

2018 Federal Budget

OVERVIEW

- Projected \$18.1 billion deficit for 2018-19.
- Additional reporting requirements for trusts (effective 2021 tax year).
- Annual indexation of the Canadian Child Benefit (starting July 1, 2018).
- “Use it or lose it” EI parental benefits (June 2019).
- Focus on increasing equality for women and enhancing women’s participation in the work place.
- Grants and funds to attract women to trades and construction (starting 2018-19).

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PROPOSED BUSINESS TAX MEASURES

- No increase in corporate tax rates.
- Reduce the small business tax rate to 10% effective January 1, 2018 and 9% as of January 1, 2019 (previously announced).
- Reduce the small business deduction limit on a straight line basis for an associated corporate group for corporation group earnings between \$50,000-\$150,000 of “adjusted aggregate investment income”. The amount of income eligible for the small business tax rate will be reduced to zero when the group reaches \$150,000 of “adjusted aggregate investment income”.
- Refine the Refundable Dividend Tax On-Hand (RDTOH) rules by introducing an eligible RDTOH account and non-eligible RDTOH account.
- The budget confirms that this government will proceed with the implementation of the December 13, 2017 draft proposals on income sprinkling involving private corporations.

PROPOSED PERSONAL TAX MEASURES

- No tax rate changes.
- The budget proposes to extend the medical expense tax credit to expenses related to animals which are specially trained to perform tasks for an individual with a severe mental impairment.
- Eligibility for the mineral exploration tax credit is proposed to be extended for one year.

INTERNATIONAL

- Anti-avoidance measure for surplus stripping and foreign accrual property income.
- Shortening of the filing deadlines for foreign affiliate information reporting (T1134) for taxation years after 2019.

PROPOSED SALES AND EXCISE TAX MEASURES

- Application of GST/HST to management and administration services provided to an investment limited partnership by the general partner (after September 8, 2017).
- Higher excise taxes on cigarettes, \$1.00 increase per carton with an annual inflation increase.