(b) of the Act is replaced by the following:

(b) the total of all amounts each of which is the product obtained by multiplying the specified percentage for a particular area for the year in which the taxpayer so resided by the total of

(i) $11.00 multiplied by the number of days in the year included in the qualifying period in which the taxpayer resided in the particular area, and

(ii) $11.00 multiplied by the number of days in the year included in that portion of the qualifying period throughout which the taxpayer maintained and resided in a self-contained domestic establishment in the particular area (except any day included in computing a deduction claimed under this paragraph by another person who resided on that day in the establishment).

(2) Subsections 110.7(3.2) to (4) of the Act are repealed.

(3) The definitions *employer-provided travel benefits* and *standard amount* in subsection 110.7(6) of the Act are repealed.

(4) Subsections (1) to (3) apply to the 2027 and subsequent taxation years.

2 (1) Subsection 7304(2) of the *Income Tax Regulations* is replaced by the following:

(2) For the purposes of this section and section 110.7 of the Act, the trip cost to a taxpayer in respect of a trip made by an individual who, at the time the trip was made, was a member of the taxpayer's household is the least of

(a) the total of

(i) the value of travel assistance, if any, provided to the taxpayer in respect of the taxpayer's employment in respect of travel expenses for the trip , and

(ii) travel expenses incurred by the taxpayer, or the spouse or common-law partner of the taxpayer, for the trip; and

(b) the lowest return airfare ordinarily available, at the time the trip was made, to the individual for flights between the place in which the individual resided immediately before the trip, or the airport nearest thereto, and the designated city that is nearest to that place.

(2) Subsections 7304(3) and (4) of the Regulations are repealed.

(3) Subsections (1) and (2) apply to the 2027 and subsequent taxation years.

Expansion of the Intergenerational Farm and Fishing Property Rollover

1 (1) Section 70 of the Act is amended by adding the following after subsection (10):

Extended meaning of child

(10.1) For the purposes of this section, a child of a taxpayer also includes

(a) a niece or nephew of the taxpayer;

(b) a niece or nephew of the taxpayer's spouse or common-law partner;

(c) a spouse or common-law partner of a niece or nephew referred to in paragraph (a) or (b); and

(d) a child of a niece or nephew referred to in paragraph (a) or (b).

(2) Subsection (1) applies to transfers that occur after 2026.

2 (1) Subsection 73(6) of the Act is replaced by the following:

Application of subsections 70(10) and (10.1)

(6) The definitions in subsection 70(10) and the extended meaning of child in subsection 70(10.1) apply to this section.

(2) Subsection (1) applies to transfers that occur after 2026.

Registered Disability Savings Plan

1 (1) Clause (a)(ii)(B.1) of the definition *disability savings plan* in subsection 146.4(1) of the Act is replaced by the following:

(B.1) a qualifying family member in relation to the beneficiary who, at the time the arrangement is entered into, is a qualifying person in relation to the beneficiary,

(2) Paragraph 146.4(4)(b.1) of the Act is replaced by the following:

(b.1) as a consequence of the death of a qualifying family member who was the remaining holder of the plan immediately before death, the plan may allow one qualifying family member — in respect of which the conditions set out in paragraph (c) of the definition *qualifying person* in subsection (1) are met — to acquire rights as a successor of the holder of the plan;

(3) Subsections (1) and (2) are deemed to have come into force on January 1, 2027.

Optional Flat Amounts for Personal Income Tax Deductions and Credits

1 The Act is modified to give effect to the proposals relating to the Optional Flat Amounts for Personal Income Tax Deductions and Credits as described in the budget documents tabled by the Minister of Finance in the House of Commons on Budget Day.

Foreign Income Verification Statement — Form T1135

1 (1) The definition *reporting entity* in subsection 233.3(1) of the Act is replaced by the following:

reporting entity for a taxation year or fiscal period means a specified Canadian entity for the year or period where, at any time (other than a time when the entity is non-resident) in the year or period, the total of all amounts each of which is the cost amount to the entity of a specified foreign property of the entity exceeds $200,000. (*déclarant*)

(2) Subsection (1) applies to taxation years and fiscal periods that end after 2026.

Apprentice Vehicle Mechanics' Tools Deduction

1 (1) Clause (B) of the description of B in subparagraph 8(1)(r)(ii) of the Act is replaced by the following:

(B) the amount determined for the taxation year for B in subsection 118(10), and

(2) The portion of subsection 8(6) of the Act before paragraph (a) is replaced by the following:

Apprentice mechanics

(6) For the purposes of paragraphs (1)(r) and (6.1)(e),

(3) Subsection 8(6.1) of the Act is amended by striking out "and" at the end of paragraph (c), by adding "and" at the end of paragraph (d) and by adding the following after paragraph (d):

(e) is not acquired by the taxpayer for use in connection with the taxpayer's employment as an eligible apprentice mechanic.

(4) The portion of subsection 8(7) of the Act before the formula is replaced by the following:

Cost of tool

(7) Except for the purposes of the description of A in subparagraph (1)(r)(ii) and the description of A in paragraph (1)(s), the cost to a taxpayer of an eligible tool the cost of which was included in determining the value of one of those descriptions in respect of the taxpayer for a taxation year is the amount determined by the formula

(5) The description of L in subsection 8(7) of the Act is amended by adding "or" at the end of paragraph (a), by replacing "or" with "and" at the end of paragraph (b) and by repealing paragraph (c).

(6) The description of M in subsection 8(7) of the Act is amended by adding "or" at the end of paragraph (a), by striking out "and" at the end of paragraph (b) and by repealing paragraph (c).

(7) Subsections (1) to (6) apply to the 2027 and subsequent taxation years.

Medical Expense Tax Credit and Disability Supports Deduction

1 (1) Paragraph 118.2(2)(k) of the Act is replaced by the following:

(k) for oxygen or for an oxygen tent or other equipment necessary to administer oxygen, for use by the patient as prescribed by a medical practitioner;

(k.1) for insulin, for use by the patient;

(k.2) for liver extract injectible or vitamin B12, for use by the patient, if a medical practitioner has certified that the patient has pernicious anaemia;

(2) Subsection 118.2(2) of the Act is amended by adding the following after paragraph (m):

(m.1) to the extent that the amount so paid does not exceed the amount, if any, prescribed in respect of a device or equipment for use by the patient that

(i) is of a prescribed kind,

(ii) is not described in any other paragraph of this subsection, and

(iii) meets such conditions as are prescribed as to its use or the reason for its acquisition;

(3) Paragraph 118.2(2)(r) of the Act is replaced by the following:

(r) on behalf of the patient who has celiac disease, if the patient has been certified in writing by a medical practitioner to be a person who, because of that disease, requires a gluten-free diet,

(i) for the incremental cost of acquiring gluten-free food products as compared to the cost of comparable non-gluten-free food products, and

(ii) if the individual elects, and no other person claims an amount in respect of the patient for the year under this paragraph, the incremental cost referred to in subparagraph (i) is deemed to be $1,000 and the individual is deemed to have filed receipts for this amount with the Minister as required under subsection 118.2(1);

(4) Subsections (1) to (3) apply to the 2026 and subsequent taxation years.

2 (1) The portion of subsection 118.4(2) of the Act before paragraph (a) is replaced by the following:

Reference to medical practitioners, etc.

(2) For the purposes of sections 63, 64, 118.2, 118.3 and 118.6, and section 5700 of the *Income Tax Regulations*, a reference to an audiologist, dentist, medical doctor, medical practitioner, nurse, nurse practitioner, occupational therapist, optometrist, pharmacist, physiotherapist, podiatrist, psychologist or speech-language pathologist is a reference to a person authorized to practise as such,

(2) Subsection (1) applies to the 2026 and subsequent taxation years.

3 (1) Section 5700 of the Regulations is replaced by the following:

5700 (1) For the purposes of paragraph 118.2(2)(m) of the Act, a device or equipment is prescribed if it is a

(a) wig made to order for an individual who has suffered abnormal hair loss owing to disease, medical treatment or accident;

(b) needle or syringe designed to be used for the purpose of giving an injection;

(c) air or water filter or purifier for use by an individual who is suffering from a severe chronic respiratory ailment or a severe chronic immune system disregulation to cope with or overcome that ailment or disregulation;

(d) electric or sealed combustion furnace acquired to replace a furnace that is neither an electric furnace nor a sealed combustion furnace, where the replacement is necessary solely because of a severe chronic respiratory ailment or a severe chronic immune system disregulation;

(e) air conditioner acquired for use by an individual to cope with the individual's severe chronic ailment, disease or disorder, to the extent of the lesser of $1,000 and 50% of the amount paid for the air conditioner;

(f) orthopaedic shoe or boot or an insert for a shoe or boot made to order for an individual in accordance with a prescription to overcome a physical disability of the individual;

(g) power-operated guided chair installation, for an individual, that is designed to be used solely in a stairway;

(h) mechanical device or equipment designed to be used to assist an individual to enter or leave a bathtub or shower or to get on or off a toilet;

(i) hospital bed including such attachments thereto as may have been included in a prescription therefor;

(j) device that is exclusively designed to assist an individual in walking where the individual has a mobility impairment;

(k) device or equipment, including a synthetic speech system and large print-on-screen device, designed exclusively to be used by a blind individual in the operation of a computer;

(l) device to decode special television signals to permit the script of a program to be visually displayed;

(m) device designed to enable a diabetic to measure the diabetic's blood sugar level

(n) electronic or computerized environmental control system designed exclusively for the use of an individual with a severe and prolonged mobility restriction;

(o) extremity pump or elastic support hose designed exclusively to relieve swelling caused by chronic lymphedema;

(p) inductive coupling osteogenesis stimulator for treating non-union of fractures or aiding in bone fusion;

(q) Bliss symbol board, or similar device, designed to be used to help an individual who has a speech impairment communicate by selecting the symbols or spelling out words;

(r) electrotherapy device designed to be used by an individual with a medical condition or by an individual who has a severe mobility impairment;

(s) pressure pulse therapy device designed to be used by an individual who has a balance disorder; or

(t) navigation device for low vision for an individual who has a vision impairment.

(2) For the purposes of paragraph 118.2(2)(m.1) of the Act, a device or equipment is prescribed if it is a

(a) device or equipment, including a replacement part, designed exclusively for use by an individual suffering from a severe chronic respiratory ailment or a severe chronic immune system disregulation, but not including an air conditioner, humidifier, dehumidifier, heat pump or heat or air exchanger;

(b) device or equipment designed exclusively to pace or monitor the heart of an individual who suffers from heart disease, if a medical practitioner has certified in prescribed form that the patient (in this subsection, within the meaning assigned by paragraph 118.2(2)(a) of the Act) has heart disease;

(c) external breast prosthesis, if a medical practitioner has certified in prescribed form that the patient has had a mastectomy;

(d) teletypewriter or similar device, including a telephone ringing indicator, that enables a deaf or mute individual to make and receive telephone calls, if a medical practitioner has certified in prescribed form that the patient is deaf or mute;

(e) optical scanner or similar device designed to be used by a blind individual to enable the individual to read print, if a medical practitioner has certified in prescribed form that the patient is blind;

(f) device or software designed to be used by a blind individual, or an individual with a severe learning disability, to enable the individual to read print, if a medical practitioner has certified in prescribed form that the patient is blind or has a severe learning disability;

(g) power-operated lift or transportation equipment designed exclusively for use by, or for, a disabled individual to allow the individual access to different areas of a building or to assist the individual to gain access to a vehicle or to place the individual's wheelchair in or on a vehicle, if a medical practitioner has certified in prescribed form that the patient is disabled;

(h) device designed exclusively to enable an individual with a mobility impairment to operate a vehicle, if a medical practitioner has certified in prescribed form that the patient has a mobility impairment;

(i) a braille printer designed exclusively to be used by a blind individual, if a medical practitioner has certified in prescribed form that the patient is blind;

(j) electronic speech synthesizer for use by a mute individual, if a medical practitioner has certified in prescribed form that the patient is mute;

(k) a visual or vibratory signalling device, including a visual fire alarm indicator, for an individual with a hearing impairment, if a medical practitioner has certified in prescribed form that the patient has a hearing impairment;

(l) device designed to be attached to infants diagnosed as being prone to sudden infant death syndrome in order to sound an alarm if the infant ceases to breathe, if a medical practitioner has certified in prescribed form that the patient has been diagnosed as being prone to sudden infant death syndrome;

(m) infusion pump, including disposable peripherals, used in the treatment of diabetes;

(n) blood coagulation monitor, including disposable peripherals, used for anti-coagulation therapy;

(o) talking textbook for use by an individual with a perceptual disability in connection with the individual's enrolment at an educational institution in Canada, or a designated educational institution, if a medical practitioner has certified in prescribed form that the patient has a perceptual disability;

(p) Braille note-taker designed to be used by a blind individual, if a medical practitioner has certified in prescribed form that the patient is blind;

(q) page turner, designed to be used by an individual who has a severe and prolonged impairment that markedly restricts their ability to use their arms or hands, if a medical practitioner has certified in prescribed form that the patient has a severe and prolonged impairment that markedly restricts their ability to use their arms or hands;

(r) altered auditory feedback device designed to be used by an individual who has a speech impairment, if a medical practitioner has certified in prescribed form that the patient has a speech impairment; or

(s) standing device designed to be used by an individual who has a severe mobility impairment, if a medical practitioner has certified in prescribed form that the patient has a severe mobility impairment.

(2) Subsection (1) applies to the 2026 and subsequent taxation years.

4 The Act is further modified to give effect to other proposals relating to the Medical Expense Tax Credit and Disability Supports Deduction as described in the budget documents tabled by the Minister of Finance in the House of Commons on Budget Day.

Deductibility of Expenses Against Commission Income

1 The Act is modified to give effect to the proposals relating to the Deductibility of Expenses Against Commission Income as described in the budget documents tabled by the Minister of Finance in the House of Commons on Budget Day.

Lump-sum Thresholds for Periodic Payment of Benefits

1 (1) Paragraphs 117.1(2)(m) and (m.1) of the Act are replaced by the following:

(m) each of the amounts expressed in dollars in subsection 122.5(3), for months that are before July 2028;

(m.1) each of the amounts expressed in dollars in subsection 122.5(3.005), for months that begin after June 2027 and that end before July 2028;

(2) Subsection 117.1(3) of the Act is replaced by the following:

Rounding

(3) If an amount referred to in this section, when adjusted as provided in this section, is not a multiple of one dollar, it is to be rounded to the nearest multiple of one dollar or, if it is equidistant from two such consecutive multiples, to the higher of the two multiples.

2 (1) Paragraphs 122.5(3.1)(a) and (b) of the Act are replaced by the following:

(a) the amount deemed by that subsection to have been paid by the eligible individual during the particular month specified for the taxation year is less than $70; and

(b) it is reasonable to conclude that the amount deemed by that subsection to have been paid by the eligible individual during each subsequent month specified for the taxation year will be less than $70.

(2) Section 122.5 of the Act is amended by adding the following after subsection (5):

Annual adjustment — post June 2028

(5.1) If the month specified is after June 2028, each amount expressed in dollars in subsections (3), (3.005) and (3.1) shall be adjusted so that the amount to be used under the relevant subsection for the month is the total of

(a) the amount that would, but for subsections (5.2) and (5.3), be the amount used under the relevant subsection for the month that is one year before the particular month, and

(b) the amount determined by the formula

A × B

where

A is the amount referred to in paragraph (a), and

B is the amount, adjusted in such manner as is prescribed and rounded to the nearest one-thousandth or, where the result obtained is equidistant from two such consecutive one-thousandths, to the higher thereof, that is determined by the formula

C ÷ D − 1

where

C is the Consumer Price Index (within the meaning assigned by subsection 117.1(4)) for the 12-month period that ended on

(i) if the month is July or October, September 30 of the immediately preceding year, and

(ii) if the month is January or April, September 30 of the second immediately preceding year, and

D is the Consumer Price Index for the 12-month period preceding the period referred to in the description of C.

Rounding

(5.2) If an amount referred to in subsection (3) or (3.005), when adjusted as provided in subsection (5.1), is not a multiple of one dollar, it is to be rounded to the nearest multiple of one dollar or, if it is equidistant from two such consecutive multiples, to the higher of the two multiples.

Rounding — lump sum

(5.3) If an amount referred to in paragraph (3.1)(a) or (b), when adjusted as provided in subsection (5.1), is not a multiple of $5, it is to be rounded to the nearest multiple of $5 or, if it is equidistant from two such consecutive multiples, to the higher of the two multiples.

(3) Subsection (1) applies to amounts deemed to be paid after June 2027.

(4) Subsection (2) applies to months that are after June 2028.

3 (1) Subsection 122.61(2) of the Act is replaced by the following:

Exceptions

(2) Despite subsection (1), if a particular month is the first month during which an overpayment that is less than $50 (or such other amount as is prescribed) is deemed under that subsection to have arisen on account of a person's liability under this Part for the base taxation year in relation to the particular month, any such overpayment that would, but for this subsection, reasonably be expected at the end of the particular month to arise during another month in relation to which the year is the base taxation year is deemed to arise under that subsection during the particular month and not during the other month.

(2) The portion of subsection 122.61(5) of the Act before paragraph (b) is replaced by the following:

Annual adjustment

(5) Each amount expressed in dollars in subsection (1), if the base taxation year in relation to a particular month is after 2016, and subsection (2), if the base taxation year in relation to a particular month is after 2026, shall be adjusted so that the amount to be used under the relevant subsection for the month is the total of

(a) the amount that would, but for subsection (7) or (7.1), be the amount used under the relevant subsection for the month that is one year before the particular month, and

(3) Section 122.61 of the Act is amended by adding the following after subsection (7):

Rounding

(7.1) If an amount referred to in subsection (2), when adjusted as provided in subsection (5), is not a multiple of $5, it is to be rounded to the nearest multiple of $5 or, if it is equidistant from two such consecutive multiples, to the higher of the two multiples.

(4) Subsection (1) applies with respect to overpayments deemed to arise after June 2027.

(5) Subsections (2) and (3) apply to months that are after June 2028.

4 (1) Paragraphs 122.72(2)(a) and (b) of the Act are replaced by the following:

(a) the amount deemed by subsection (1) to have been paid by the individual during the particular month specified for the taxation year would be less than $70; and

(b) it is reasonable to conclude that the amount deemed by subsection (1) to have been paid by the individual during each subsequent month specified for the taxation year would be less than $70.

(2) Subsection (1) applies to amounts deemed to be paid after June 2027.

Scholarship, Fellowship, and Bursary Income

1 The Act is modified to give effect to the proposals relating to the Scholarship, Fellowship, and Bursary Income as described in the budget documents tabled by the Minister of Finance in the House of Commons on Budget Day.

Deductibility of Expenses by Employed Artists

1 The Act is modified to give effect to the proposals relating to the Deductibility of Expenses by Employed Artists as described in the budget documents tabled by the Minister of Finance in the House of Commons on Budget Day.

Volunteer Firefighters and Search and Rescue Volunteers Tax Credit

1 (1) The portion of subsection 81(4) of the Act after paragraph (b) is replaced by the following:

there shall not be included in computing the individual's income derived from the performance of those duties the lesser of $1,000 and the total of those amounts, unless the individual makes a claim under section 118.06 for the year.

(2) Subsection (1) applies to the 2027 and subsequent taxation years.

2 (1) The description of E in subsection 118(11) of the Act is replaced by the following:

E is the total of all amounts each of which is an amount deducted by the individual in computing the individual's tax payable for the year under this Part under any of subsections (1), (2), (3) and (10) or any of sections 118.01, 118.041, 118.05, 118.06, 118.2, 118.3, 118.5, 118.61, 118.62, 118.7, 118.8 and 118.9, and

(2) Subsection (1) applies to the 2027 and subsequent taxation years.

3 (1) Sections 118.06 and 118.07 of the Act are replaced by the following:

Definitions

118.06 (1) The following definitions apply in this section.

eligible search and rescue organization means a search and rescue organization

(a) that is a member of the Search and Rescue Volunteer Association of Canada, the Civil Air Search and Rescue Association or the Canadian Coast Guard Auxiliary; or

(b) whose status as a search and rescue organization is recognized by a provincial, municipal or public authority. (*organisme admissible de recherche et sauvetage*)

eligible search and rescue volunteer services means services, other than eligible volunteer firefighting services, provided by an individual in the individual's capacity as a volunteer to an eligible search and rescue organization that consist primarily of responding to and being on call for search and rescue and related emergency calls, attending meetings held by the organization and participating in required training related to search and rescue services, but does not include services provided to an organization if the individual provides search and rescue services to the organization otherwise than as a volunteer. (*services admissibles de volontaire en recherche et sauvetage*)

eligible volunteer firefighting services means services provided by an individual in the individual's capacity as a volunteer firefighter to a fire department that consist primarily of responding to and being on call for firefighting and related emergency calls, attending meetings held by the fire department and participating in required training related to the prevention or suppression of fires, but does not include services provided to a particular fire department if the individual provides firefighting services to the department otherwise than as a volunteer.)(*services admissibles de pompier volontaire*

Volunteer firefighter and search and rescue volunteer tax credit

(2) For the purpose of computing the tax payable under this Part for a taxation year by an individual who, in the year, performs eligible volunteer firefighting services or eligible search and rescue volunteer services, there may be deducted the amount determined by multiplying $6,000 by the appropriate percentage for the taxation year if the individual

(a) performs in the year not less than 200 hours of

(i) eligible volunteer firefighting services,

(ii) eligible search and rescue volunteer services, or

(iii) any combination of services described in subparagraphs (i) and (ii); and

(b) provides the certificates referred to in subsection (3) as and when requested by the Minister.

Certificates

(3) If the Minister so demands, an individual making a claim under this section in respect of a taxation year shall provide to the Minister a written certificate from

(a) the fire chief or a delegated official of each fire department to which the individual provided eligible volunteer firefighting services for the year, attesting to the number of hours of eligible volunteer firefighting services performed in the year by the individual for the particular fire department; and

(b) the team president, or other individual who fulfils a similar role, of each eligible search and rescue organization to which the individual provided eligible search and rescue volunteer services for the year, attesting to the number of hours of eligible search and rescue volunteer services performed in the year by the individual for the particular organization.

(2) Subsection (1) applies to the 2027 and subsequent taxation years.

4 (1) Paragraph 118.3(2)(d) of the Act is replaced by the following:

(d) the amount of that person's tax payable under this Part for the year computed before any deductions under this Division (other than under sections 118 to 118.06 and 118.7).

(2) Subsection (1) applies to the 2027 and subsequent taxation years.

5 (1) The description of C in subsection 118.61(1) of the Act is replaced by the following:

C is the lesser of the value of B and the amount that would be the individual's tax payable under this Part for the year if no amount were deductible under this Division (other than an amount deductible under this section and any of subsections 118(1) to (10) and sections 118.01 to 118.06, 118.3 and 118.7);

(2) Paragraph 118.61(2)(b) of the Act is replaced by the following:

(b) the amount that would be the individual's tax payable under this Part for the year if no amount were deductible under this Division (other than an amount deductible under this section and any of subsections 118(1) to (10) and sections 118.01 to 118.06, 118.3 and 118.7).

(3) Subsections (1) and (2) apply to the 2027 and subsequent taxation years.

6 (1) Paragraph (a) in the description of C in section 118.8 of the Act is replaced by the following:

(a) the amount that would be the spouse's or common-law partner's tax payable under this Part for the year if no amount were deductible under this Division (other than an amount deductible under subsection 118(1) because of paragraph (c) of the description of B in that subsection, under subsection 118(10) or under any of sections 118.01 to 118.06, 118.3, 118.61 and 118.7)

(2) Subparagraph (b)(ii) in the description of C in section 118.8 of the Act is replaced by the following:

(ii) the amount that would be the spouse's or common-law partner's tax payable under this Part for the year if no amount were deductible under this Division (other than an amount deductible under any of sections 118 to 118.06, 118.3, 118.61 and 118.7).

(3) Subsections (1) and (2) apply to the 2027 and subsequent taxation years.

7 (1) The description of B in paragraph 118.81(a) of the Act is replaced by the following:

B is the amount that would be the person's tax payable under this Part for the year if no amount were deductible under this Division (other than an amount deductible under any of sections 118 to 118.06, 118.3, 118.61 and 118.7), and

(2) Subsection (1) applies to the 2027 and subsequent taxation years.

8 (1) Section 118.92 of the Act is replaced by the following:

Ordering of credits

118.92 In computing an individual's tax payable under this Part, the following provisions shall be applied in the following order: subsections 118(1) and (2), section 118.7, subsections 118(3) and (10) and sections 118.01, 118.02, 118.04, 118.041, 118.05, 118.06, 118.3, 118.61, 118.5, 118.9, 118.8, 118.2, 118.1, 118.62 and 121.

(2) Subsection (1) applies to the 2027 and subsequent taxation years.

9 (1) Section 118.94 of the Act is replaced by the following:

Tax payable by non-residents (credits restricted)

118.94 Sections 118 to 118.06 and 118.2, subsections 118.3(2) and (3) and sections 118.8 and 118.9 do not apply for the purpose of computing the tax payable under this Part for a taxation year by an individual who at no time in the year is resident in Canada unless all or substantially all the individual's income for the year is included in computing the individual's taxable income earned in Canada for the year.

(2) Subsection (1) applies to the 2027 and subsequent taxation years.

10 (1) Paragraph 127.531(a) of the Act is replaced by the following:

(a) 1/2 of an amount deducted under any of subsections 118(1), (2), (3) and (10), sections 118.01 to 118.06, subsections 118.3(1), (2) and (3) and sections 118.5 to 118.9 in computing the individual's tax payable for the year under this Part;

(2) Subsection (1) applies to the 2027 and subsequent taxation years.

11 (1) Clause 128(2)(e)(iii)(A) of the Act is replaced by the following:

(A) under any of sections 118 to 118.06, 118.2, 118.3, 118.5, 118.8 and 118.9,

(2) Subsection (1) applies to the 2027 and subsequent taxation years.

Registered Retirement Savings Plan

1 (1) Subparagraph 60(l)(i) of the Act is replaced by the following:

(i) as a premium under a registered retirement savings plan under which the taxpayer is the holder,

(2) Paragraph 60(l) of the Act is amended by adding "or" at the end of subparagraph (i), by striking out "or" at the end of subparagraph (ii) and by repealing subparagraph (iii).

(3) Clauses (A) to (D) of subparagraph 60(l)(v) of the Act are replaced by the following:

(A) the amount included in computing the taxpayer's income for the year as a payment (other than a payment that is part of a series of periodic payments) received by the taxpayer out of or under a pooled registered pension plan as a consequence of the death of an individual who was, immediately before the death, a spouse or common-law partner of the taxpayer,

(B) the amount included by subsection 146.5(3) in computing the taxpayer's income for the year as a payment received by the taxpayer as a consequence of the death of an individual who was

(I) immediately before the death, the spouse or common-law partner of the taxpayer, or

(II) a parent or grandparent of the taxpayer, if, immediately before the death, the taxpayer was financially dependent on the individual for support because of mental or physical infirmity,

(C) the amount included in computing the taxpayer's income for the year as a payment (other than a payment that is part of a series of periodic payments or that relates to an actuarial surplus) received by the taxpayer out of or under a pooled registered pension plan, a registered pension plan or a specified pension plan as a consequence of the death of an individual of whom the taxpayer was a child or grandchild, if the taxpayer was, immediately before the death, financially dependent on the individual for support because of mental or physical infirmity,

(D) the least of

(I) the amount paid by or on behalf of the taxpayer to acquire an annuity that would be described in subparagraph (ii) if that subparagraph were read without reference to clause (A) thereof,

(II) the amount (other than any portion of it that is included in the amount determined under clause (C)) that is included in computing the taxpayer's income for the year as a payment (other than a payment that is part of a series of periodic payments or that relates to an actuarial surplus) received by the taxpayer out of or under a pooled registered pension plan, a registered pension plan or a specified pension plan, as a consequence of the death of an individual of whom the taxpayer is a child or grandchild, and

(4) Subparagraphs 60(l)(iv) to (vi) of the Act are renumbered as subparagraphs 60(l)(iii) to (v) and are repositioned accordingly if required.

2 (1) Subsection 146(1) of the Act is amended by adding the following in alphabetical order:

holder of a RRSP means

(a) until the death of the individual described in the definition *retirement savings plan*, the individual, and

(b) after the death of the individual, the individual's spouse or common-law partner, if that spouse or common-law partner was designated under the RRSP to become a successor holder of the RRSP; (*titulaire*)

minimum amount under a RRSP for a year means

(a) for any year prior to the year in which the holder attains the age of 72 years, a nil amount, and

(b) for any other year, the amount determined by the formula

$$A \times B + C$$

where

A is the total fair market value of all properties held in connection with the plan at the beginning of the year (other than annuity contracts held by the plan trust that, at the beginning of the year, are described in paragraph (j) of the definition *qualified investment* in subsection 207.01(1);

B is

(i) where the holder who entered into the RRSP so elects before any payment has been made under the plan by the issuer, the prescribed factor for the year in respect of an individual who was the spouse or common-law partner of that holder at the time of the election, and

(ii) in any other case, the prescribed factor for the year in respect of the holder of the RRSP, and

C is, where the plan governs a trust, the total of all amounts each of which is

(i) a periodic payment under an annuity contract described in paragraph (j) of the definition *qualified investment* in subsection 207.01(1) that is held by the trust at the beginning of the year and is paid to the trust in the year, or

(ii) if the periodic payment under such an annuity contract is not made to the trust because the trust disposed of the right to that payment in the year, a reasonable estimate of that payment on the assumption that the annuity contract had been held throughout the year and no rights under the contract were disposed of in the year; (*minimum*)

(2) Paragraphs 146(2)(b.3) and (b.4) of the Act are replaced by the following:

(b.3) the plan does not provide for the payment of any premium in any year after the year in which the holder attains 71 years of age;

(b.4) the issuer undertakes to pay amounts to the holder, the total of which is, in each year in which the minimum amount under the plan for the year is greater than nil, not less than the minimum amount under the plan for that year, but the amount of any such payment does not exceed the value of the property held in connection with the plan immediately before the time of the payment;

(3) Subsection 146(8.1) of the Act is replaced by the following:

Deemed transfer on death

(8.1) An individual and the legal representative of a deceased holder of a RRSP may jointly designate in prescribed form filed with the Minister that all or a portion of a payment (other than a tax-paid amount) made out of or under the plan to the legal representative is deemed to have been transferred on behalf of the individual in accordance with subsection (16) at the time it was so paid and not to have been distributed to the legal representative, if a payment not less than the designated amount is made from the estate of the deceased holder to a plan, fund or annuity described in paragraph (16)(c).

Deemed distribution on death

(8.11) An individual and the legal representative of a deceased holder of a RRSP may jointly designate in prescribed form filed with the Minister that all or a portion of a payment (other than a tax-paid amount) made out of or under the plan to the legal representative is deemed to have been distributed to the individual at the time it was so paid as a benefit, and not to have been distributed to the legal representative, if

(a) the individual is

(i) an individual who was, immediately before the death, a spouse or common-law partner of the deceased holder, or

(ii) a child or grandchild of the deceased holder who was, immediately before the death, financially dependent on the deceased holder for support; and

(b) a payment not less than the designated amount is made from the estate of the deceased holder to the individual.

(4) Subsections 146(8.8) and (8.9) of the Act are replaced by the following:

Death of last holder

(8.8) If the last holder of a RRSP dies, that holder shall be deemed to have received, immediately before death, an amount as a benefit out of or under a RRSP equal to the fair market value of all the property of the plan at the time of the death.

Death of last holder — amount deductible

(8.9) There may be deducted from the amount deemed by subsection (8.8) to have been received by the last holder as a benefit out of or under a RRSP an amount not exceeding the amount determined by the formula

A × [1 - (B + C - D) ÷ (B + C)]

where

A is the total of

(a) all amounts (other than an amount paid to the legal representative of the last holder that is designated under subsection (8.1) or (8.11)) paid out of or under the plan, as a consequence of the death of the last holder, to an individual who was, immediately before the death, a spouse or common-law partner of the last holder, or a child or grandchild of the last holder who was financially dependent on the last holder for support,

(b) all amounts paid to the legal representative of the last holder that are designated under subsection (8.1) or (8.11), and

(c) all amounts each of which is a tax-paid amount in respect of the plan paid to the legal representative of the last holder of the plan, to the extent that the legal representative would have been entitled to designate that tax-paid amount under subsection (8.1) or (8.11), if tax-paid amounts were not excluded from the designation;

B is the fair market value of the property of the plan at the particular time that is the later of

(a) the end of the first calendar year that begins after the death of the last holder, and

(b) the time immediately after the last time that any amount referred to in paragraph (a) or (b) of the description of A is paid out of or under the plan;

C is the total of all amounts paid out of or under the plan after the death of the last holder and before the particular time; and

D is the lesser of

(a) the fair market value of the property of the plan at the time of the last holder's death, and

(b) the sum of the values of B and C in respect of the plan.

(5) Subsection 146(8.91) of the Act is repealed.

(6) Subsections 146(8.92) and (8.93) of the Act are replaced by the following:

Deduction for post-death reduction in value

(8.92) If the last holder of a RRSP dies, there may be deducted in computing the last holder's income for the taxation year in which the last holder dies an amount not exceeding the amount determined, after all amounts payable out of or under the plan have been paid, by the formula

A – B

where

A is the total of all amounts each of which is

(a) the amount deemed by subsection (8.8) to have been received by the last holder as a benefit out of or under the plan,

(b) an amount (other than an amount described in paragraph (c)) received after the death of the last holder by a taxpayer as a benefit out of or under the plan, and included because of subsection (8) in computing the taxpayer's income, or

(c) a tax-paid amount in respect of the plan; and

B is the total of all amounts paid out of or under the plan after the death of the last holder.

Subsection (8.92) not applicable

(8.93) Except if the Minister has waived in writing the application of this subsection with respect to all or any portion of the amount determined in subsection (8.92) in respect of a RRSP, that subsection does not apply if

(a) at any time after the death of the last holder, a trust governed by the plan held a non-qualified investment; or

(b) the last payment out of or under the plan was made after the end of the year following the year in which the last holder died.

(7) Subsection 146(16) of the Act is replaced by the following:

Transfers out of a RRSP

(16) Subsection (17) applies to an amount (other than a tax-paid amount) transferred from a RRSP if

(a) the amount is transferred on behalf of an individual who is

(i) the holder of the RRSP,

(ii) a spouse or common-law partner or former spouse or common-law partner of the holder of the RRSP and who is entitled to the amount under a decree, order or judgment of a competent tribunal, or under a written agreement, relating to a division of property between the holder and the individual, in settlement of rights arising out of, or on a breakdown of, their marriage or common-law partnership, or

(iii) entitled to the amount as a consequence of the death of the holder of the RRSP and who was immediately before the holder's death

(A) a spouse or common-law partner of the holder,

(B) a child or grandchild of the holder who was financially dependent on the holder for support because of mental or physical infirmity, or

(C) a child or grandchild of the holder who was financially dependent on the holder for support and had not attained 18 years of age;

(b) the minimum amount, if any, in respect of the year of the transfer is paid out of the RRSP before the transfer is made; and

(c) the amount is transferred directly to

(i) another RRSP under which the individual is the holder,

(ii) a registered pension plan for the benefit of the individual,

(iii) an account of the individual under a pooled registered pension plan,

(iv) a VPLA fund of a pooled registered pension plan for the benefit of the individual, or

(v) a FHSA for the benefit of the holder of the RRSP, if subsection (8.3) would not apply to an amount in respect of the property in the case that the property was instead received by the holder as a benefit out of or under the RRSP,

(vi) a licensed annuities provider to acquire an advanced life deferred annuity for the benefit of the holder of the RRSP,

(vii) a licensed annuities provider to acquire an annuity described in the definition *retirement income* for the benefit of the holder of the RRSP,

(viii) a licensed annuities provider to acquire an annuity for the benefit of an individual described in clause (a)(iii)(A) or (B)

(A) for the individual's life, or for the lives jointly of the individual and the individual's spouse or common-law partner either without a guaranteed period, or with a guaranteed period that is no greater than 90 years minus the lesser of the age in whole years of the individual and the age in whole years of the individual's spouse or common-law partner at the time the annuity is acquired, or

(B) for a term equal to 90 years minus the age in whole years of the individual or the age in whole year of the individual's spouse or common-law partner, at the time the annuity is acquired, or

(ix) a licensed annuities provider to acquire an annuity for the benefit of an individual described in clause (a)(iii)(C) for a term not exceeding 18 years minus the age in whole years of the individual at the time the annuity is acquired.

Tax-free transfer

(17) If this subsection applies to an amount transferred from a RRSP,

(a) the amount shall not, by reason only of the transfer, be included in computing the income of any taxpayer; and

(b) no deduction may be made under this Part in respect of the amount in computing the income of any taxpayer.

Annuity acquired on death

(18) Subections (16) and (17) apply to an annuity described in subparagraph (16)(c)(viii) or (ix) only if the annuity does not provide for any payment thereunder except

(a) the single payment by or on behalf of the individual to acquire the annuity;

(b) annual or more frequent periodic payments

(i) beginning not later than one year after the date of the payment referred to in paragraph (a), and

(ii) each of which is equal to all other such payments or not equal to all other such payments solely because of an adjustment that is, or that would, if the annuity were an annuity under a retirement savings plan, be permitted under subparagraphs (3)(b)(iii) to (v); and

(c) payments in full or partial commutation of the annuity and, if the commutation is partial, annual or more frequent periodic payments thereafter that are equal to each other or not equal solely because of an adjustment that is, or that would, if the annuity were an annuity under a retirement savings plan, be permitted under subparagraphs (3)(b)(iii) to (v).

Excess Corporate Holdings Regime for Private Foundations

1 The Act is modified to give effect to the proposals relating to the Excess Corporate Holdings Regime for Private Foundations as described in the budget documents tabled by the Minister of Finance in the House of Commons on Budget Day.

Objections to Assessments

1 (1) Subsection 165(1) of the Act is replaced by the following:

Objections to assessment

165 (1) A taxpayer who objects to an assessment under this Part may serve on the Minister a notice of objection, in writing, setting out the reasons for the objection and all relevant facts,

(a) if the assessment is in respect of the taxpayer for a taxation year and the taxpayer is an individual (other than a trust) or a graduated rate estate for the year, on or before the later of

(i) the day that is two years after the taxpayer's filing-due date for the year, and

(ii) the day that is one year after the day of sending of the notice of assessment; and

(b) in any other case, on or before the day that is one year after the day of sending of the notice of assessment.

(2) The portion of subsection 165(1.1) of the Act after paragraph (c) and before paragraph (d) is replaced by the following:

the taxpayer may object to the assessment or determination on or before the day that is one year after the day of sending of the notice of assessment or determination, but only to the extent that the reasons for the objection can reasonably be regarded

(3) Subsections (1) and (2) apply to assessments or determinations sent on or after the day that is 3 months after Royal Assent.

2 (1) Subsection 166.1(1) of the Act is replaced by the following:

Extension of time by Minister

166.1 (1) Where no notice of objection to an assessment has been served under subsection 168(4), nor any request under subsection 245(6) made, within the time limited by those provisions for doing so, the taxpayer may apply to the Minister to extend the time for serving the notice of objection or making the request.

(2) Subsection (1) applies to assessments or determinations sent on or after the day that is 3 months after Royal Assent.

3 (1) The portion of subsection 168(4) of the Act before paragraph (a) is replaced by the following:

Objection to proposal or designation

(4) A person may, on or before the day that is 90 days after the day on which the notice was mailed, serve on the Minister a written notice of objection in the manner authorized by the Minister, setting out the reasons for the objection and all the relevant facts, and the provisions of subsections 165(1) (if the reference to "one year" in that subsection were read as "90 days"), (1.1) and (3) to (7) and sections 166, 166.1 and 166.2 apply, with any modifications that the circumstances require, as if the notice were a notice of assessment made under section 152, if

(2) Subsection (1) applies to notices mailed on or after the day that is 3 months after Royal Assent.

Disclosure of Tax Debt to Credit Bureaus

1 The Act is modified to give effect to the proposals relating to the Disclosure of Tax Debt to Credit Bureaus as described in the budget documents tabled by the Minister of Finance in the House of Commons on Budget Day.

Trust Distributions to Non-Residents

1 (1) Subsection 107(5) of the Act is replaced by the following:

Distribution to non-resident

(5) Subsection (2.1) applies (and subsection (2) does not apply) in respect of a distribution of a property by a trust, in satisfaction of all or part of a capital interest in the trust, to

(a) a non-resident person, unless the property is described in any of subparagraphs 128.1(4)(b)(i) to (iii); or

(b) a corporation resident in Canada or a partnership, any share or interest in which is held, directly or indirectly in any manner whatever, by a non-resident person.

(2) Subsection (1) applies to distributions that occur on or after Budget Day.

2 (1) Paragraph 220(4.6)(a) of the Act is replaced by the following:

(a) solely because of the application of paragraph 107(5)(a), paragraphs 107(2)(a) to (c) do not apply to a distribution by a trust in a particular taxation year (in this section referred to as the trust's "distribution year") of taxable Canadian property, and

(2) Subsection (1) applies to distributions that occur on or after Budget Day.

Information Sharing — Pension Administrators

1 The Act is modified to give effect to the proposals relating to the Information Sharing — Pension Administrators as described in the budget documents tabled by the Minister of Finance in the House of Commons on Budget Day.

Registered Pension Plans

1 (1) Subsection 147.1(13) of the Act is replaced by the following:

Revocation of registration

(13) Unless the Federal Court of Appeal or a judge thereof orders otherwise, on application made at any time before the determination of an appeal pursuant to subsection 172(3), if the Minister gives a notice of revocation to the administrator of a registered pension plan, the following rules apply as of the date specified in the notice:

(a) the registration of the plan is revoked;

(b) the plan is deemed to be a retirement compensation arrangement; and

(c) the administrator of the plan is deemed to be the custodian (within the meaning assigned by the definition *retirement compensation arrangement* in subsection 248(1)) of the arrangement.

(2) Subsection (1) comes into force on January 1, 2027.

2 (1) The definition *controlling individual* in subsection 207.01(1) of the Act is amended by striking out "or" at the end of paragraph (d), by adding "or" at the end of paragraph (e) and by adding the following after paragraph (e):

(f) a member of an individual pension plan who controls, directly or indirectly in any manner whatever,

(i) the plan, or

(ii) a *participating employer* (as defined in subsection 147.1(1)) in relation to the plan. (*particulier contrôlant*)

(2) The definition *registered plan* in subsection 207.01(1) of the Act is replaced by the following:

registered plan means a FHSA, RDSP, RESP, RRIF, RRSP, TFSA or an individual pension plan. (*régime enregistré*)

(3) The descriptions of A and B in the definition *transitional prohibited investment benefit* in subsection 207.01(1) of the Act are replaced by the following:

A is the total of all amounts each of which is income (determined without reference to paragraph 82(1)(b)) earned, or a capital gain realized, in the taxation year by a trust governed by a RRIF, RRSP or an individual pension plan of the controlling individual that

(a) is reasonably attributable, directly or indirectly, to a property that is a prohibited investment, and a transitional prohibited property, for the trust,

(b) in the case of income, is earned after

(i) March 22, 2011, in respect of a RRIF or RRSP, or

(ii) December 31, 2027, in respect of an individual pension plan, and

(c) in the case of a capital gain, accrues after

(i) March 22, 2011, in respect of a RRIF or RRSP, or

(ii) December 31, 2027, in respect of an individual pension plan; and

B is the total of all amounts each of which is a capital loss (determined without reference to subparagraph 40(2)(g)(i) and subsection 40(3.4)) realized in the taxation year by a trust governed by a RRIF, RRSP or an individual pension plan of the controlling individual that

(a) is reasonably attributable, directly or indirectly, to a property that is a prohibited investment, and a transitional prohibited property, for the trust, and

(b) accrues after

(i) March 22, 2011, in respect of a RRIF or RRSP, or

(ii) December 31, 2027, in respect of an individual pension plan. (*bénéfice transitoire provenant d'un placement interdit*)

(4) The definition *transitional prohibited property* in subsection 207.01(1) of the Act is amended by striking out "or" at the end of paragraph (a), by adding "or" at the end of paragraph (b), and by adding the following after paragraph (b):

(c) on December 31, 2027 by a trust governed by an individual pension plan of the controlling individual and that was a prohibited investment for that trust on January 1, 2028. (*bien interdit transitoire*)

(5) Subsection 207.01(1) of the Act is amended by adding the following in alphabetical order:

individual pension plan has the meaning assigned by subsection 8300(1) of the *Income Tax Regulations*. (*régime de retraite individuel*)

(6) Subsection 207.01(7) of the Act is amended by striking out "and" at the end of paragraph (a), by adding "and" at the end of paragraph (b) and by adding the following after paragraph (b):

(c) in the case of an individual pension plan, at the end of December 31, 2027.

(7) Subsection 207.01(12) of the Act is amended by striking out "and" at the end of paragraph (c), by adding "and" at the end of paragraph (d) and by adding the following after paragraph (d):

(e) in the case of a property held under an individual pension plan, the controlling individual elected under subsection 207.05(5).

(8) Paragraph 207.01(13)(a) of the Act is amended by striking out "and" at the end of subparagraph (i) and by adding the following after subparagraph (ii):

(iii) in the case of a trust governed by an individual pension plan, that was

(A) held on December 31, 2027 by a trust governed by an individual pension plan of the controlling individual referred to in subsection (12), and

(B) a prohibited investment for the trust on January 1, 2028; and

(9) Subsections (1) to (8) come into force on January 1, 2028.

3 (1) Subsection 207.04(6) of the Act is replaced by the following:

Liability for tax

(6) Each person who is a holder of a RDSP, a subscriber of a RESP or a controlling individual of an individual pension plan at the time that a tax is imposed under subsection (1) in connection with the plan is jointly and severally, or solidarily, liable to pay the tax.

(2) Subsection (1) comes into force on January 1, 2028.

4 (1) Section 207.05 of the Act is amended by adding the following after subsection (4):

Transitional rule

(5) If a person so elects before March 2, 2029 in prescribed form, subsection (1) does not apply in respect of any advantage that is an amount included in the calculation of a transitional prohibited investment benefit of a controlling individual in respect of an individual pension plan for a taxation year provided that an amount equal to the transitional prohibited investment benefit is received as a superannuation or pension benefit by a member of the plan under paragraph 56(1)(a), on or before the day that is 90 days after the end of the taxation year.

(2) Subsection (1) comes into force on January 1, 2028.

5 (1) Section 207.6 of the Act is amended by adding the following after subsection (4):

Deemed contribution on revocation

(4.1) If a registered pension plan that has received a notice of revocation becomes a retirement compensation arrangement pursuant to subsection 147.1(13), the custodian of the plan is deemed to have made a contribution to the arrangement on the date specified in the notice in an amount equal to the fair market value on that date of all the properties of the plan less any tax payable by the plan under section 207.91.

(2) Subsection (1) comes into force on January 1, 2027.

6 (1) The Act is amended by adding the following after Part XI.5:

PART XI.6

Tax on Revocation of a Registered Pension Plan

Tax payable

207.91 (1) A plan (in this Part referred to as a "revoked plan") that ceases to be a registered pension plan under subsection 147.1(13) is liable to pay a tax under this Part in an amount equal to 10% of the fair market value of all the properties of the plan immediately before the time the plan ceased to be a registered pension plan.

Waiver of tax payable

(2) If a revoked plan would otherwise be liable to pay a tax under this Part, the Minister may waive or cancel all or part of the liability where the Minister considers it just and equitable to do so having regard to all the circumstances.

Return and payment of tax

(3) A person that was the administrator of a registered pension plan immediately before it became a revoked plan must within 90 days of the revocation

(a) file with the Minister a return under this Part in respect of the revocation in prescribed form and containing prescribed information; and

(b) pay to the Receiver General the amount of tax payable under this Part in respect of the revocation.

Provisions applicable to Part

(4) Subsections 150(2) and (3), sections 152 and 158, subsections 161(1) and (11), sections 162 to 167 and Division J of Part I are applicable to this Part with such modifications as the circumstances require.

(2) Subsection (1) comes into force on January 1, 2027.

7 (1) The portion of the definition *retirement compensation arrangement* in subsection 248(1) of the Act before paragraph (a) is replaced by the following:

retirement compensation arrangement means a plan or arrangement under which contributions (other than payments made to acquire an interest in a life insurance policy) are made by an employer or former employer of a taxpayer, or by a person with whom the employer or former employer does not deal at arm's length, to another person or partnership (in this definition and in Part XI.3 referred to as the "custodian") in connection with benefits that are to be or may be received or enjoyed by any person on, after or in contemplation of any substantial change in the services rendered by the taxpayer, the retirement of the taxpayer or the loss of an office or employment of the taxpayer (including a plan that is deemed to be a retirement compensation arrangement pursuant to subsection 147.1(13)), but does not include

(2) Subsection (1) comes into force on January 1, 2027.

8 (1) The definition *individual pension plan* in subsection 8300(1) of the Regulations is replaced by the following:

individual pension plan, in respect of a calendar year, means a registered pension plan that contains a defined benefit provision if, at any time in the year or a preceding year,

(a) the plan has fewer than four members and at least one of them is related to a participating employer in the plan,

(b) all of the members of the plan are either

(i) related to an employer that participates in the plan, or

(ii) not dealing at arm's length with a member described in subparagraph (i), or

(c) the plan is a designated plan and it is reasonable to conclude that the rights of one or more members to receive benefits under the plan exist primarily to avoid the application of paragraph (a); (*régime de retraite individuel*)

(2) Subsection (1) comes into force on January 1, 2027.

9 (1) Paragraph 8501(1)(e) of the Regulations is replaced by the following:

(e) there is no reason to expect that the plan may become a revocable plan under subsection 147.1(8) or (9) of the Act or subsections 8503(15) or 8506(4) or section 8521.

(2) Subsection 8501(2) of the Regulations is replaced by the following:

(2) For the purposes of paragraph 147.1(11)(c) of the Act, and subject to sections 8509 and 8510, a registered pension plan becomes a revocable plan at any time that

(a) it fails to comply with

(i) a condition set out in any of paragraphs 8502(b), (d), (g) to (k) and (m),

(ii) if the plan contains a defined benefit provision, a condition set out in paragraph 8503(3)(a), (b), (d), (j), (k) or (l) or (4)(b), (d), (e) or (f), or

(iii) if the plan contains a money purchase provision, a condition set out in any of paragraphs 8506(2)(b) to (c.1) and (e) to (i); and

(b) it is an individual pension plan described in section 8521.

(3) Subsections (1) and (2) come into force on January 1, 2028.

10 (1) The Regulations are amended by adding the following after section 8520:

Special rules for individual pension plans

8521 For the purpose of paragraph 8501(2)(b), an individual pension plan becomes a revocable plan

(a) at the end of a year if

(i) a person who is a member or a beneficiary, in respect of the plan, who was, at the time of the member's death, a spouse or common-law partner of the member, is in receipt of retirement benefits under the terms of the plan,

(ii) the person has attained 71 years of age before the year, and

(iii) the plan has not paid in the year an amount to the person equal to the greater of

(A) the retirement benefits payable to the person for the year, and

(B) the lesser of

(I) the IPP minimum amount for the person for the year, and

(II) the actuarial surplus under the plan at the beginning of the year; and

(b) at any time that the fair market value of the property held under the plan exceeds 200% of the amount of actuarial liabilities associated with retirement benefits payable under the plan.

(2) Subsection (1) comes into force on January 1, 2028.

11 (1) Subsection 8503(26) of the Regulations is repealed.

(2) Subsection (1) comes into force on January 1, 2028.

Build Canada Workers Benefit

1 (1) Subsection 117(2.1) of the Act is repealed.

(2) Subsection (1) applies to the 2028 and subsequent taxation years.

2 (1) Paragraphs 117.1(2)(q) and (r) of the Act are replaced by the following:

(q) the amounts of $1,859 and $3,143 in the description of A, and each of the amounts expressed in dollars in the description of B, in subsection 122.7(2), for a taxation year that begins after 2027;

(r) the amount of $882 in the description of C and each of the amounts expressed in dollars in the description of D, in subsection 122.7(3), for a taxation year that begins after 2027;

(2) Subsection (1) applies to the 2027 and subsequent taxation years.

3 (1) The heading before section 122.7 of the Act is replaced by the following:

SUBDIVISION A.2

Build Canada Workers Benefit

(2) The descriptions of A and B in subsection 122.7(2) of the Act are replaced by the following:

A is

(a) if the individual had neither an eligible spouse nor an eligible dependant, for the taxation year, the lesser of $1,859 and 27% of the amount, if any, by which the individual's working income for the taxation year exceeds $500, and

(b) if the individual had an eligible spouse or an eligible dependant, for the taxation year, the lesser of $3,143 and 27% of the amount, if any, by which the total of the working incomes of the individual and, if applicable, of the eligible spouse, for the taxation year, exceeds $500; and

B is

(a) if the individual had neither an eligible spouse nor an eligible dependant, for the taxation year, 15% of the amount, if any, by which the adjusted net income of the individual for the taxation year exceeds $27,104, and

(b) if the individual had an eligible spouse or an eligible dependant, for the taxation year, 15% of the amount, if any, by which the total of the adjusted net incomes of the individual and, if applicable, of the eligible spouse, for the taxation year, exceeds $30,731.

(3) The descriptions of C and D in subsection 122.7(3) of the Act is replaced by the following:

C is the lesser of $882 and 27% of the amount, if any, by which the individual's working income for the taxation year exceeds $200; and

D is

(a) if the individual had neither an eligible spouse nor an eligible dependant, for the taxation year, 15% of the amount, if any, by which the individual's adjusted net income for the taxation year exceeds $39,495 ,

(b) if the individual had an eligible spouse for the taxation year who was not entitled to deduct an amount under subsection 118.3(1) for the taxation year, or had an eligible dependant for the taxation year, 15% of the amount, if any, by which the total of the adjusted net incomes of the individual and, if applicable, of the eligible spouse, for the taxation year, exceeds $51,687 , and

(c) if the individual had an eligible spouse for the taxation year who was entitled to deduct an amount under subsection 118.3(1) for the taxation year, 7.5% of the amount, if any, by which the total of the adjusted net incomes of the individual and of the eligible spouse, for the taxation year, exceeds $51,687 .

(4) Subsection (1) to (3) apply to the 2027 and subsequent taxation years.

4 (1) Subsection 122.72(1) of the Act is replaced by the following:

Advance payment

122.72 (1) Subject to subsection (5), an individual in relation to a month specified for a taxation year who is an eligible individual for the preceding taxation year who files a return of income for the preceding taxation year on or before the first day of November of the taxation year is deemed to have paid during the specified month on account of their tax payable under this Part for the taxation year an amount equal to 1/12 of the total of the amounts, if any, determined for the individual for the preceding taxation year under subsections 122.7(2) and (3).

(2) Section 122.72 of the Act is repealed.

(3) Subsection (1) applies to the 2027 taxation year.

(4) Subsection (2) applies to the 2028 and subsequent taxation years.

Clean Electricity and Clean Technology Investment Tax Credits

1 The Act is modified to give effect to the proposals relating to the Clean Electricity and Clean Technology Investment Tax Credits as described in the budget documents tabled by the Minister of Finance in the House of Commons on Budget Day.

Scientific Research and Experimental Development Tax Incentive Program

1 The Act is modified to give effect to the proposals relating to the Scientific Research and Experimental Development Tax Incentive Program as described in the budget documents tabled by the Minister of Finance in the House of Commons on Budget Day.

Interest Deductibility Limits

1 (1) The definition *exempt interest and financing expenses* in subsection 18.2(1) of the Act is replaced by the following:

exempt interest and financing expenses of a taxpayer for a taxation year means the total of all amounts, each of which would, if the description of A in the definition *interest and financing expenses* were read without reference to "(other than an amount that is included in exempt interest and financing expenses)", be included in interest and financing expenses of the taxpayer for that year and is incurred in respect of a borrowing or other financing (referred to in this definition as the "borrowing") of the taxpayer or a partnership of which the taxpayer is a member (referred to in this definition as the "borrower") if any of the following conditions is met,

(a) it is the case that

(i) the taxpayer or a partnership of which the taxpayer is a member entered into an agreement with a public sector authority to design, build and finance — or to design, build, finance, maintain and operate — property that the public sector authority, or another public sector authority, owns or has a leasehold interest in or right to acquire,

(ii) the borrowing was entered into in respect of the agreement,

(iii) it can reasonably be considered that all or substantially all of the amount is directly or indirectly borne by a public sector authority referred to in subparagraph (i), and

(iv) the amount was paid or payable to

(A) a person that deals at arm's length with the borrower, or

(B) a particular person that does not deal at arm's length with the borrower if it may reasonably be considered that all or substantially all of the amount paid or payable to the particular person was paid or payable by the particular person to one or more persons that deal at arm's length with the borrower;

(b) it is the case that

(i) the amount is paid or payable before 2036 to a person that deals at arm's length with the borrower,

(ii) the amount is reasonably attributable to the portion of the borrowing that is used, directly or indirectly, by the borrower for the purpose of the borrower or a person or partnership that is, at the end of the taxation year of the taxpayer, an eligible group entity or extended eligible group entity in respect of the borrower,

(A) acquiring a purpose-built residential rental,

(B) building a purpose-built residential rental, or

(C) converting a property into a purpose-built residential rental,

(iii) at the time that the amount was paid or payable, the property referred to in clause (ii)(A), (B) or (C), as the case may be, is

(A) owned by the borrower, the eligible group entity or the extended eligible group entity, and

(B) a purpose-built residential rental or being built or converted to be a purpose-built residential rental, and

(iv) the taxpayer elects, on or before the filing-due date of the taxpayer for the year, to have this paragraph apply to the taxpayer for the year; or

(c) it is the case that

(i) the amount is paid or payable to a person that deals at arm's length with the borrower,

(ii) the amount is reasonably attributable to the portion of the borrowing that is used, directly or indirectly, by the borrower for the purpose of gaining or producing income from a Canadian regulated energy utility business carried on by

(A) the borrower, or

(B) a person or partnership that is, at the end of the taxation year of the taxpayer, an eligible group entity or extended eligible group entity in respect of the borrower, and

(iii) the taxpayer elects, on or before the filing-due date of the taxpayer for the year, to have this paragraph apply to the taxpayer for the year and for each subsequent taxation year. (*dépenses d'intérêts et de financement exonérées*)

(2) Paragraph (k) of the description of B in the definition *adjusted taxable income* in subsection 18.2(1) of the Act is replaced by the following:

(k) the amount that would be the taxpayer's loss for the year, or that would be the taxpayer's share of the loss of a partnership of which the taxpayer is a member, if the taxpayer or partnership had no income or loss other than a loss that can reasonably be considered to be incurred by the taxpayer or the partnership in respect of activities funded by a borrowing (within the meaning of the definition *exempt interest and financing expenses*) that results in exempt interest and financing expenses of the taxpayer,

(3) Paragraph (j) of the description of C in the definition *adjusted taxable income* in subsection 18.2(1) of the Act is replaced by the following:

(j) the amount that would be the taxpayer's income for the year, or that would be the taxpayer's share of the income of a partnership of which the taxpayer is a member, if the taxpayer or partnership had no income or loss other than income that can reasonably be considered to be earned by the taxpayer or the partnership in respect of activities funded by a borrowing (within the meaning of the definition *exempt interest and financing expenses*) that results in exempt interest and financing expenses of the taxpayer. (*revenu imposable rajusté*)

(4) Subsection 18.2(1) of the Act is amended by adding the following in alphabetical order:

Canadian regulated energy utility business means a business carried on by a person or partnership in Canada

(a) that is the production, generation, storage, transmission, distribution, sale, delivery or provision of electricity, natural gas or steam, or any other input for the production of light, heat, cold or energy; and

(b) in respect of which the prices of all or substantially all of the products and services of the business are

(i) established, approved or guaranteed by a government of a province or by a person or body of persons that is wholly owned or controlled by the government of a province and that is authorized under the laws of a province to establish, approve or guarantee those prices, or

(ii) established through a market or system operated by the government of a province, or by a person or body of persons that is wholly owned or controlled by the government of a province, that provides for the exchange of products or services described in paragraph (a) and the financial settlement of transactions in respect of those products or services and that facilitates the delivery of those products or services for consumption or use in Canada. (*entreprise canadienne réglementée de services publics d'énergie*)

extended eligible group entity, in respect of a person or partnership (referred to in this definition as a "particular person") at any time, means

(a) a person or partnership that would at the time be affiliated with the particular person if section 251.1 were read without reference to the definition *controlled* in subsection 251.1(3), or

(b) a partnership in which the particular person alone or together with persons described in paragraph (a) or eligible group entities in respect of the particular person has an interest as a member of the partnership with a specified proportion of not less than 40% for the last fiscal period of the partnership that ended before that time (or, if the partnership's first fiscal period includes that time, for that first fiscal period) and, for the purpose of this paragraph, if any interests in the partnership are held by another partnership (other than the particular person), or are deemed to be held by the other partnership, the interest is deemed to be held at that time by each member of the other partnership in a proportion equal to the specified proportion of each member of the other partnership for the last fiscal period of the other partnership that ended before that time (or, if the other partnership's first fiscal period includes the time, for that first fiscal period). (*entité admissible du groupe élargi*)

purpose-built residential rental means a building or a part of a building situated in Canada

(a) that contains

(i) four or more residential rental units at least four of which contain private kitchen facilities, a private bath and a private living area, or

(ii) 10 or more residential rental units; and

(b) in which all or substantially all the residential rental units are rented or offered for rent for continuous periods of not less than 28 consecutive days. (*ensemble résidentiel construit spécialement pour la location*)

residential rental unit means a housing unit used or intended for use as a rented residential premises that is not provided to the travelling or vacationing public. (*logement locatif*)

(5) Section 18.2 of the Act is amended by adding the following after subsection (19):

Application of subsection (20.1)

(20) Subsection (20.1) applies to a taxpayer for a taxation year if the taxpayer, an eligible group entity or extended eligible group entity in respect of the taxpayer, or another taxpayer that is a member of an extended eligible group entity in respect of the taxpayer, made an election

(a) under subparagraph (b)(iv) of the definition *exempt interest and financing expenses* to have that paragraph (b) apply for a particular taxation year that includes the end of the taxation year; or

(b) under subparagraph (c)(iii) of the definition *exempt interest and financing expenses* to have that paragraph (c) apply for a particular taxation year that includes the end of the taxation year.

Deemed income and loss

(20.1) If this subsection applies to a taxpayer for a taxation year, in computing amounts under paragraph (k) of the description of B and paragraph (j) of the description of C of the definition *adjusted taxable income* of the taxpayer for the taxation year, where

(a) paragraph (20)(a) applies, any income, gain or loss from a purpose-built residential rental of the taxpayer, or the share of the income, gain or loss from a purpose-built residential rental of a partnership which is an extended eligible group entity of the taxpayer, is deemed to be earned or incurred in respect of activities funded by a borrowing (within the meaning of the definition *exempt interest and financing expenses*) that results in exempt interest and financing expenses of the taxpayer; and

(b) paragraph (20)(b) applies, any income or loss from a Canadian regulated energy utility business carried on by the taxpayer, or the share of the income or loss from carrying on a Canadian regulated energy utility business by a partnership which is an extended eligible group entity of the taxpayer, is deemed to be earned or incurred in respect of activities funded by a borrowing (within the meaning of the definition *exempt interest and financing expenses*) that results in exempt interest and financing expenses of the taxpayer.

Deeming rule

(21) For the purposes of paragraphs (b) and (c) of the definition *exempt interest and financing expenses* in subsection (1), if a taxpayer is a member of a partnership, the taxpayer will not, solely because it is a member of the partnership, be considered to carry on any business or other activity of the partnership.

(6) Subsections (1) to (5) apply in respect of taxation years of a taxpayer that begin on or after October 1, 2023, except that for purposes of subparagraphs (b)(iv) and (c)(iii) of the definition *exempt interest and financing expenses*, as enacted by subsection (1), the filing-due date of the taxpayer for a taxation year is deemed to be the later of the filing-due date of the taxpayer for the taxation year otherwise determined and the day that is 90 days after royal assent of the enacting legislation.

2 (1) Section 18.21 of the Act is amended by adding the following after subsection (8):

Deeming rule

(9) For the purpose of the description of N in the definition *group adjusted net book income*, of a consolidated group for a relevant period, if there is a borrowing (within the meaning of the definition *exempt interest and financing expenses* in subsection 18.2(1)) of a taxpayer, or a partnership of which the taxpayer is a member (referred to in this subsection as the "borrower") that results in exempt interest and financing expenses of the taxpayer, the borrower is a member of the consolidated group and

(a) the taxpayer has made an election under subparagraph (b)(iv) of the definition *exempt interest and financing expenses* in subsection 18.2(1) to have that paragraph (b) apply for a taxation year ending in the relevant period, any net income reported in the consolidated financial statements of the consolidated group in respect of any income or gain from a purpose-built residential rental of the borrower, an eligible group entity, or an extended eligible group entity, in respect of the borrower is deemed to be earned by the borrower in respect of the borrowing; or

(b) the taxpayer has made an election under subparagraph (c)(iii) of the definition *exempt interest and financing expenses* in subsection 18.2(1) to have that paragraph (c) apply for a taxation year ending in the relevant period and for each subsequent taxation year, any net income reported in the consolidated financial statements of the consolidated group from a Canadian regulated energy utility business carried on by the borrower, an eligible group entity, or an extended eligible group entity, in respect of the borrower is deemed to be earned by the borrower in respect of the borrowing.

(2) Subsection (1) applies in respect of taxation years of a taxpayer that begin on or after October 1, 2023.

3 (1) Subsection 20(3) of the Act is replaced by the following:

Borrowed money

(3) For greater certainty, if a taxpayer uses borrowed money to repay money previously borrowed, or to pay an amount payable for property described in subparagraph (1)(c)(ii) previously acquired (which previously borrowed money or amount payable in respect of previously acquired property is, in this subsection, referred to as the "previous indebtedness"), subject to subsection 20.1(6), for the purposes of paragraphs (1)(c), (e) and (e.1), the definition *exempt interest and financing expenses* in subsection 18.2(1), subsections 20.1(1) and (2), section 21, subparagraph 95(2)(a)(ii) and for the purpose of paragraph 20(1)(k) of the *Income Tax Act*, Chapter 148 of the Revised Statutes of Canada, 1952, the borrowed money is deemed to be used for the purpose for which the previous indebtedness was used or incurred, or was deemed by this subsection to have been used or incurred.

(2) Subsection (1) applies in respect of taxation years of a taxpayer that begin on or after October 1, 2023.

4 (1) Section 600 of the Regulations is amended by adding the following after paragraph (c):

(c.01) subparagraphs (b)(iv) and (c)(iii) of the definition *exempt interest and financing expenses* in subsection 18.2(1) of the Act;

(2) Subsection (1) is deemed to come into force on October 1, 2023.

Canadian Journalism Labour Tax Credit

1 (1) Paragraph (d) of the definition *eligible newsroom employee* in subsection 125.6(1) of the Act is replaced by the following:

(d) spends at least 75% of their time engaged in the production or post-production of original news content, including by researching, collecting information, verifying facts, photographing, video or sound recording, video or sound editing, writing, editing, designing, presenting a news bulletin or a news segment, or other activities related to the preparation or presentation of original news content ; and

(2) The definition *low threshold qualifying labour expenditure* in subsection 125.6(1) of the Act is repealed.

(3) The definition *qualifying journalism organization* in subsection 125.6(1) of the Act is replaced by the following:

qualifying journalism organization, at any time, means a corporation, partnership or trust that

(a) is a qualified Canadian journalism organization (or would be a qualified Canadian journalism organization if subparagraph (a)(iv) of that definition were read as "it operates in Canada, including that its content is edited, designed, produced and, except in the case of digital content, published or broadcast in Canada"); and

(b) if it is a corporation having share capital, meets the conditions in subparagraph (e)(iii) of the definition *Canadian newspaper* in subsection 19(5). (*organisation journalistique admissible*)

(4) The definition *qualifying labour expenditure* in subsection 125.6(1) of the Act is replaced by the following:

qualifying labour expenditure of a taxpayer in respect of an eligible newsroom employee for a taxation year means the lesser of

(a) the amount determined by the formula

$85,000 × A ÷ 365

where

A is the lesser of 365 and the number of days in the taxation year during which the taxpayer is a qualifying journalism organization, and

(b) the amount determined by the formula

$$A - B$$

where

A is the salary or wages payable by the taxpayer to the eligible newsroom employee in respect of the portion of the taxation year throughout which the taxpayer is a qualifying journalism organization, and

B is the total of all amounts each of which is an amount of assistance that

(A) the taxpayer has received, is entitled to receive or can reasonably be expected to receive, in respect of amounts described in A, and

(B) has not been repaid before the end of the year pursuant to a legal obligation to do so. (*dépense de main-d'œuvre admissible*)

(5) Subsection 125.6(2) of the Act is replaced by the following:

Tax credit

(2) A taxpayer (other than a partnership) that is a qualifying journalism organization at any time in a taxation year and that files a prescribed form containing prescribed information with its return of income for the year is deemed to have, on its balance-due day for the year, paid on account of its tax payable under this Part for the year

(a) if the year begins after 2022 and ends before 2029, an amount determined by the formula

$$0.35 \times A - B$$

where

A is the total of all amounts each of which is a qualifying labour expenditure of the qualifying journalism organization for the year in respect of an eligible newsroom employee, and

B is the amount received by the taxpayer from the Aid to Publishers component of the Canada Periodical Fund in the year;

(b) if the year begins before 2029 and ends after 2028, an amount determined by the formula

$$0.35 \times A + 0.25 \times B - C$$

where

A is the amount determined by the formula

$$D \times E \div F$$

where

D is the total of all amounts each of which is a qualifying labour expenditure of the qualifying journalism organization for the year in respect of an eligible newsroom employee,

E is the number of days in the taxation year that are before 2029 during which the taxpayer is a qualifying journalism organization, and

F is the number of days in the taxation year during which the taxpayer is a qualifying journalism organization,

B is the amount determined by the formula

$$G \times H \div I$$

where

G is the total of all amounts each of which is a qualifying labour expenditure of the qualifying journalism organization for the year in respect of an eligible newsroom employee,

H is the number of days in the taxation year that are after 2028 during which the taxpayer is a qualifying journalism organization, and

I is the number of days in the taxation year during which the taxpayer is a qualifying journalism organization, and

C is the amount received by the taxpayer from the Aid to Publishers component of the Canada Periodical Fund in the year; and

(c) if the year begins after 2028, an amount determined by the formula

0.25 × A − B

where

A is the total of all amounts each of which is a qualifying labour expenditure of the qualifying journalism organization for the year in respect of an eligible newsroom employee, and

B is the amount received by the taxpayer from the Aid to Publishers component of the Canada Periodical Fund in the year.

(6) Subsection 125.6(2.1) of the Act is replaced by the following:

Partnership — tax credit

(2.1) If a taxpayer (other than a partnership) is a member of a partnership (other than a specified member of the partnership) at the end of a fiscal period of the partnership that ends in a taxation year of the taxpayer, the partnership is a qualifying journalism organization at any time in that fiscal period and the partnership files an information return in prescribed form containing prescribed information for that fiscal period, then the taxpayer is deemed to have, on the taxpayer's balance-due day for the taxation year, paid on account of the taxpayer's tax payable under this Part for the taxation year

(a) if the fiscal period begins after 2022 and ends before 2029, an amount determined by the formula

(0.35 × A − B) × C ÷ D

where

A is the total of all amounts each of which is a qualifying labour expenditure of the qualifying journalism organization for the fiscal period in respect of an eligible newsroom employee,

B is the amount received by the qualifying journalism organization from the Aid to Publishers component of the Canada Periodical Fund in the fiscal period,

C is the specified proportion of the taxpayer for the fiscal period, and

D is the total of all specified proportions of members of the partnership for the fiscal period, other than members that are partnerships or specified members of the partnership;

(b) if the fiscal period begins before 2029 and ends after 2028, an amount determined by the formula

(0.35 × A + 0.25 × B − C) × D ÷ E

where

A is the amount determined by the formula

F × G ÷ H

where

F is the total of all amounts each of which is a qualifying labour expenditure of the qualifying journalism organization for the fiscal period in respect of an eligible newsroom employee,

G is the number of days in the fiscal period that are before 2029 during which the partnership is a qualifying journalism organization, and

H is the number of days in the fiscal period during which the partnership is a qualifying journalism organization,

B is the amount determined by the formula

$$I \times J \div K$$

where

I is the total of all amounts each of which is a qualifying labour expenditure of the qualifying journalism organization for the fiscal period in respect of an eligible newsroom employee,

J is the number of days in the fiscal period that are after 2028 during which the partnership is a qualifying journalism organization, and

K is the number of days in the fiscal period during which the partnership is a qualifying journalism organization,

C is the amount received by the qualifying journalism organization from the Aid to Publishers component of the Canada Periodical Fund in the fiscal period,

D is the specified proportion of the taxpayer for the fiscal period, and

E is the total of all specified proportions of members of the partnership for the fiscal period, other than members that are partnerships or specified members of the partnership; and

(c) if the fiscal period begins after 2028, an amount determined by the formula

$$(0.25 \times A - B) \times C \div D$$

where

A is the total of all amounts each of which is a qualifying labour expenditure of the qualifying journalism organization for the fiscal period in respect of an eligible newsroom employee,

B is the amount received by the qualifying journalism organization from the Aid to Publishers component of the Canada Periodical Fund in the fiscal period,

C is the specified proportion of the taxpayer for the fiscal period, and

D is the total of all specified proportions of members of the partnership for the fiscal period, other than members that are partnerships or specified members of the partnership.

(7) Subsections (1) to (6) apply to expenditures incurred on or after Budget Day.

Taxable Preferred Shares

1 (1) Paragraph (b) of the definition *excluded dividend* in subsection 191(1) of the Act is replaced by the following:

(b) paid by a corporation that was a financial intermediary corporation, a Canadian-controlled private corporation or a private holding corporation at the time the dividend was paid,

(2) Subsection (1) applies to dividends paid on or after Budget Day.

2 (1) Subsection 191.1(2) of the French version of the Act is replaced by the following:

Exemption pour dividendes

(2) Pour l'application du présent article, l'exemption pour dividendes applicable à une société canadienne imposable pour une année d'imposition est l'excédent éventuel de 1 500 000 $ sur l'excédent éventuel du total des dividendes imposables, sauf des dividendes exclus, versés par la société sur des actions privilégiées imposables ou sur des actions qui en seraient si elles étaient émises après le 18 juin 1987 et si elles n'étaient pas des actions de régime transitoire, au cours de l'année civile qui précède celle au cours de laquelle l'année d'imposition se termine, sur 3 000 000 $. Toutefois, si au

cours de l'année d'imposition la société est associée avec une ou plusieurs autres sociétés canadiennes imposables, l'exemption pour dividendes qui lui est applicable pour l'année est nulle, sauf disposition contraire du présent article.

(2) Paragraph 191.1(2)(a) of the Act is replaced by the following:

(a) $1,500,000

(3) Paragraph 191.1(2)(b) of the Act is replaced by the following:

(b) the amount, if any, by which the total of taxable dividends (other than excluded dividends) paid by it on taxable preferred shares, or shares that would be taxable preferred shares if they were issued after June 18, 1987 and were not grandfathered shares, in the calendar year immediately preceding the calendar year in which the taxation year ended exceeds $3,000,000,

(4) Subsection 191.1(4) of the French version of the Act is replaced by the following:

Exemption totale pour dividendes

(4) Pour l'application du présent article, l'exemption totale pour dividendes applicable à un groupe de sociétés canadiennes imposables associées entre elles au cours d'une année d'imposition est l'excédent éventuel de 1 500 000 $ sur l'excédent éventuel du total des dividendes imposables, sauf des dividendes exclus, que ces sociétés ont versés sur des actions privilégiées imposables ou sur des actions qui en seraient si elles étaient émises après le 18 juin 1987 et si elles n'étaient pas des actions de régime transitoire, au cours de l'année civile qui précède celle au cours de laquelle l'année d'imposition se termine, sur 3 000 000 $.

(5) Paragraph 191.1(4)(a) of the Act is replaced by the following:

(a) $1,500,000

(6) Paragraph 191.1(4)(b) of the Act is replaced by the following:

(b) the amount, if any, by which the total of taxable dividends (other than excluded dividends) paid by those corporations on taxable preferred shares, or shares that would be taxable preferred shares if they were issued after June 18, 1987 and were not grandfathered shares, in the calendar year immediately preceding the calendar year in which the taxation year ended exceeds $3,000,000.

(7) Subsections (1) to (6) apply to taxation years that end after 2026.

Helium Exploration, Development and Resource Expenses

1 The Act is modified to give effect to the proposals relating to the Helium Exploration, Development and Resource Expenses as described in the budget documents tabled by the Minister of Finance in the House of Commons on Budget Day.

Corporate Tax Elections

1 (1) The portion of subsection 37(9.3) of the Act before the formula is replaced by the following:

Agreement among associated corporations

(9.3) Where all of the members of a group of associated corporations of which an individual is a specified employee file, in respect of their taxation years that end in a particular calendar year, an agreement in prescribed form with the Minister in which they allocate an amount in respect of the individual to one or more of them for those years and the amount so allocated or the total of the amounts so allocated, as the case may be, does not exceed the amount determined by the formula

(2) Subsection 37(9.4) of the Act is repealed.

2 Subsection 80.04(6) of the Act is amended by adding "or" to the end of paragraph (a) and by repealing paragraph (b).

3 (1) Subsection 127(15) of the Act is amended by adding "or" to the end of paragraph (b) and by repealing paragraph (c).

(2) Subsection 127(22) of the Act is amended by adding "or" to the end of paragraph (b) and by repealing paragraph (c).

4 The portion of subsection 204.81(8.1) of the Act before paragraph (a) is replaced by the following:

Voluntary de-registration

(8.1) If at any time the Minister receives notice in writing by registered mail that a registered labour-sponsored venture capital corporation is seeking the revocation of its registration under this Part,

5 Subsection 1500(3) of the Regulations is amended by adding "and" to the end of paragraph (a) and by repealing paragraph (b).

6 Section 1501 of the Regulations is amended by adding "and" to the end of paragraph (a) and by repealing paragraph (b).

7 Section 2101 of the Regulations is amended by repealing paragraph (b) and (c).

8 Section 2104 of the Regulations is amended by repealing paragraph (b) and (c).

9 Paragraph (a) of section 2104.1 of the Regulations is replaced by the following:

(a) the form prescribed by the Minister; and

10 Subparagraphs (a)(ii) and (iii) in section 2106 of the Regulations are replaced by the following:

(ii) a declaration that the election is made with the concurrence of all shareholders who received or were entitled to receive all or any portion of the said dividend and whose addresses were known to the corporation,

11 Section 4100 of the Regulations is replaced the following:

4100 For the purposes of subsection 20(9) of the Act, an election shall be made by filing with the Minister a letter from the taxpayer specifying the amount in respect of which the election is being made.

12 Subsection 4800(4) of the Regulations is amended by adding "and" to the end of paragraph (a) and by repealing paragraph (b) and (c).

Corporate Loss Transfers

1 The Act is modified to give effect to the proposals relating to the Corporate Loss Transfers as described in the budget documents tabled by the Minister of Finance in the House of Commons on Budget Day.

Administrative Penalties

1 (1) The portion of subsection 66(12.75) of the Act before paragraph (a) is replaced by the following:

Penalty

(12.75) For the purposes of subsections (12.74) and (12.741), the penalty in respect of the late filing of a document referred to in subsection (12.68), (12.69), (12.691), (12.7) or (12.701) or in respect of a renunciation referred to in subsection (12.741) is the lesser of $45,000 and

(2) Subparagraph 66(12.75)(a)(i) of the Act is replaced by the following:

(i) $300, and

(3) Subparagraph 66(12.75)(b)(i) of the Act is replaced by the following:

(i) $300, and

(4) Subparagraph 66(12.75)(c)(i) of the Act is replaced by the following:

(i) $300, and

(5) Subsections (1) to (4) apply in respect of documents filed and purported renunciations made after 2027.

2 (1) Paragraph 85(8)(b) of the Act is replaced by the following:

(b) an amount, not exceeding $24,000, equal to the product obtained by multiplying $300 by the number of months each of which is a month all or part of which is during the period referred to in paragraph (a).

(2) Subsection (1) applies in respect of elections and amended elections made after 2027.

3 (1) Paragraph 93(6)(b) of the Act is replaced by the following:

(b) an amount, not exceeding $24,000, equal to the product obtained by multiplying $300 by the number of months each of which is a month all or part of which is during the period referred to in paragraph (a).

(2) Subsection (1) applies in respect of elections and amended elections made after 2027.

4 (1) Subparagraph 96(6)(a)(ii) of the Act is replaced by the following:

(ii) an amount, not exceeding $24,000, equal to the product obtained by multiplying $300 by the number of months each of which is a month all or part of which is during the period referred to in subparagraph (i); and

(2) Subparagraph 96(6)(b)(ii) of the Act is replaced by the following:

(ii) an amount, not exceeding $24,000, equal to the product obtained by multiplying $300 by the number of months each of which is a month all or part of which is during the period referred to in subparagraph (i).

(3) Subsections (1) and (2) apply in respect of elections and amended elections made after 2027.

5 (1) Paragraph (a) in the description of A in subsection 149(7.1) of the Act is replaced by the following:

(a) $1,000, and

(2) Subsection (1) applies to the 2028 and subsequent taxation years.

6 (1) Subsections 162(2) to (3) of the Act are replaced by the following:

Repeated failure to file

(2) Every person is liable to a penalty who

(a) fails to file a return of income for a taxation year as and when required by subsection 150(1);

(b) has been sent a demand for a return for the year under subsection 150(2);

(b.1) has not complied with the demand referred to in paragraph (b) within such reasonable time as was stipulated in the demand; and

(c) before the time of failure, was liable to a penalty under this subsection or subsection (1) in respect of a return of income for any of the 3 preceding taxation years.

Repeated failure to file — amount

(2.01) The amount of the penalty to which the person is liable under subsection (2) is equal to the total of

(a) an amount equal to 10% of the person's tax payable under this Part for the year that was unpaid when the return was required to be filed; and

(b) the product obtained when 2% of the person's tax payable under this Part for the year that was unpaid when the return was required to be filed is multiplied by the number of complete months, not exceeding 20, from the date on which the return was required to be filed to the date on which the return was filed.

Failure to file - non-resident corporation

(2.1) Despite subsections (1) and (2), if a non-resident corporation is liable to a penalty under subsection (1) or (2) for failure to file a return of income for a taxation year, or would have been liable if the corporation's tax payable under this Part for the year was greater than nil, the corporation is not liable to a penalty under subsection (1) or (2) and is liable to a penalty equal to the greater of

(a) the amount computed under subsection (1) or (2.01), as the case may be; and

(b) an amount equal to the greater of

(i) $300, and

(ii) $75 times the number of days, not exceeding 100, from the day on which the return was required to be filed to the day on which the return is filed.

Failure to file by trustee

(3) Every person who fails to file a return as required by subsection 150(3) is liable to a penalty of $300 for each day of default but not exceeding $1,500.

(2) The portion of subsection 162(4) of the Act after paragraph (c) is replaced by the following:

is liable to a penalty of $300.

(3) The portion of subsection 162(5) of the Act before paragraph (a) is replaced by the following:

Failure to provide information on form

(5) Every person or partnership who fails to provide any information required on a prescribed form made under this Act or a regulation is liable to a penalty for each such failure, unless

(4) Section 162 of the Act is amended by adding the following after subsection (5):

Failure to provide information on form — amount

(5.01) The amount of the penalty to which the person or partnership is liable to under subsection (5) is equal to

(a) in the case of a medium-sized corporation or a medium-sized partnership, $300 for each failure;

(b) in the case of a large-sized corporation or a large-sized partnership, $800 for each failure; or

(c) in any other case, $100 for each failure.

(5) The portion of subsection 162(6) of the Act before paragraph (a) is replaced by the following:

Failure to provide identification number

(6) Every person or partnership who fails to provide on request their business number, their Social Insurance Number, their trust account number or their U.S. federal taxpayer identifying number to a person required under this Act or the Regulations to make an information return requiring the number is liable to a penalty of $300 for each such failure, unless

(6) Subsection 162(7) of the Act is replaced by the following:

Failure to file — information return

(7) Every person (other than a registered charity) or partnership who fails to file an information return as and when required by this Act or the regulations, is liable in respect of each such failure, except where another provision of this Act (other than subsection (10) or (10.1) or 163(2.22)) sets out a penalty for the failure, to a penalty equal to

(a) in the case of a medium-sized corporation or a medium-sized partnership, the greater of $300 and the product obtained when $75 is multiplied by the number of days, not exceeding 100, during which the failure continues;

(b) in the case of a large-sized corporation or a large-sized partnership, the greater of $800 and the product obtained when $200 is multiplied by the number of days, not exceeding 100, during which the failure continues; or

(c) in any other case, the greater of $100 and the product obtained when $25 is multiplied by the number of days, not exceeding 100, during which the failure continues.

Repeated failure — information return

(7.001) Every person (other than a registered charity) or partnership is liable to a penalty who

(a) fails to file an information return as and when required by this Act or the regulations, except where another provision of this Act (other than subsection (7), (10) or (10.1) or 163(2.22)) sets out a penalty for the failure;

(b) has been sent a demand for the return for the year under section 233;

(c) has not complied with the demand referred to in paragraph (b) within such reasonable time as was stipulated in the demand; and

(d) before the time of failure, was liable to a penalty under this subsection or subsection (7) in respect of the same type of information return for any of the three preceding taxation years.

Repeated failure to file — amount

(7.002) The amount of the penalty to which the person or partnership is liable to under subsection (7.001) is equal to

(a) in the case of a medium-sized corporation or a medium-sized partnership, the greater of $600 and the product obtained when $150 is multiplied by the number of days, not exceeding 100, during which the failure continues;

(b) in the case of a large-sized corporation or a large-sized partnership, the greater of $1,600 and the product obtained when $400 is multiplied by the number of days, not exceeding 100, during which the failure continues; or

(c) in any other case, the greater of $200 and the product obtained when $50 is multiplied by the number of days, not exceeding 100, during which the failure continues.

Failure to comply — duty or obligation

(7.003) Every person (other than a registered charity) or partnership who fails to comply with a duty or obligation imposed by this Act or the regulations, is liable in respect of each such failure, except where another provision of this Act (other than subsection 163(2.22)) sets out a penalty for the failure, to a penalty equal to

(a) in the case of a medium-sized corporation or a medium-sized partnership, the greater of $300 and the product obtained when $75 is multiplied by the number of days, not exceeding 100, during which the failure continues;

(b) in the case of a large-sized corporation or a large-sized partnership, the greater of $800 and the product obtained when $200 is multiplied by the number of days, not exceeding 100, during which the failure continues; or

(c) in any other case, the greater of $100 and the product obtained when $25 is multiplied by the number of days, not exceeding 100, during which the failure continues.

Repeated failure — duty or obligation

(7.004) Every person (other than a registered charity) or partnership is liable to a penalty who

(a) fails to comply with a duty or obligation imposed by or under this Act or the regulations, except where another provision of this Act (other than subsection (7.003) or 163(2.22)) sets out a penalty for the failure;

(b) before the failure, was served with a written notice, requirement or demand respecting that duty or obligation;

(c) has not complied within 90 days of being served with a written notice, requirement or demand respecting that duty or obligation; and

(d) before the time of failure, was liable to a penalty under this subsection or subsection (7.003) in respect of an identical failure for any of the three preceding taxation years.

Repeated failure — amount

(7.005) The amount of the penalty to which the person or partnership is liable to under subsection (7.004) is equal to

(a) in the case of a medium-sized corporation or a medium-sized partnership, the greater of $600 and the product obtained when $150 is multiplied by the number of days, not exceeding 100, during which the failure continues;

(b) in the case of a large-sized corporation or a large-sized partnership, the greater of $1,600 and the product obtained when $400 is multiplied by the number of days, not exceeding 100, during which the failure continues; or

(c) in any other case, the greater of $200 and the product obtained when $50 is multiplied by the number of days, not exceeding 100, during which the failure continues.

(7) Subsection 162(7.01) of the Act is replaced by the following:

Late filing penalty — prescribed information returns

(7.01) Every person (other than a registered charity) or partnership who fails to file, when required by this Act or the regulations, one or more information returns of a type prescribed for the purpose of this subsection is liable to a penalty equal to the greater of $150 and

(a) where the number of those information returns is less than 51, $15 multiplied by the number of days, not exceeding 100, during which the failure continues;

(b) where the number of those information returns is greater than 50 and less than 501, $20 multiplied by the number of days, not exceeding 100, during which the failure continues;

(c) where the number of those information returns is greater than 500 and less than 2,501, $40 multiplied by the number of days, not exceeding 100, during which the failure continues;

(d) where the number of those information returns is greater than 2,500 and less than 10,001, $70 multiplied by the number of days, not exceeding 100, during which the failure continues; and

(e) where the number of those information returns is greater than 10,000, $100 multiplied by the number of days, not exceeding 100, during which the failure continues.

(8) Paragraphs 162(7.02)(a) to (d) of the Act are replaced by the following:

(a) where the number of those information returns is greater than 5 and less than 51, $180;

(a.1) where the number of those information returns is greater than 50 and less than 251, $370;

(b) where the number of those information returns is greater than 250 and less than 501, $700;

(c) where the number of those information returns is greater than 500 and less than 2,501, $2,200;

(d) where the number of those information returns is greater than 2,500, $3,700; and

(9) Subsection 162(7.1) of the Act is replaced by the following:

Failure to make partnership information return

(7.1) Where a member of a partnership fails to file an information return as a member of the partnership for a fiscal period of the partnership as and when required by this Act or the regulations and subsection (10) does not set out a penalty for the failure, the partnership is liable to a penalty equal to

(a) in the case of a medium-sized partnership, the greater of $300 and the product obtained when $75 is multiplied by the number of days, not exceeding 100, during which the failure continues;

(b) in the case of a large-sized partnership, the greater of $800 and the product obtained when $200 is multiplied by the number of days, not exceeding 100, during which the failure continues; or

(c) in any other case, the greater of $100 and the product obtained when $25 is multiplied by the number of days, not exceeding 100, during which the failure continues.

(10) Section 162 of the Act is amended by adding the following after subsection (7.1):

Definitions

(7.11) The following definitions apply in subsections (5.01) to (7.1).

large-sized corporation means a corporation that would be a large corporation, within the meaning assigned by subsection 225.1(8), in the taxation year immediately preceding the taxation year in which the failure occurs if the reference to "exceeds $10 million" in that subsection were read as "exceeds $50 million". (*société de grande taille*)

large-sized partnership means a partnership with gross revenue (computed as if the partnership were a taxpayer) for the fiscal period immediately preceding the fiscal period in which the failure occurs equal to or greater than $10 million. (*société de personnes de grande taille*)

medium-sized corporation means a corporation that would be a large corporation, within the meaning assigned by subsection 225.1(8), in the taxation year immediately preceding the taxation year in which the failure occurs if the reference to "exceeds $10 million" in that subsection were read as "exceeds $10 million but does not exceed $50 million". (*société de moyenne taille*)

medium-sized partnership means a partnership with gross revenue (computed as if the partnership were a taxpayer) for the fiscal period immediately preceding the fiscal period in which the failure occurs equal to or greater than $2 million and less than $10 million. (*société de personnes de moyenne taille*)

(11) Paragraphs 162(7.3)(a) and (b) of the Act are replaced by the following:

(a) $30 for each such failure in respect of a return of an individual; and

(b) $140 for each such failure in respect of a return of a corporation.

(12) Subsection 162(7.4) of the Act is replaced by the following:

Penalty — electronic payments

(7.4) Every person or partnership who fails to comply with subsection 160.5(2) is liable to a penalty equal to $100 for each such failure.

(13) Subsection 162(8) of the Act is amended by striking out "and" at the end of paragraph (b) and by adding the following after paragraph (b):

(b.1) the member has not complied with the demand referred to in paragraph (b) within such reasonable time as was stipulated in the demand, and

(14) The portion of subsection 162(8) of the Act after paragraph (c) is replaced by the following:

the partnership is liable, in addition to the penalty under subsection (7.1), to a penalty of $300 for each member of the partnership for each month or part of a month, not exceeding 24 months, during which the failure referred to in paragraph (a) continues.

(15) Subsection 162(8.1) of the Act is replaced by the following:

Rules — partnership liable to a penalty

(8.1) If a partnership is liable to a penalty under any of subsections (5) to (7.1), (7.3), (7.4), (8), (10) and (10.1), then sections 152, 158 to 160.1, 161 and 164 to 167 and Division J apply, with any modifications that the circumstances require, to the penalty as if the partnership were a corporation.

(16) Paragraph 162(10)(a) of the Act is replaced by the following:

(a) knowingly or under circumstances amounting to gross negligence, fails to file an information return as and when required by any of sections 233.1 to 233.4, 233.6 and 233.8, or

(17) The formula in subsection 162(10) of the Act is replaced by the following:

($1000 × A × B) - C

(18) Paragraph 162(10.1)(a) of the Act is replaced by the following:

(a) a person or partnership is liable to a penalty under subsection 162(10) for the failure to file a return (other than an information return required to be filed under section 233.1 or 233.8),

(19) The description of A in subsection 162(10.1) of the Act is amended by striking out "and" at the end of paragraph (e) and by adding the following after paragraph (f):

(g) where the return is required to be filed under section 233.6 for a taxation year or fiscal period in respect of a non-resident trust, 5% of the total of

(i) all amounts each of which is the fair market value of a property that is distributed to the person or partnership in the year or period by the trust, and

(ii) all amounts each of which is the greatest unpaid principal amount of a debt that is owing to the trust by the person or partnership in the year or period, and

(20) Subsection 162(11) of the Act is replaced by the following:

Effect of subsequent events

(11) For the purpose of computing a penalty under subsection (1), (2.01), or (2.1) in respect of a person's return of income for a taxation year, the person's tax payable under this Part for the year shall be determined before taking into consideration the specified future tax consequences for the year.

(21) Subsections (1) and (20) apply to the 2028 and subsequent taxation years.

(22) Subsection (2) applies in respect of certificates required to be filed after 2027.

(23) Subsections (3) to (8), (10), (13), (14) and (16) to (19) apply with respect to failures that occur after 2027.

(24) Subsection (9) applies in respect of information returns for fiscal periods that end after 2027.

(25) Subsection (11) applies in respect of returns of income for the 2028 and subsequent taxation years.

(26) Subsection (12) applies in respect of payments and remittances made after 2027.

(27) Subsection (15) applies after 2027.

7 The Act is amended by adding the following after section 162:

Inflation adjustment

162.1 (1) Each specified amount in relation to a penalty payable under this Act shall be adjusted on January 1, 2033 and on January 1 in every fifth calendar year thereafter (in each case referred to in this section as the "indexation date"), so that the amount to be used on and after the indexation date under the provision for which the amount is relevant is the product obtained by multiplying

(a) the amount referred to in the relevant provision,

by

(b) the amount, adjusted in such manner as may be prescribed and rounded to the nearest one-thousandth, or, where the result obtained is equidistant from two consecutive one-thousandths, to the higher thereof, that is determined by the formula

A÷B

where

A is the Consumer Price Index (within the meaning assigned by subsection 117.1(4)) for the 12-month period that ended on September 30 immediately before the indexation date, and

B is

(i) if the specified amount referred to in the relevant provision came into force before October 1, 2028, the Consumer Price Index for the 12-month period that ended on September 30, 2027; and

(ii) in any other case, the Consumer Price Index for the 12-month period that ended on September 30 of the year specified in subsection (2) in respect of the relevant provision.

Inflation adjustment — amounts

(2) For the purposes of subsection (1), each of the following amounts is a specified amount in relation to a penalty payable under this Act and, if applicable, each of the following years is a year specified in respect of a relevant provision:

(a) each of the amounts expressed in dollars in subsection 66(12.75);

(b) each of the amounts expressed in dollars in paragraph 85(8)(b);

(c) each of the amounts expressed in dollars in paragraph 93(6)(b);

(d) each of the amounts expressed in dollars in subsection 96(6);

(e) the amount of $1,000 referred to in subsection 149(7.1);

(f) each of the amounts expressed in dollars in subsection 162(2.1);

(g) each of the amounts expressed in dollars in subsection 162(3);

(h) the amount of $300 referred to in subsection 162(4);

(i) each of the amounts expressed in dollars in subsection 162(5.01);

(j) the amount of $1,000 referred to in subsection 162(5.1);

(k) the amount of $300 referred to in subsection 162(6);

(l) each of the amounts expressed in dollars in subsection 162(7);

(m) each of the amounts expressed in dollars in subsection 162(7.002);

(n) each of the amounts expressed in dollars in subsection 162(7.003);

(o) each of the amounts expressed in dollars in subsection 162(7.005);

(p) each of the amounts expressed in dollars in subsection 162(7.01);

(q) each of the amounts expressed in dollars in subsection 162(7.02);

(r) each of the amounts expressed in dollars in subsection 162(7.1);

(s) the amount of $1,000 referred to in subsection 162(7.2);

(t) each of the amounts expressed in dollars in subsection 162(7.3);

(u) the amount of $300 referred to in subsection 162(8);

(v) the amount of $1,000 referred to in subsection 162(10);

(w) the amount of $300 referred to in subsection 163(2);

(x) each of the amounts expressed in dollars in subsection 163(2.4);

(y) the amount of $2,500 referred to in subsection 163(6);

(z) each of the amounts expressed in dollars in subsection 163.2(3);

(aa) each of the amounts expressed in dollars in subsection 163.2(5);

(bb) each of the amounts expressed in dollars in subsection 163.3(2);

(cc) each of the amounts expressed in dollars in subsection 163.3(3);

(dd) each of the amounts expressed in dollars in subsection 163.3(4);

(ee) the amount of $1,000 referred to in subsection 188.1(6);

(ff) each of the amounts expressed in dollars in subsection 220(3.5);

(gg) the amount of $1,000 referred to in subsection 237.1(7.4);

(hh) the amount of $1,000 referred to in subsection 281(3);

(ii) the amount of $1,000 referred to in subsection 293(3); and

(jj) the amount of $1,000 referred to in subsection 303(3).

Rounding — five dollars

(3) Subject to subsection (4), if an amount referred to in this section, when adjusted as provided in this section, is not a multiple of $5, it shall be rounded to the nearest multiple of $5 or, if it is equidistant from two such consecutive multiples, to the higher of the two multiples.

Rounding — five hundred dollars

(4) Despite subsection (3), if an amount referred to in this section, when adjusted as provided in this section is equal to or greater than $5,000, and is not a multiple of $500, it shall be rounded to the nearest multiple of $500 or, if it is equidistant from two such consecutive multiples, to the higher of the two multiples.

8 (1) The portion of subsection 163(2) of the Act before paragraph (a) is replaced by the following:

False statements or omissions

(2) Every person who, knowingly, or under circumstances amounting to gross negligence, has made or has participated in, assented to or acquiesced in the making of, a false statement or omission in a return, form, certificate, statement or answer (in this section referred to as a "return") filed or made in respect of a taxation year for the purposes of this Act, is liable to a penalty of the greater of $300 and 50% of the total of

(2) Paragraph 163(2.4)(a) of the Act is replaced by the following:

(a) where the return is required to be filed under section 233.1, $45,000;

(3) Subparagraph 163(2.4)(b)(i) of the Act is replaced by the following:

(i) $45,000, and

(4) Subparagraph 163(2.4)(c)(i) of the Act is replaced by the following:

(i) $45,000, and

(5) Subparagraph 163(2.4)(d)(i) of the Act is replaced by the following:

(i) $45,000, and

(6) Subparagraph 163(2.4)(e)(i) of the Act is replaced by the following:

(i) $4,500, and

(7) Subsection (1) applies to the 2028 and subsequent taxation years.

(8) Subsections (2) to (6) apply in respect of statements or omissions made after 2027.

9 (1) Paragraphs 163.2(3)(a) and (b) of the Act are replaced by the following:

(a) where the statement is made in the course of a planning activity or a valuation activity, the greater of $2,000 and the total of the person's gross entitlements, at the time at which the notice of assessment of the penalty is sent to the person, in respect of the planning activity and the valuation activity; and

(b) in any other case, $2,000.

(2) Paragraph 163.2(5)(a) of the Act is replaced by the following:

(a) $2,000, and

(3) Subparagraph 163.2(5)(b)(ii) of the Act is replaced by the following:

(ii) the total of $200,000 and the person's gross compensation, at the time at which the notice of assessment of the penalty is sent to the person, in respect of the false statement that could be used by or on behalf of the other person.

(4) Subsections (1) to (3) apply in respect of statements made after 2027.

10 (1) Paragraphs 163.3(2)(a) and (b) of the Act are replaced by the following:

(a) unless paragraph (b) applies, $7,000; or

(b) $70,000 if the action of the person occurs after the Minister has assessed a penalty payable by the person under this section or section 285.01 of the *Excise Tax Act*.

(2) Paragraphs 163.3(3)(a) and (b) of the Act are replaced by the following:

(a) unless paragraph (b) applies, $7,000; or

(b) $70,000 if the action of the person occurs after the Minister has assessed a penalty payable by the person under this section or section 285.01 of the *Excise Tax Act*.

(3) Paragraphs 163.3(4)(a) to (c) of the Act are replaced by the following:

(a) unless paragraph (b) or (c) applies, $14,000;

(b) unless paragraph (c) applies, $70,000 if the action of the person occurs after the Minister has assessed a penalty payable by the person under subsection (2) or (3) or subsection 285.01(2) or (3) of the *Excise Tax Act*; or

(c) $140,000 if the action of the person occurs after the Minister has assessed a penalty payable by the person under this subsection or subsection 285.01(4) of the *Excise Tax Act*.

(4) Subsections (1) to (3) apply to conduct that occurs, all or in part, after 2027.

11 (1) Subsection 188.1(6) of the Act is replaced by the following:

Failure to file information returns

(6) Every registered charity, registered foreign charity, registered Canadian amateur athletic association and registered journalism organization that fails to file a return for a taxation year as and when required by subsection 149.1(14), (14.1) or (14.2) is liable to a penalty equal to $1,000.

(2) Subsection (1) applies to the 2028 and subsequent taxation years.

12 (1) Paragraphs 220(3.5)(a) and (b) of the Act are replaced by the following:

(a) $24,000, and

(b) the product obtained when $300 is multiplied by the number of complete months from the day on or before which the election was required to be made to the day the application was made in a form satisfactory to the Minister.

(2) Subsection (1) applies in respect of applications made after 2027.

13 (1) Paragraph 237.1(7.4)(a) of the Act is replaced by the following:

(a) $1,000, and

(2) Subsection (1) applies to conduct that occurs, all or in part, after 2027.

14 (1) The portion of subsection 281(3) of the Act before paragraph (a) is replaced by the following:

Penalty for failure to provide TIN

(3) Every reportable person who fails to provide on request their TIN to a reporting financial institution that is required under this Part to make an information return requiring the TIN is liable to a penalty of $1,000 for each such failure, unless

(2) Subsection (1) applies in respect of failures that occur after 2027.

15 (1) The portion of subsection 293(3) of the Act before paragraph (a) is replaced by the following:

Penalty for failure to provide TIN

(3) Every reportable seller who fails to provide on request their TIN to a reporting platform operator that is required under this Part to make an information return requiring the TIN is liable to a penalty of $1,000 for each such failure, unless

(2) Subsection (1) applies in respect of failures that occur after 2027.

16 (1) The portion of subsection 303(3) of the Act before paragraph (a) is replaced by the following:

(3) Every reportable person and every crypto-asset user that has a controlling person that is a reportable person who fails to provide on request their TIN (or that of a controlling person that is a reportable person) to a reporting crypto-asset service provider that is required under this Part to make an information return requiring the TIN is liable to a penalty of $1,000 for each such failure, unless

(2) Subsection (1) applies in respect of failures that occur after 2027.

17 The Act is further modified to give effect to other proposals relating to the Administrative Penalties — Common Reporting Standard and Other Frameworks as described in the budget documents tabled by the Minister of Finance in the House of Commons on Budget Day.

Taxable Canadian Property

1 (1) Section 69 of the Act is amended by adding the following after subsection (14):

Taxable Canadian property

(15) In applying subsection (11) (without reference to its paragraph (a)) in respect of a taxpayer that is a non-resident person and property that is, at the particular time referred to in that subsection, taxable Canadian property of the taxpayer, the following rules apply:

(a) the reference in paragraph (b) of that subsection to "the property or property substituted for the property" is to be read as a reference to "the property, property substituted for the property or a property if, at any time during the 60-month period that begins at the particular time, more than 50% of its fair market value is derived directly or indirectly from the property or the substituted property"; and

(b) the reference in that subsection to "3 years" is to be read as a reference to "5 years".

(2) Subsection (1) applies to dispositions that occur after 2026.

2 (1) The portion of subsection 116(2) of the Act before paragraph (a) is replaced by the following:

Certificate in respect of proposed disposition

(2) Subject to subsection (5.5), if a non-resident person who has sent to the Minister a notice under subsection (1) in respect of a proposed disposition of any property has

(2) The portion of subsection 116(3) of the Act before paragraph (a) is replaced by the following:

Notice to Minister

(3) Subject to subsection (5.012), every non-resident person who in a taxation year disposes of any taxable Canadian property of that person (other than property described in subsection 116(5.2) and excluded property) shall, not later than 10 days after the disposition, send to the Minister, by registered mail, a notice setting out

(3) The portion of subsection 116(4) of the Act before paragraph (a) is replaced by the following:

Certificate in respect of property disposed of

(4) Subject to subsection (5.5), if a non-resident person who has sent to the Minister a notice under subsection (3) in respect of a disposition of any property has

(4) The portion of subsection 116(5) of the Act before paragraph (a) is replaced by the following:

Liability of purchaser

(5) Subject to subsections (5.012) and (5.6), if in a taxation year a purchaser has acquired from a non-resident person any taxable Canadian property (other than depreciable property or excluded property) of the non-resident person, the purchaser, unless

(5) Paragraph 116(5)(a.1) of the Act is replaced by the following:

(a.1) subsection (5.01) or (5.011) applies to the acquisition, or

(6) Section 116 of the Act is amended by adding the following after subsection (5.01):

Subsection 85(1) or (2) rollover

(5.011) Subject to subsection (5.012), this subsection applies to the acquisition of a property by a person (referred to in this subsection and subsection (5.012) as the "purchaser") from a non-resident person (referred to in this subsection and subsection (5.012) as the "vendor") if

(a) the property was acquired by the purchaser in circumstances to which subsection 85(1) or (2) applied; and

(b) on or before the day that is 30 days after the date of the acquisition,

(i) the purchaser and the vendor have made an election under subsection 85(1) in respect of the property or the purchaser and all the members of the partnership have made an election under subsection 85(2), as the case may be,

(ii) the purchaser concludes after reasonable inquiry that, because subsection 85(1) or (2), as the case may be, applied to the acquisition, no amount in respect of the disposition of the property is included in the vendor's taxable income earned in Canada for any taxation year, and

(iii) the purchaser provides notice in accordance with subsection (5.02) in respect of the acquisition.

Subsection 85(1) or (2) rollover — amendment

(5.012) If, in the absence of this subsection, subsection (5.011) would apply to the acquisition of a property, the election referred to in subparagraph (5.011)(b)(i) in respect of the property has been amended under paragraph 85(7.1)(b) and an amount in respect of the disposition of the property is included in the vendor's taxable income earned in Canada for any taxation year as a result of the amendment, in applying this section to the acquisition of the property by the purchaser from the vendor or the disposition of the property by the vendor, as the case may be,

(a) the reference in subsection (3) to "10 days after the disposition" is to be read as a reference to "10 days after the Minister sent the notice of assessment referred to in subsection 85(9)";

(b) the reference in subsection (5) to “the month in which the purchaser acquired the property” is to be read as a reference to “the month in which the Minister sent the notice of assessment referred to in subsection 85(9)”;

(c) the reference in paragraph (5.3)(b) to “the month in which the taxpayer acquired the property” is to be read as a reference to “the month in which the Minister sent the notice of assessment referred to in subsection 85(9)”; and

(d) subsection (5.011) does not apply.

(7) Paragraph 116(5.02)(e) of the Act is replaced by the following:

(e) in the case of a property described in paragraph (5.01)(b) or subsection (6.1), the name of the country with which Canada has concluded a tax treaty under which the property is a treaty-protected property for the purposes of subsection (5.01) or (6.1), as the case may be.

(8) The portion of subsection 116(5.3) of the Act before subparagraph (a)(i) is replaced by the following:

Liability of purchaser in certain cases

(5.3) Subject to subsections (5.012) and (5.6), if in a taxation year a taxpayer has acquired from a non-resident person property referred to in subsection (5.2),

(a) the taxpayer, unless subsection (5.01) or (5.011) applies to the acquisition or unless after reasonable inquiry the taxpayer had no reason to believe that the non-resident person was not resident in Canada, is liable to pay, as tax under this Part for the year on behalf of the non-resident person, 50% of the amount, if any, by which

(9) Section 116 of the Act is amended by adding the following after subsection (5.4):

Non-resident corporation — tax rate

(5.5) Despite paragraphs (2)(a) and (4)(a), if the non-resident person referred to in either of those paragraphs is a corporation, the reference in each of paragraphs (2)(a) and (4)(a) to “25%” is to be read as a reference to “15%”.

Non-resident corporation — purchaser liability

(5.6) If the non-resident person referred to in either of those provisions is a corporation or if the purchaser referred to in subsection (5) or the taxpayer referred to in subsection (5.3), after reasonable inquiry, had no reason to believe that the non-resident person was not a corporation, the following rules apply:

(a) the reference in subsection (5) to “25%” is to be read as a reference to “15%”; and

(b) the reference in paragraph (5.3)(a) to “50%” is to be read as a reference to “30%”.

(10) Subsections (1) to (9) apply in respect of dispositions that occur after 2026.

Ministerial Delegations

1 (1) Subparagraph (v) of the description of A in paragraph 6(1)(k) of the Act is replaced by the following:

(v) in any other case, the amount equal to the product obtained when the designated automobile amount for the year is multiplied by the total number of kilometres that the automobile is driven (otherwise than in connection with or in the course of the taxpayer’s office or employment) during the period or periods referred to in subparagraph 6(1)(k)(ii), and

(2) Subsection (1) applies to the 2026 and subsequent taxation years.

2 (1) Subsection 13(2) of the Act is replaced by the following:

Recapture — Class 10.1 Passenger Vehicle

(2) Notwithstanding subsection 13(1), where an excess amount is determined under that subsection at the end of a taxation year in respect of a passenger vehicle having a cost to a taxpayer in excess of $20,000 or such other designated automobile amount, unless it was, at any time, *designated immediate expensing property* as defined in subsection 1104(3.1) of the *Income Tax Regulations*, that excess amount shall not be included in computing the taxpayer's income for the year but shall be deemed, for the purposes of B in the definition *undepreciated capital cost* in subsection 13(21), to be an amount included in the taxpayer's income for the year by reason of this section.

(2) Paragraph 13(7)(g) of the Act is replaced by the following:

(g) where the cost to a taxpayer of a passenger vehicle exceeds $20,000 or such other designated automobile amount, the capital cost to the taxpayer of the vehicle shall be deemed to be $20,000 or that other designated automobile amount, as the case may be;

(3) Subparagraph 13(7)(h)(iii) of the Act is replaced by the following:

(iii) $20,000 or such other designated automobile amount; and

(4) The portion of paragraph 13(7)(i) of the Act preceding subparagraph (ii) is replaced by the following:

(i) if the cost to a taxpayer of a zero-emission passenger vehicle exceeds the designated automobile amount, or if the cost of a passenger vehicle that was, at any time, *designated immediate expensing property* as defined in subsection 1104(3.1) of the *Income Tax Regulations* exceeds the designated automobile amount,

(i) the capital cost to the taxpayer of the vehicle is deemed to be equal to the designated automobile amount, and

(5) Subsections (1) to (4) apply to the 2026 and subsequent taxation years.

3 (1) Paragraph 18(1)(r) of the Act is replaced by the following:

Certain automobile expenses

(r) an amount paid or payable by the taxpayer as an allowance for the use by an individual of an automobile to the extent that the amount exceeds the designated automobile amount, except where the amount so paid or payable is required to be included in computing the individual's income;

(2) Subsection (1) applies to the 2026 and subsequent taxation years.

4 (1) Paragraph 20(16.1)(a) of the Act is replaced by the following:

(a) in respect of a passenger vehicle of a taxpayer that has a cost to the taxpayer in excess of $20,000 or any other designated automobile amount;

(2) Subsection (1) applies to the 2026 and subsequent taxation years.

5 (1) The description of A in section 67.2 of the Act is replaced by the following:

A is $250 or such other designated automobile amount; and

(2) Subsection (1) applies to the 2026 and subsequent taxation years.

6 (1) The description of A in paragraph 67.3(c) of the Act is replaced by the following:

A is $600 or such other designated automobile amount,

(2) The descriptions of B and C in paragraph 67.3(d) of the Act are replaced by the following:

B is $20,000 or such other designated automobile amount,

C is the greater of $23,529 (or such other designated automobile amount) and the manufacturer's list price for the vehicle,

(3) Subsections (1) and (2) apply to the 2026 and subsequent taxation years.

7 (1) Subsection 80.3(1) of the Act is amended by adding the following in alphabetical order:

designated drought region means a region designated under paragraph (8)(a) for a calendar year; (*région de sécheresse désignée*)

designated region of flood or excessive moisture means a region designated under paragraph (8)(b) for a calendar year. (*région inondable ou à humidité excessive désignée*)

(2) The portion of subsection 80.3(4) of the Act before the formula is replaced by the following:

Income deferral for regions of drought, flood or excessive moisture

(4) If in a taxation year a taxpayer carries on a farming business in a region that is at any time in the year a designated drought region or a designated region of flood or excessive moisture and the taxpayer's breeding herd at the end of the year in respect of the business does not exceed 85% of the taxpayer's breeding herd at the beginning of the year in respect of the business, there may be deducted in computing the taxpayer's income from the business for the year the amount that the taxpayer claims, not exceeding the amount, if any, determined by the formula

(3) The portion of subsection 80.3(4.1) of the Act before the formula is replaced by the following:

Income deferral

(4.1) If in a taxation year a taxpayer carries on a farming business in a region that is at any time in the year a designated drought region or a designated region of flood or excessive moisture and the taxpayer's breeding bee stock at the end of the year in respect of the business does not exceed 85% of the taxpayer's breeding bee stock at the beginning of the year in respect of the business, there may be deducted in computing the taxpayer's income from the business for the year the amount that the taxpayer claims, not exceeding the amount, if any, determined by the formula

(4) The portion of subsection 80.3(5) of the Act before paragraph (b) is replaced by the following:

Inclusion of deferred amount

(5) An amount deducted under subsection (4) or (4.1) in computing the income of a taxpayer for a particular taxation year from a farming business carried on in a region designated under subsection (8) may, to the extent that the taxpayer so elects, be included in computing the taxpayer's income from the business for a taxation year ending after the particular taxation year, and is, except to the extent that the amount has been included under this subsection in computing the taxpayer's income from the business for a preceding taxation year after the particular year, deemed to be income of the taxpayer from the business for the taxation year of the taxpayer that is the earliest of

(a) the first taxation year beginning after the end of the period or series of continuous periods, as the case may be, for which the region is designated under subsection (8),

(5) Section 80.3 of the Act is amended by adding the following after subsection (7):

Authority to designate

(8) For the purposes of this section, the Minister of Finance may at any time, in consultation with the Minister of Agriculture and Agri-Food, designate for a calendar year after 2024

(a) a drought region; and

(b) a region of flood or excessive moisture.

Publication

(9) The Minister of Finance shall cause to be published, by posting on the website of the Department of Finance or by any other means that the Minister of Finance considers appropriate, the drought regions and the regions of flood or excessive moisture, as the case may be, that are designated under subsection (8).

(6) Subsections (1) to (5) apply to the 2025 and subsequent taxation years.

8 (1) Subparagraph 85(1)(e.4)(i) of the Act is replaced by the following:

(i) the property is depreciable property of a prescribed class of the taxpayer and is a passenger vehicle the cost to the taxpayer of which was more than $20,000 or such other designated automobile amount, and

(2) Subsection (1) applies to the 2026 and subsequent taxation years.

9 (1) The portion of paragraph 86.1(2)(c) of the Act before subparagraph (i) is replaced by the following:

(c) in the case of a distribution that is not designated,

(2) The portion of paragraph 86.1(2)(d) of the Act before subparagraph (i) is replaced by the following:

(d) in the case of a distribution that is designated,

(3) Subparagraph 86.1(2)(d)(iv) of the Act is replaced by the following:

(iv) the distribution is designated subject to such terms and conditions as are considered appropriate in the circumstances;

(4) Subparagraphs 86.1(2)(e)(vi) and (vii) of the Act are replaced by the following:

(vi) in the case of a distribution that is not designated, that the distribution is not taxable under the provisions of the *Internal Revenue Code of 1986* of the United States, as amended from time to time, that apply to the distribution,

(vii) in the case of a distribution that is designated, that the distribution is not taxable under the law of the foreign country, and

(5) Section 86.1 of the Act is amended by adding the following after subsection (5):

Authority to designate distributions

(6) For the purposes of this section, the Minister of National Revenue may at any time, with the concurrence of the Minister of Finance, designate distributions.

Publication

(7) The Minister of National Revenue shall cause to be published, by posting on the website of the Canada Revenue Agency or by any other means that the Minister of National Revenue considers appropriate, the distributions that are designated under subsection (6).

(6) Subsections (1) to (5) apply in respect of distributions made on or after Budget Day.

10 (1) Subsection 248(1) of the Act is amended by adding the following in alphabetical order:

designated automobile amount means an amount designated by the Minister of Finance under subsection 262.1(1) for a calendar year; (*montant désigné pour l'automobile*)

(2) Subsection (1) applies to the 2026 and subsequent taxation years.

11 (1) The Act is amended by adding the following after section 262:

Authority to designate amounts

262.1 (1) For the purposes of the following provisions, the Minister of Finance may at any time designate an amount for a calendar year after 2025

(a) the description of A in section 67.2;

(b) subsection 13(2);

(c) paragraphs 13(7)(g), 13(7)(i), 18(1)(r) and 20(16.1)(a), the description of A in paragraph 67.3(c) and the descriptions of B and C in paragraph 67.3(d); and

(d) subparagraph (v) of the description of A in paragraph 6(1)(k) and subparagraphs 13(7)(i)(i), 13(7)(h)(iii) and 85(1)(e.4)(i).

Publication

(2) The Minister of Finance shall cause to be published, by posting on the Internet website of the Department of Finance or by any other means that the Minister of Finance considers appropriate, any of the amounts that are designated by the Minister of Finance under subsection (1).

(2) Subsection (1) applies to the 2026 and subsequent taxation years.

12 The Act is further modified to give effect to the proposals relating to the Ministerial Delegations — Qualified and Prescribed Donees as described in the budget documents tabled by the Minister of Finance in the House of Commons on Budget Day.