

## VIDEO TAX NEWS

# Monthly Tax Update Newsletter

January 2025 — ISSUE 521

### Editorial Board:

Caitlin L. Butler CPA, CA

Joseph R. Devaney CPA, CA

Hugh C. Neilson FCPA, FCA, TEP

## WHAT'S INSIDE

1. Government Releases
2. Canada's COVID-19 Response
3. Personal Tax
4. Business/Property Income
5. Partnerships
6. Farming/Fishing
7. Owner-Manager Remuneration
8. CRA
9. Estate Planning
10. International
11. First Nations
12. Did You Know...
13. Appendix

## 1 Government Releases

521(1)

### FINANCE RELEASES

1. **Late-Breaking News: December 30, 2024** – The Department of Finance announced the **2025 automobile deduction limits** and expense **benefit rates** as follows:

*these changes to the automobile deduction limits*

- The **limit** on the **deduction** for **non-taxable allowances** paid by an employer to an employee using a personal vehicle for business purposes will **increase** in 2025 by 2 cents to **72 cents per km** for the first 5,000 km driven and to **66 cents** for each additional km. For Yukon, the Northwest Territories and Nunavut, the tax-exempt allowance will continue to be 4 cents per km higher, which is 76 cents for the first 5,000 km driven and 70 cents for each additional km.
- The ceiling on the **capital cost** for **CCA** of most passenger vehicles will **increase to \$38,000** from \$37,000, and the limit for **zero-emission passenger vehicles** will **remain** at **\$61,000**.
- The limit on **leasing costs** will **increase to \$1,100/month** from \$1,050/month for new leases entered into on or after January 1, 2025.
- The **maximum allowable interest** will **remain \$350/month** for new loans entered into on or after January 1, 2025.
- The **general prescribed rate** used to determine the **taxable benefit** relating to the personal portion of automobile **operating expenses** paid by employers will **increase** by one cent to **34 cents per kilometre**. For taxpayers employed **principally in selling** or leasing automobiles, the rate will **increase to 31 cents**

per kilometre.

2. **Late-Breaking News: December 30, 2024** – The Department of Finance issued a News Release (Government of Canada announces **extension of 2024 charitable donations to February 28, 2025**) announcing that **donations eligible for tax support** in the **2024 tax year** will be permitted to be made as late as **February 28, 2025**. The release indicated that this was intended to **mitigate** the **impact** of the Canada Post **mail stoppage**. The release provided no further details of other donations eligible for tax support, and **no draft legislation** was released on December 30, 2024.

3. **December 16, 2024** – The Leader of the Government in the House of Commons, Karina Gould, tabled the **2024 Fall Economic Statement: Reducing Everyday Costs and Raising Wages**. No draft legislation was released. Some of the proposals included the following:

- **expanding** eligibility for the **Canada carbon rebate rural supplement** to individuals who reside in a **census rural area** (less than 1,000 individuals) or a **small population** centre (less than 30,000 individuals) within a census metropolitan area (see Appendix B; the first impacted payments would occur in April 2025);
- **exempting** the **Canada disability benefit** (see [VTN 516\(7801\)](#)) from **inclusion** in net income so that it will **not impact** income-tested **benefits**;
- reclassifying the islands of **Haida Gwaii** from the intermediate zone to the northern zone for the **northern residents deduction**;
- launching the **Canada secondary suite loan** program in **early 2025**, which would provide **low-interest loans** of **up to \$80,000** (see the [December 10, 2024](#) News Release for additional information);
- **expanding** the **eligibility** for the **rollover** of **eligible small business corporation** (ESBC; Section 44.1; see [CRA's webpage](#)) **shares** by extending the period to acquire replacement ESBC shares, expanding eligibility to include both common and preferred shares and increasing the asset limit for ESBCs to \$100 million, effective for dispositions on or after January 1, 2025;
- modifying the **Canada carbon rebate for small businesses** commencing for the April 1, 2024 to March 31, 2025 fuel charge year as follows:
  - extending the payment to **cooperative corporations** and **credit unions**;
  - providing **eligible corporations** with 1 to 20 employees with a payment **based on having 20 employees**, with employee numbers proportionally adjusted across provinces for credit calculation purposes; and

*proposed expansion of the rural supplement*

*increased carbon rebate for many smaller employers*

- **reducing payments** for corporations with **300 to 500 employees** on a **straight-line basis**, fully eroding the payments at 500 employees;
- reinstating the **accelerated investment incentive** and the similar accelerated first-year CCA for **zero-emission vehicles** for property **acquired on or after January 1, 2025**, with phase-out starting in 2030 and full elimination after 2033 (see the [Selected Temporary CCA Incentives chart](#) for details of these incentives prior to the extension of applicable dates);
- enhancing **scientific research & experimental development** (SR&ED; see the [December 13, 2024 News Release](#) for more information) program for **taxation years** that begin on or after **December 16, 2024** by
  - increasing the **annual expenditure limit** on which **CCPCs** are entitled to an **enhanced refundable 35% investment tax credit** from \$3 million to **\$4.5 million** (expenditures not eligible for the enhanced credit would continue to generate a non-refundable 15% credit);
  - restoring the eligibility of **capital expenditures** for both the **deduction against income** and the **investment tax credit** components of the SR&ED program;
  - extending the **enhanced 35% refundable credit** to eligible **Canadian public corporations** on up to \$4.5 million of expenditures, with the limit being reduced on a straight-line basis when the corporation's average gross revenue over the three preceding years is between **\$15 million and \$75 million**;
  - increasing the **prior-year taxable capital phase-out** thresholds for the enhanced credit from \$10 million and \$50 million to **\$15 million and \$75 million**, respectively, for **CCPCs**; and
  - allowing **CCPCs** the option to elect to have their **expenditure limit** for the enhanced SR&ED credit determined based on the proposed **revenue phase-out** structure for **public corporations**.
- modifying the **clean electricity tax credit** and **clean hydrogen investment tax credit**, and providing details on the design and implementation of the **EV supply chain investment tax credit**;
- **expanding** the existing **reporting requirements** for **NPOs** in **2026** and onwards by
  - requiring NPOs with total gross **revenues over \$50,000** to file the annual NPO information return; and
  - requiring NPOs that do **not meet** the **thresholds** for filing the **annual** NPO information return to file a new, **short-form return** that contains basic information about the organization;

*enhanced CCA regime  
proposed to continue*

*increase to the maximum  
amount of expenditures  
available for the enhanced  
SR&ED credit*

*additional filings for  
smaller NPOs moving  
forward*

- allowing CRA to **automatically file** a tax return on **behalf of certain lower-income** Canadians using the information it has available, beginning as soon as 2025;
- providing **CRA** with **\$451.5 million** in funding to close tax **compliance gaps**, **audit emergency subsidy claims** (including CEWS and CERS), combat **tax evasion**, and expand programs targeting **high-net-worth** persons and the underground economy;
- modifying the **Canada Business Corporations Act** to establish regulatory **authority** for **climate-related financial disclosure** requirements for large, federally incorporated private corporations; and
- implementing **restrictions** on the use of **non-compete agreements** to protect workers' rights, promote labour mobility, and enhance competition and innovation, with consultations planned and changes targeted for early 2025.

*automatic filing of returns  
of lower-income  
individuals*

**No draft legislation** was released as of December 30, 2024.

The government also noted its **intention to proceed** with several previously announced tax and related measures, including the following:

- **increasing** the **capital gains inclusion rate** (see [VTN 517\(7823\)](#));
- introducing the **Canadian entrepreneurs' incentive** (see [VTN 517\(7825\)](#));
- introducing **accelerated CCA** for productivity-enhancing assets and purpose-built rental housing (see [VTN 513\(7624\)](#)); and
- introducing the **crypto-asset reporting framework** and the common reporting standard (see [VTN 513\(7643\)](#)).

*intention to proceed with  
these measures*

There was **no reference** in the Fall Economic Statement to the proposed **working Canadians rebate** (see [VTN 520\(7918\)](#)).

The following **backgrounders** were also released:

- [Investing in Jobs and Growth](#);
- [Protecting Jobs and Our Economy](#);
- [“Straight Switches” and portfolio insurance](#);
- [Safer, Healthier Communities](#);
- [Canada Indigenous Loan Guarantee Corporation](#);
- [Reducing Everyday Costs](#); and
- [Helping More Canadians Buy a Home](#).

4. **December 12, 2024 – Bill C-78, Tax Break for All Canadians Act** (see [VTN 520\(7918\)](#)), received Royal Assent. This Bill enacted the **temporary zero-rating of numerous goods** such as children's clothing, selected children's toys, printed newspapers and textbooks,

Christmas and similar decorative trees, and various food and drinks from **December 14, 2024 through February 15, 2025**.

5. **December 3, 2024** – The Department of Finance issued a News Release (Government delivering a tax break for all Canadians and **cracking down on short-term rentals**) announcing the **launch** of a new **\$50 million short-term rental enforcement fund**. The fund will provide **support to municipalities** to increase **enforcement** and **compliance** activities, such as hiring enforcement staff, managing complaints and conducting inspections. **Municipalities** and Indigenous communities can **apply** for funding between December 16, 2024 and January 24, 2025. **Details** on the fund and application process can be found on the short-term rental enforcement fund [webpage](#). The release also discussed the proposed temporary zero-rating of select goods (see [VTN 520\(7918\)](#)).

*increased compliance activity related to non-compliant short-term rentals*

6. **November 18, 2024** – Canada formally confirmed the **suspension** of the **Tax Agreement** and the operating **protocol** between **Canada and Russia**. The suspension takes effect for both taxes withheld at source and in respect of other taxes on **November 18, 2024** and continues until otherwise decided by the two governments.

*suspension of tax treaty with Russia*

## CRA RELEASES

1. **December 11, 2024** – CRA issued a Tax Tip (**Extension of administrative policy** for **dental T4/T4A** reporting) stating that T4 and T4A **reporting requirements** for employer- and payer-offered dental benefits are **waived again for 2024**, where the **issuer** would otherwise indicate that the **individual** is “**Not eligible** to access any **dental care insurance**, or coverage of dental services of any kind” (code 1 of box 045 of the T4 and box 015 of the T4A). CRA noted that this administrative policy **only applies** if all **reasonable efforts** have been made to comply with the reporting requirements. For details on T4 and T4A filing requirements in respect of dental benefits, see [VTN 508\(7386\)](#) and [507\(7361\)](#).

*administrative relief for 2023 extended to 2024*

CRA also stated that they are offering a **free webinar** on the **Canadian Dental Care Plan** (CDCP) and its **impact** on **employers** and pension plan administrators on **January 29, 2025**. To receive information, interested parties should sign up to [CRA's Payroll electronic mailing list](#).

2. **December 10, 2024** – CRA issued a Tax Tip (Planning to file your **tax return on paper**? Here's what you need to know!) noting that CRA will send the **2024 income tax package** to those who filed their 2023 return on paper and that the packages should arrive by **February 23, 2025**.

CRA also noted that **eligible individuals** (those who are invited by mail or email) can also auto-file their tax returns over the phone without the need to fill out forms or conduct calculations using the [SimpleFile by](#)

**phone** service (formerly called file my return).

CRA noted that in 2024, almost **93% of tax returns** were filed **online**. CRA's **NETFILE** service will **open** as early as **February 24, 2025**.

3. **December 6, 11, 17 and 20, 2024** – CRA updated the **GST/HST holiday tax break webpage** to include information on which supplies made by restaurants qualify for the GST/HST tax break as well as information on whether and how it applies to restaurant delivery services, mixed drinks, mandatory tips and catering services. CRA also included more details on the **eligibility of food and drinks** not provided at restaurants (such as energy drinks/foods and gift baskets). CRA also stated that Hannukah bushes would be eligible.

Further, CRA noted that **compliance** actions will focus on businesses that **willfully and egregiously refuse to comply**, such as those collecting GST/HST but not remitting it, **rather** than on those making **reasonable efforts to comply**.

*reasonable efforts to comply*

CRA has also noted that if a purchaser has been **charged GST/HST in error** and the supplier does not provide a refund or is no longer in business, the purchaser can **apply to CRA** for a GST/HST **rebate** for the amount charged in error. On December 20, 2024, CRA updated their **webpage** providing details on how to claim a rebate (minimum claim is \$2) for GST/HST charged in error.

*whether the GST/HST paid in error is sufficient to justify incurring the administrative costs of claiming a rebate*

**Late-Breaking News: December 23, 2024** - CRA issued GST/HST Notice 340 (**Questions and Answers about the GST/HST tax break** for all Canadians) addressing issues including **refunds and exchanges**.

4. **December 3, 2024** – CRA released the revised **T3 Statement of Trust Income Allocations and Designations** for **2024**, which included **several new box numbers** for the “Other Information” section of the slip; boxes 52 and 53 break out **capital gains before and after the transition date** (June 24, 2024), boxes 54 through 57 break out capital gains eligible for deduction from dispositions of qualified farm and fishing property and qualified small business corporation shares before and after the transition date, and boxes 58 and 69 break out insurance segregated fund net capital losses before and after the transition date.
5. **November 26, 2024** – CRA released the revised **T5 Statement of Investment Income** for **2024**, which included **two new/updated codes** for the “Other Information” section of the slip; box 34 **segregates capital gains realized before June 25, 2024** and box 18 segregates capital gains realized **after June 24, 2024**. See [Guide T4015 \(T5 Guide – Return of Investment Income 2024\)](#) for more information.

*revised T3 and T5 slips that break out capital gains eligible for the 50% inclusion rate*



See **Appendix A** for a listing of **resources prepared by Video Tax News** that are available on the Video Tax News portal and for recently released/updated **CRA publications and forms**.

## OTHER RELEASES

1. **December 2, 2024** – The Office of the Auditor General released **Report 8 – Canada Emergency Business Account**, which stated that while **loans of \$49.1 billion** to approximately **898,000 small businesses** were **quickly disbursed**, **value for money** was **compromised** by poor program management and oversight failure. The audit noted that **Export Development Canada's** plan to **collect defaulted loans** **lacked key elements**, while CRA had a more detailed plan but lacked targeted timelines. As of **March 31, 2024**, **83%** of the loan amounts originally disbursed were **repaid with partial forgiveness**, leaving about **\$8.5 billion to be repaid**. As the CEBA program with repayments will be ongoing for several years, the Auditor General noted that value for money will be further compromised without better monitoring and improved plans for collection.

*whether collection activity will change*

## 2 Canada's COVID-19 Response

521(2)

### CEWS COMPLIANCE ACTIVITY

On December 3, 2024, CRA updated their **compliance snapshot – Canada emergency wage subsidy for businesses** webpage to provide information on the **post-payment verification** activities of the subsidies. CRA noted that key results on the webpage would be **updated regularly**.

CRA's compliance program consists of many activities, including **automated validation criteria**, **manual pre-payment verifications** and **post-payment verifications**. CRA post-payment verifications focus on two concepts:

- post-payment **validations** – project-based **reviews** based on **claims** with **specific risk indicators**; and
- post-payment **audits** – comprehensive **reviews** based on **claimants** that have demonstrated the **highest risk of non-compliance**.

*different review activity dependent on risk indicators*

As of September 30, 2024, **51,597 out of 52,821 claim** verifications have been **completed**, covering **\$17 billion** of the \$18.4 billion in claims reviewed. This was comprised of **5,081 audits (\$15.1B)** and **46,516 validations (\$1.9B)**. \$16.1 billion (95%) was approved, while \$893 million was reduced or denied, which included 1,996 claimants who were fully ineligible. **\$32 million** in **penalties** were applied.

*just over 1,000 verifications still ongoing*

CRA also identified some **aggressive non-compliance** where claimants were suspected of using **third-party preparers** that facilitated the production of inaccurate or **willfully non-compliant** claims. Of the 775 audits completed, **only \$23M of \$104M** in claims reviewed (about 22%) were **approved**. \$18M in penalties were applied.

#### Editors' comment

The 2024 Fall Economic Statement proposed to provide CRA with **additional funding** for activities including auditing emergency subsidy claims such as **CEWS and CERS**.

*further reviews of CEWS  
and CERS expected*

## CEWS – PAYROLL RECORDS AND WAGES PAID

A November 18, 2024 **Tax Court of Canada** case ([Investment Accounting Solutions Inc. vs. HMK, 2023-1412\(IT\)](#)) reviewed the taxpayer's **Canada emergency wage subsidy** (CEWS) claims for March to December 2020. The taxpayer was a **closely held corporation** with the only **two employees** being the **shareholders**. At issue was whether the taxpayer paid **eligible remuneration** in the relevant period.

#### Taxpayer loses

The Court found that the taxpayer was **not** able to **substantiate** the **specific wage** amounts that it claimed to have paid to its employees, and therefore, the Court found that it did **not** have **eligible remuneration** for its CEWS claim.

While the taxpayer provided a **payroll listing** of **alleged wages**, it did **not** provide **pay stubs or cheques** to substantiate the amounts. The taxpayer relied on **bank statements** that showed **large and irregular payments** to the employee's personal bank accounts and credit card accounts, the dates of which did **not correspond** to the **payroll listing**. The taxpayer was **not** able to provide **direct evidence** to establish that the two employees received the specific wages claimed in the CEWS applications, as opposed to amounts the employees received as shareholder advances. The Court noted that the **distinction between wages and shareholder advances** was not a formality that could be overlooked; wages qualified as eligible remuneration, but shareholder loans did not.

*ensuring payroll records  
and actual payments  
correspond*

The Court noted that there are **consequences** to employee/owners **mixing** their **personal and business finances** and **forgoing issuing multiple cheques** in favour of large transfers. This lack of clear documentation and inability to decipher wages as opposed to shareholder advances prevented the taxpayer from substantiating their CEWS claim.

*another risk of not issuing  
regular payroll cheques to  
owner-managers*



## COVID-19 BENEFIT ELIGIBILITY ROUND-UP

As CRA continues their post-payment reviews related to the **Canada Emergency Response Benefit (CERB)**, **Canada Recovery Benefit (CRB)**, **Canada Worker Lockdown Benefit (CWLB)**, **Canada Recovery Sickness Benefit (CRSB)** and related programs, the Federal Court also continues to review applications for **judicial review** of the reasonableness of CRA's decisions to deny benefits.

### Owner-manager's choice to reduce compensation

A November 22, 2024 **Federal Court** case ([Lévesque vs. AGC, T-1203-23](#)) found that CRA's **denial** of **CRB** was **reasonable**. During the second-level review, the **taxpayer confirmed** to the **CRA agent** that **he** had **reduced** the **amount** his **corporation paid** to **him** during the reference period to **become eligible for CRB**. That is, the required **50% drop in earnings** was not due to the pandemic but rather to allow the taxpayer to meet the eligibility criteria.

*planned income reductions to qualify for CRB were not effective*

### Financial hardship

A November 18, 2024 **Federal Court** case ([Khan vs AGC, T-377-24](#)) found that CRA's **denial** of **CERB, CWLB and CRB** was **reasonable**. The Court found that the rules governing **eligibility** for CERB, CRB and CWLB do **not** allow for **consideration** of **personal circumstances** like **illness** or **financial hardship**. These equitable factors are simply not a component of the compliance system for these three benefits.

*financial hardship irrelevant when determining eligibility*

### Immigration to Canada prior to pandemic

A November 28, 2024 **Federal Court** case ([Feng vs. AGC, T-827-24](#)) found that CRA's **denial** of **CRB** was **reasonable**. The taxpayer **immigrated to Canada** in 2019 and started **working in mid-September 2019** but was laid off due to the pandemic in March 2020. In determining his CRB eligibility for payments from September 2020 onwards, the **taxpayer argued** that CRA should use his **6.5 months of uninterrupted pre-pandemic income** (mid-September 2019 to March 2020) as the benchmark which would have allowed him to meet the 50% reduction in income threshold, rather than the legislated period of 2019, 2020 or 12 months before application as the benchmark. The Court found that the **CRA officer cannot deviate** from the **statutory requirements, even** in cases involving **extenuating personal circumstances**.

*must use benchmark periods, even if not in Canada for the full period*

### 50% reduction in weekly income

An October 28, 2024 **Federal Court** case ([Tremblay vs. AGC, T-810-24](#)) found that CRA's **denial** of **CRB** was **reasonable**. While the taxpayer's **biweekly earnings** during the relevant period were **less than 50%** of her biweekly earnings in the **previous year**, **eligibility** is based on a **50% reduction in average weekly income**. As the taxpayer did **not earn 50%** or less than her **average weekly income** during the 12 payment periods at issue, she was **ineligible** for CRB. For other periods where she experienced a 50% reduction in weekly earnings, she was eligible for CRB.

*income threshold is based on weekly, not biweekly pay*

### Opportunity to address concerns

In an October 4, 2024 **Federal Court** case ([Komleva vs. AGC, T-1255-21](#)), the Court determined that CRA's decision to **deny CRB** was **not procedurally fair** and **reasonable** because it did **not provide** the taxpayer with an **opportunity to address concerns** over discrepancies between her invoices and bank deposits. The Court found that without this opportunity, the taxpayer did not fully know the "case to meet" or have a fair chance to respond.

*whether an opportunity to address concerns was provided*

## 3 Personal Tax

521(3)

### CRA REVIEWS AND COLLECTIONS

In Questions 2 and 6 of the [2024 Chartered Professional Accountants of Canada \(CPAC\) Provincial Questions for the CRA](#) (released November 26, 2024), CRA discussed **various review and payment issues**.

#### Information requests

CRA may **request copies of T4, T5 or T2202 slips**, even if the information is already available on My Account, **to reconcile** potential **additional, amended or deleted slips** not yet updated in the CRA database. The requests may also come on **standard automated letters** asking for slips to support a **requested adjustment**.

*slips may be requested even though it may appear that CRA already has them*

#### Reassessment without prior contact

CRA may **automatically reassess** a T1 return if **third-party information** slips clearly indicate **discrepancies** with what the taxpayer reported.

**Amended slips** are handled by a different department, which can result in **timing issues** preventing agents in the T1 Matching Program from reviewing whether amendments have been filed. If a discrepancy arises, the slip is **forwarded to the department** responsible for **verifying its accuracy** before changes are made to the T1 return.

*amended slips may cause timing issues with the matching program*

#### Pre- and post-assessment review

CRA indicated that due to the high volume of pre- and post-assessment reviews and the time required to issue **proposal letters**, they **do not plan to implement such letters** or additional contacts prior to reassessment. CRA noted that their statistics indicate that only a small percentage of the reassessments completed in these programs are reversed.

*proposal letters will not be issued*

#### Quebec workers resident in Ontario

CRA noted that it receives data from Revenu Québec but does **not have access** to the income slips. If **revisions** are made to Relevé slips **after the data exchange**, CRA's **T1 Matching** agents will **not have the updated details**. When discrepancies arise between Revenu Québec's data and the taxpayer's filing on line 43700 of the T1 return, CRA contacts the taxpayer to

*this provincial timing issue for the matching program*

request copies of the Relevé slips used for filing.

### Applying benefit payments to T1 balances not yet due

CPA Canada noted that, for some taxpayers, the **Canada carbon rebate** (CCR) and **GST credit** payments have been **applied against T1** personal income **tax balances before the April 30 due date**. Although CRA previously indicated in the [2023 CPA Canada/Provincial Accounting Bodies Questions to CRA](#) that such occurrences were not routine and improvements were implemented for the climate action incentive payment (now CCR), the issue persisted for 2024 benefit payments. CRA stated that improvements introduced for quarterly entitlements on April 15, 2024, did not address supplementary payments issued after this date, which continued to be applied to current-year T1 debt, but a **resolution** would be **implemented** with the **April 2025** issuances.

*this problem should be resolved for 2025 payments*

## SOCIAL ASSISTANCE – CAREGIVER BENEFIT

A November 29, 2024 **Technical Interpretation** ([2024-100715117](#), Brennan, Christopher) considered whether payments under a **provincial at home caregiver benefit** (AHCB) would qualify as **social assistance** and whether these payments would require **reporting on T5007 slips**. The program was intended to support unpaid primary caregivers of individuals with significant care needs living at home by offsetting caregiving-related costs and reducing the risk of institutionalization. The payments were made directly to the care recipient.

CRA opined that the payments were **likely social assistance** since they were made based on an **income test** and met the general definition of aid provided by a government. As such, they would **generally be** required to be **included in the recipient's net income** (Paragraph 56(1)(u)) but would be offset by a **deduction from taxable income** (Paragraph 110(1)(f)). Such receipts would usually be required to be **reported on a T5007 slip**.

*although not taxable, receipts may affect income-tested benefits*

However, there is also the possibility that the payments would simply be **excluded from income** (not requiring an inclusion and matching deduction) if the following conditions were met (Paragraph 81(1)(h)):

*no T5007 and reporting required where these conditions met*

- they were **social assistance payments** ordinarily made on the basis of a means, needs or income test;
- they were made under a program **provided for by a federal, provincial or territorial law**;
- they were **received directly or indirectly** by the **caregiver** for the benefit of the cared-for individual;
- the cared-for individual was **not the caregiver's spouse** or common-law partner or related to the caregiver or the caregiver's spouse or common-law partner;
- **no family allowance** under the Family Allowances Act or any similar allowance provided for by provincial or territorial law was payable in respect of the cared-for individual for the period for which the social

- assistance payment was made; and
- the cared-for individual **resided in the caregiver's principal place of residence** or the caregiver's principal place of residence was maintained for use as the cared-for individual's residence, during the period for which the payment was made.

In the case where the exclusion applies, reporting on slip **T5007** would **not** be **required**.

#### Kinship care agreements

*not likely income*

In a similar July 10, 2024 **Technical Interpretation** ([2024-1010461E5](#), Randa El-Kadi), CRA considered whether **payments made to caregivers** under **kinship care agreements** and **customary care agreements** with child and youth services would be taxable. CRA opined that such payments were **unlikely** to be **income** from a source and therefore would **not** be **taxable**. This conclusion was based on the fact that the payments were not determined by a means, needs or income test of either the caregiver or the child.

### SOCIAL ASSISTANCE – ONE-TIME RELIEF PAYMENT

A July 11, 2024 **Technical Interpretation** ([2024-1008891E5](#), Xiaowan Yao) found that a **one-time rebate of \$300** to eligible individuals and families (based on earning income between \$3,000 and \$70,000) would technically be required to be **included in net income** (Paragraph 56(1)(u)) but could then be **deducted** in calculating **taxable income** (Paragraph 110(1)(f)). However, these rebates would **not** be required to be **reported on form T5007** as the payments were **below \$500** (Regulations Subsection 233(2); see [VTN 491\(6616\)](#)). It is CRA's **administrative policy** that such payments do **not** need to be **reported in the recipient's income tax** return. As such, income-tested benefits would not be impacted.

*no reporting required*

## 4 Business/Property Income

521(4)

### VARIOUS INCENTIVES – SOLAR PANEL

An October 21, 2024 **Technical Interpretation** ([2024-1027501E5](#), Nicole Verlinden) discussed **CCA** and the **clean technology investment tax credit** with respect to the acquisition of \$10M of **solar panels used** in a corporation's **business** in 2024.

### CCA – solar panels (2024 T2 filing)

*accelerated CCA for solar panels*

The **solar panels** in this case were **assumed** to be included in **class 43.2** (50% declining CCA balance). As the solar panels met the definition of **accelerated incentive property** and the specific conditions for **clean energy equipment**, the taxpayer was able to claim a maximum **CCA** of **75%** of the **capital cost** of the property (Regulations 1100(2)A(c)). If the property were acquired and made available for use **before 2024**, the maximum CCA would be **100%** of the capital cost. From **2026 to 2027**, **55%** of the cost would be available. As such, solar panels with a capital cost of \$10M made available in 2024 would allow for a maximum \$7.5M CCA claim.

#### *Editor's comment*

While typical assets eligible for the accelerated incentive property are eligible for 1.5 x normal CCA rate for acquisitions by December 31, 2023 and 1.0 x normal CCA rate for acquisitions from January 1, 2024 to December 31, 2027, different rates apply to clean energy equipment and manufacturing and processing equipment. The 2024 Fall Economic Statement proposed to extend these timeframes (see [VTN 521\(7955\)](#)).

### Clean technology investment tax credit (ITC; 2024 T2 filing)

The clean technology ITC is a **refundable tax credit** available to **taxable Canadian corporations** for **capital** invested in the adoption and operation of **new clean technology property** in Canada from March 28, 2023 to **December 31, 2034** (Subsection 126.45(1)); see [VTN 505\(7268\)](#) and [509\(7439\)](#) and CRA's [webpage](#). The ITC rate may be **up to 30%** of the capital cost of the property that is acquired and that becomes available for use by December 31, **2033**, **after which** it drops to **15%** in **2034**. CRA opined that solar panels, in this case, would be eligible for this ITC.

The **capital cost** for **these purposes** requires that the amount be **reduced** for an amount of **government assistance** in respect of the property that the taxpayer is entitled to or can reasonably be expected to receive. CRA stated that neither the clean technology ITC nor the Atlantic ITC (Paragraph 127(9)(a)) would be government assistance, but the Nova Scotia capital ITC (Subsection 49A(1) of the Nova Scotia Income Tax Act) would be government assistance.

For example, if the Nova Scotia capital ITC was \$2.5M (25% x \$10M), the capital cost for clean technology ITC and Atlantic ITC purposes would be \$7.5M (\$10M - \$2.5M). As such, the clean technology ITC would be \$2.25M (30% x \$7.5M), and the Atlantic ITC would be \$750K (10% x \$7.5M).

Clean technology ITC claims for corporations with a fiscal year-end of December 31, 2024 cannot be made after June 30, 2026, which is one year after the taxpayer's filing due date for its 2024 taxation year.

*timely filing claims for ITCs*



### CCA (2025 T2 filing)

CRA stated that the **undepreciated capital cost** of the property is computed "at any time" and should therefore be **adjusted** for the **ITCs and CCA deducted in 2024**. As such, depending on the amount of the ITCs claimed, **recapture may result in 2025**. For example, for solar panels with a capital cost of \$10M, clean technology ITC of \$2.25M, Atlantic ITC of \$750K, Nova Scotia ITC of \$2.5M and CCA claimed of \$7.5M in 2024, recapture of \$3M would result in 2025 ( $\$10M - \$2.25M - \$750K - \$2.5M - \$7.5M = \text{negative } \$3M$ ).

*reducing the CCA claim to prevent recapture in the subsequent year*

## SR&ED – ADMINISTRATIVE UPDATE

In Question 22 of the **2024 Chartered Professional Accountants of Canada (CPAC) Provincial Questions for the CRA** (released November 26, 2024), CRA stated that they have established **national standardized processes** to allow for **consistent administration** of the **scientific research and experimental development (SR&ED)** program. However, CRA noted that **large claims** are not assigned through the national workload system, but rather continue to be **assigned** to reviewers located in the **same region** as the **claimant**. If a claimant believes that an onsite visit is necessary, CRA will evaluate such requests using a number of factors, including the availability of reviewers within reasonable proximity to the claimant's location.

*national workload for SR&ED*

## SR&ED – TECHNOLOGICAL UNCERTAINTY

An October 8, 2024 French **Tax Court of Canada** case (**DAZZM Inc. vs. HMK, 2021-3161(IT)G**) considered whether \$208,853 in **salary** expenses would be eligible for **scientific research and experimental development (SR&ED)** credits. The expenditures related to a project that focused on resolving **significant performance issues** when **combining four software libraries**. CRA denied this claim, asserting that there was **no technological uncertainty** that could not be resolved with **routine debugging** or performance optimization using known methodologies.

### Taxpayer wins

While CRA maintained that the tools and techniques used were commonplace, the Court found that **no publicly available solutions** addressed the **specific combination of tools** (React, Redux, Styled Component and Recompose) or the performance challenges faced. As such, the performance issues represented **genuine technological uncertainty** and the credits were allowed.

*whether there were public-domain solutions available*



## 5 Partnerships

521(5)

### LIMITED PARTNERSHIPS (LPs)

A November 5, 2024 SkyLaw article ([Limited Partnerships: an Overview](#)) discussed various **legal and tax issues** related to the use of LPs. The authors note that an LP is **formed under provincial law** between **two or more persons** to carry on a **business** with a view to **profit**. Typically, the parties would execute a **limited partnership agreement (LPA)** to govern the relationship among the partners. LPs have **considerable flexibility** in their governance and other workings.

The authors indicated that an **LP** would typically be used for **tax reasons**, in particular to take advantage of being a **flow-through entity**. The authors noted that LPs are often used to hold **investments** such as **real estate**, as a vehicle for **private equity funds** and as part of **international tax planning** for **high-net-worth** families. The ability to **flow losses** to partners can be **tax-effective** for businesses anticipating **start-up losses**. Partners can also be **taxable on income** of the LP **without** receiving **cash** or other assets to fund any taxes.

*a limited partnership as an alternative to a corporation*

**Every province and territory** allows the creation of LPs. They can **carry on business anywhere** and there are **no Canadian residency requirements** for their partners. There are **differences** between provincial laws. For example, the authors specifically noted that **Manitoba** can provide for **greater liability protection** in some cases but also requires **public disclosures** not required in other provinces.

An LP will have one or more **general partners** (often a corporation) that have **unlimited liability** and **manage** the LP's **business**. The LP will require **at least one** general partner. The **limited partners** are generally **passive investors**. They enjoy **limited liability provided** that they do **not** take on an **active role** in the **management or control** of the LP.

*limited partners cannot be actively engaged in the business*

The article provided **considerable details** of the circumstances where **limited liability** could be **lost** based on the **partner's activities**. The requirements **vary** between **jurisdictions**, with some focused on **control** of the business and others on **management**. The authors provided many examples of case law addressing these requirements. Guidance on creating and administering an LP was also included.

## LIMITED PARTNERS – NEGATIVE ADJUSTED COST BASE (ACB)

An August 15, 2024 **Technical Interpretation** ([2024-1031811E5](#), Robert Gagnon) discussed the implications where the **ACB** of a **limited partner's interest** in a **limited partnership** (LP) is **negative** at the end of a taxation year using the following **hypothetical situation**:

- the **taxpayer** invested **\$10,000** into the LP;
- LP realized a **capital gain** of which **\$100,000** was the **taxpayer's share**;
- **before LP's year-end**, it **paid** the amount of **\$100,000 to the taxpayer**; and
- there were **no further transactions** before LP's year-end on December 31.

CRA noted that, **at year-end**, the taxpayer's **ACB** of the **partnership interest** was **negative \$90,000** (\$10,000 invested less \$100,000 withdrawn). As the taxpayer was a **limited partner**, the **negative ACB** would be **deemed** to be a **\$90,000 capital gain** to the partner on **December 31** (Subsection 40(3.1)).

*deemed capital gains where a limited partner's ACB is negative at the end of the year*

Immediately **after year-end**, the amount of the **deemed capital gain** would be **added** to the **ACB** (Subparagraph 53(1)(e)(vi)), restoring it to **nil**. This would be effective on **January 1**. In addition, the taxpayer's **share of the capital gain** would be **added** to his **ACB** (Subparagraph 53(1)(e)(i)) at the same time. After these adjustments, the taxpayer would have an **ACB** of **\$100,000**.

*the timing of adjustments to the ACB of a partnership interest*

### Editors' comment

The interpretation did not discuss the ability of the taxpayer to **elect** to be deemed to realize a **capital loss** if the partnership interest has a **positive ACB** at the end of a **subsequent year** (Subsection 40(3.12)).

In some cases, it may be possible to **advance loans** to limited partners **rather than paying drawings** to avoid a negative ACB (see [VTN 499\(6965\)](#)).

The broader deemed disposition resulting from a negative ACB (Subsection 40(3)) does not apply to partnership interests. As a result, a **partner** who is **active** in the partnership, and who does **not benefit from limited liability**, is **not subject to deemed capital gains** from a negative ACB. Where the **only limit** in liability of the partner is for **negligence, misconduct or fault of other partners** in a limited liability partnership (Subsection 40(3.14)), the partner is **not considered** to benefit from **limited liability** in respect of these rules. The extent of liability protection afforded to partners of limited liability partnerships varies between provinces and should be reviewed in determining whether this exception applies.

*reviewing whether an exception to deemed capital gains for a negative partnership ACB is available*

## 6 Farming/Fishing

521(6)

### T5013 FILING EXEMPTION

On November 28, 2024, CRA updated its [website](#) to note that for the **2024 fiscal year, farm partnerships** made up **entirely of individuals** other than trusts (i.e. taxpayers who file T1s) **do not have to file a T5013 partnership return**. This exemption **does not apply** to farm partnerships that include a **trust** or a **corporation**.

#### Editors' comment

Where a partnership return is not filed, the period in which CRA can reassess the partners never expires (Subsection 152(1.4)). This may motivate partners to file a return despite CRA waiving the requirement. CRA has indicated that such a return would not attract penalties for filing after the due date (see [VTN 402\(1718\)](#)).

*whether a return should be filed for statute-barred purposes*

## 7 Owner-Manager Remuneration

521(7)

### TAXABLE BENEFITS – CONDOMINIUM PURCHASES

A July 15, 2024 French **Court of Quebec** case ([Migliara vs. QRA, 2024 QCCQ 4038](#)) reviewed **taxable benefits** assessed to numerous **shareholders** of **corporations** that were **partners** in a partnership developing a **condominium complex**. The shareholder, and/or their spouses or children had **acquired units** from the **partnership** for **less than fair market value** (FMV). Some of the taxpayers were involved in management of the project, and others were only passive investors.

#### Taxpayers lose – benefits conferred

The taxpayers argued that the **partnership benefited** as their **early purchases** facilitated it **obtaining financing** for the project as a whole. The Court held that a **benefit to the partnership** did **not prevent** the taxpayers **also** realizing a **benefit**. The **discount from FMV** was a benefit to the taxpayers.

*both sides to a transaction can receive benefits*

#### Taxpayers lose – benefits taxable

The Court then reviewed **various provisions** under which the benefits might be **taxable** to the taxpayers.

#### Shareholder benefits

The Court first held that the **benefits** were conferred by the **partnership**, and as such could **not** be a **benefit conferred on a shareholder** (Subsection 15(1)) as a partnership does not have shareholders. Most of the taxpayers had **no control** over the **partnership decisions**, as their corporations were

limited partners with no managerial or decision-making powers.

#### *Transfer of a right to income*

The Court then reviewed whether the **taxpayers** met the conditions of Subsection 56(4) in **directing** a right to income be **transferred** to another person. The Court noted that this required that **four conditions** be met, as follows:

- a payment is made to a person **other than the taxpayer**;
- the payment is made **at the direction of the taxpayer**;
- the payment is made **for the benefit of the taxpayer** or to a person who the taxpayer wishes to benefit; and
- the payment **would be income** to the **taxpayer** if they had received it.

*deemed income where these four conditions are met*

The Court held that these **conditions** were **met** in respect of **sales** to the **spouse and daughter** of the taxpayer who **owned the general partner** and **managed the partnership business** but that these were **not met** for any of the **other taxpayers**, as they **could not direct the transfer** to themselves or their family members.

#### *Benefit provided to the taxpayer*

Where a person **confers a benefit** on a taxpayer, directly or indirectly, by any means whatever, and **payment** of the **amount of the benefit** directly from the person to the taxpayer would be included in the taxpayer's income, the **amount** is **taxable to the taxpayer** (Subsection 246(1)).

*this very broad provision to tax benefits falling outside other provisions*

The **partnership** had **conferred a benefit** on the shareholders of its corporate partners, whether **directly** by allowing the shareholders to purchase at a discount or **indirectly** by allowing their family members to make similar purchases. As a **benefit** had been conferred, and an **equivalent amount** paid from the partnership **would have been taxable**, the **remaining taxpayers were taxable**.

#### **Taxpayers lose – not statute-barred**

Two of the taxpayers had been assessed **after the normal reassessment period** had expired. The taxpayers were both **experienced business people**. In addition, they had offered **no evidence** that they were **not careless or neglectful**. As a result, the Court **upheld the reassessments** on the basis that the **failure to report the benefits** was a **misrepresentation attributable to carelessness or neglect**.

*providing evidence of due diligence to refute allegations of carelessness or neglect*

## 8 CRA

521(8)

### SERVICE STANDARDS

In Question 1 of the [2024 Chartered Professional Accountants of Canada \(CPAC\) Provincial Questions for the CRA](#) (released November 26, 2024), CRA discussed various issues related to their **service standards**. CRA noted that many of these are available on their [service standards 2024-2025](#) and [check CRA processing times](#) webpages.

CRA advised that **no published service standards** were contemplated for the following items:

- assessing **T4 or T5 returns**, most of which are **filed electronically** and **processed automatically**; CRA plans to introduce **new upfront validations** that will **reject** certain **erroneous or incomplete** returns;
- many programs with a **small volume of filings**, including fuel charge (CT), luxury tax (LT), excise duty (RD), excise tax and special levies (RE), air travellers security charge (RG), insurance premium tax (RN) and information returns (RZ), including **partnership** returns;
- **underused housing tax** returns, due to the need for experience with the new rules; and
- **non-resident compliance certificate requests** (Forms T2062 Request by a Non-Resident of Canada for a Certificate of Compliance Related to the Disposition of Taxable Canadian Property and T2062A Request by a Non-Resident of Canada for a Certificate of Compliance Related to the Disposition of Canadian Resource or Timber Resource Property, Canadian Real Property (Other Than Capital Property), or Depreciable Taxable Canadian Property).

*errors or omissions on T-slips may soon be rejected in the EFILE process*

*no published service standards for certificates of compliance*

CRA did **not respond** to the specific issue of standards for **assigning an objection** to an appeals officer but instead referred to their [processing times and complexity levels – income tax and GST/HST objections](#) webpage for general processing times and to the **progress tracker** in My Account and My Business Account for specific objections.

*these resources for assessing the likely timeframe for resolving objections*

### COLLECTION – SOURCE DEDUCTIONS AND GST/HST

In most situations, **collection** activity is **not permitted** while an **income tax** matter is **under objection**. However, there is **no suspension** for collection of **source deductions** or **GST/HST** as these are trust accounts. In Question 3 of the [2024 Chartered Professional Accountants of Canada \(CPAC\) Provincial Questions for the CRA](#) (released November 26, 2024), CRA discussed the ability to **request a stay of collection activity** on such accounts.

*GST/HST and source deductions remain subject to collection while under objection*

### Source deductions

CRA indicated that the taxpayer's **assigned collections officer** can work with taxpayers who are experiencing **legitimate difficulties** meeting these payment obligations. The taxpayer must provide sufficient information to permit a **review** of all **income, expenses, assets and liabilities** to determine the taxpayer's **ability to pay**. CRA will then work with the taxpayer to formulate a suitable **payment arrangement** to allow the taxpayer to **address** their **arrears balance** and **keep filing and remittances current** while **allowing** the taxpayer to meet its **operational obligations** (e.g. wages, mortgage or loan repayments, payments to suppliers and, for individuals, the basic necessities of life such as food, lodging and transportation). **Where** such **arrangements** are **made**, CRA can **withdraw** any **collection actions** such as garnishment, so long as the **payment arrangement remains in good standing**.

*full financial disclosure will be required for a payment arrangement*

### GST/HST arrears

**Specific provisions** apply to **GST/HST** balances. **Collection action** on amounts under **objection** or appeal may be **postponed** where the taxpayer has provided **security** in a **satisfactory amount and form** (Excise Tax Act Subsection 314(2)). Even **without security**, CRA can **postpone collection** of amounts under **objection or appeal** (Excise Tax Act Subsection 315(3)) with the approval of the appropriate delegated authority.

*whether security can be provided*

CRA will **only consider** a postponement **without security** if **all** of the following **requirements** are met:

- the taxpayer **remains current** with **tax compliance** requirements for **all associated accounts**;
- the amounts in dispute have **not already** been **collected**;
- the business **remains** in **good financial standing**;
- the taxpayer provides **relevant information** that **may result** in the **assessment** being **overturned**;
- the taxpayer's **objection** or appeal identifies **reasonable differences** in the **interpretation of the legislation**; and
- the taxpayer has **Canadian-based assets**.

*these requirements where security cannot be provided*

Decisions to postpone collection action are made on a **case-by-case basis**, based on the specific facts, and a **refusal** to postpone collection is subject to **judicial review**.



## FILING UNDER PROPOSED LEGISLATION

In Question 4 of the [2024 Chartered Professional Accountants of Canada \(CPAC\) Provincial Questions for the CRA](#) (released November 26, 2024), CRA was asked about their **assessing practices** in respect of **proposed legislation**. CRA indicated that **taxpayers decide** whether to file based on proposed legislation. CRA **cannot enforce** compliance with **legislation until** it has received **Royal Assent**.

*CRA cannot enforce compliance with legislation that has not received Royal Assent*

At that time, CRA may **review and reassess** taxpayers who did not file in accordance with any **retroactive legislation**. CRA indicated that their **assessing practice** does **not depend** on the **stage** of proposed legislation before the House of Commons or the Senate.

*the risk of interest where legislation is passed retroactively*

## AUDIT PROCESSES

In Questions 8 and 9 of the [2024 Chartered Professional Accountants of Canada \(CPAC\) Provincial Questions for the CRA](#) (released November 26, 2024), CRA commented on several **audit-related** matters.

### Personal financial information

CRA indicated that **concerns** with the **scope of information requested** should be discussed with the **auditor** and, if necessary, their **team leader**. CRA noted **several reasons** why **personal banking records** of both **shareholders** and their **immediate family** might be requested, including the following:

- these records are **required** to be obtained where the **audit** procedures include **indirect verification of income** ([Income Tax Audit Manual](#) section 13.3) procedures in respect of a **closely-held corporation** ([Income Tax Audit Manual](#) section 10.2.1);
- CRA is **unable to rely on** the **accounting records** due to **weak internal controls** or a **lack of segregation of duties**;
- the taxpayer's **lifestyle** is **inconsistent** with their reported **income**; or
- to **verify transactions** between the **shareholder** and the **corporation**.

*how common these issues are in private businesses*

### Electronic accounting files

CRA was asked whether it was **necessary** to provide **accounting backup files**. CRA's response summarized their **legal authority** to access this information and did **not suggest** that any **alternatives** would be **acceptable**.

*the likeliness that CRA will require the full electronic accounting records*

### Audit plan

CRA indicated that **auditors must explain** why information is requested and are expected to **communicate** in an **open, transparent** and **professional** manner. Information on audit procedures and the detailed audit plan cannot be disclosed.

### Timeframe

CRA indicated that the auditor should **discuss** the **estimated time** to complete the audit during the **initial contact** and should **inform the taxpayer** of any **material changes** in the expected timeframe that arise over the course of the audit ([Income Tax Audit Manual](#) section 9.6.4).

### Audit evidence

CRA discussed audit evidence in considerable **detail**, referring to [Income Tax Audit Manual](#) section 10.5 as the auditor's principal guidance on **obtaining and weighing audit evidence**.

*reviewing this guidance to assess evidence that could be provided*

## STAYING CURRENT WITH CRA POLICIES

In Question 11 of the [2024 Chartered Professional Accountants of Canada \(CPAC\) Provincial Questions for the CRA](#) (released November 26, 2024), CRA outlined several **resources** that advisors might use to receive **updates** on CRA policies and procedures, including the following:

- their [tax tips](#) webpage;
- signing up to [electronic mailing lists](#);
- signing up to [RSS feeds](#); and
- using the [government of Canada web archive](#) to review historical versions of webpages.

*these electronic resources to stay current*

## ELECTRONIC FILING ISSUES

In Question 12 of the [2024 Chartered Professional Accountants of Canada \(CPAC\) Provincial Questions for the CRA](#) (released November 26, 2024), CRA discussed several issues with **electronic filing**.

### Forms not in tax software

CRA noted that they **require very few forms** to be incorporated into **electronic filing software** permitting developers to design **software tailored** to their **clients' needs**. **Forms** or schedules **not included** in the software package used by the taxpayer can be **submitted by mail** or by fax. **Some forms** can also be submitted using [T2 attach-a-doc](#) or through [submit documents](#) in CRA's online portals.

*these options for filing forms not in the software*

### Efiling special elections

CRA noted that **electronic filing** of certain **special elections** requires the taxpayer's authorization on [Form T2183 Information Return for Electronic Filing of Special Elections](#). The **filer** is **required** to obtain both a **fully executed** copy of the **election** itself, as well as the **signed T2183**, before efilings the election. CRA indicated that **either party** to a **joint election** (e.g. Form T2057 Election on Disposition of Property by a Taxpayer to a Taxable Canadian Corporation) may sign the **T2183**.

*a signed copy of the election must be obtained before the election can be efiled*

Where a Form **T2054 Election for a Capital Dividend** is filed with a **T2SCH89 Request for Capital Dividend Account Balance Verification**, only **one T2183** is required.

CRA noted that **ancillary documents** such as **directors' resolutions** for capital dividend elections or **schedules** to T2057s can be submitted using **attach-a-doc** or through **submit documents** in CRA's online portals.

*the need to submit ancillary documents separately*

## TELEPHONE SERVICES

In Question 14 of the **2024 Chartered Professional Accountants of Canada (CPAC) Provincial Questions for the CRA** (released November 26, 2024), CRA discussed several issues regarding **telephone services**.

Due to a determination by the **CRA security branch** and **legal services** that there is **minimal security risk** to the use of **cell phones** by either or both participants in a call, and to align with the standards of other federal government call centres, the **cell phone disclaimer** was **removed** from CRA's interactive voice response systems in August 2023.

*cell phones are here to stay*

In response to the suggestion of a **separate phone line for representatives**, CRA indicated that this is **not being considered** at present as it would **not be consistent** with their commitment to **standardized service for all Canadians**.

*no plan to offer separate phone lines for representatives*

## BUSINESS NUMBER (BN) REGISTRATION – ADDRESS ISSUES

In Question 20 of the **2024 Chartered Professional Accountants of Canada (CPAC) Provincial Questions for the CRA** (released November 26, 2024), CRA discussed **address requirements** for **business number registrations**.

CRA requires a **physical and mailing address** for BN registration. The **physical address** must be where the **day-to-day activities take place**. As it must represent the **physical location** of the **actual business**, **rural route (RR) numbers** or **post office (PO) boxes** are **not accepted**. CRA indicated that, if a **street address** is **not available**, the **legal description** of the location of the business can be used (e.g. Lot 1, Concession 2).

*providing a physical address for the business*

Where a **new postal code** is **not recognized** as valid in the BN System upon registration of a business number, the information is sent to **another CRA area** that can **validate** the new postal code and **add it to the CRA database**.

## GLOBAL HIGH-WEALTH (GHW) AUDIT PROGRAM

A November 11, 2024 Investment Executive article ([CRA doubles number of identified global high-wealth groups over 5 years](#), Michelle Schriver) discussed CRA's GHW program, **formerly** known as the **related party audit program**, that targeted those who control a **net worth** of **\$50 million** or more. The article indicated that CRA has identified **over 2,500 GHW groups**.

*CRA's focus on high-net-worth groups*

CRA's approach is to **audit entire groups** of entities, rather than auditing single taxpayers. They indicated that a single group **may contain hundreds of entities**, including individuals, trusts, partnerships and corporations. A **previous requirement** that focused the program on high-net-worth individuals with **25 or more related-party entities** was **removed**.

In combination, CRA said that the **GHW program, offshore program and aggressive tax planning program** completed over **700 audits** (over 180 in the GHW program) in fiscal 2023–24, with a total **fiscal impact** of **\$1.8 billion** (about \$745 million from the GHW program). By comparison, the fiscal impact from all compliance activities was \$15.3 billion in 2023–24, so these programs accounted for over 11.75% of the fiscal impact. CRA defines "**fiscal impact**" as the total federal and provincial tax assessed, tax refunds reduced, interest and penalties, and the present value of future federal tax assessable. It does not account for the impact of appeals reversals and uncollected amounts.

*small numbers of large-dollar audits*

CRA noted that these audits are **complex and lengthy** to complete and reflect ongoing financial investments by the government directed at **collaboration** with **domestic and international** partners, **technological advancements** and **data sources** to advance CRA's efforts.

## 9 Estate Planning

521(9)

### RECTIFICATION – TRUST ALLOCATION OF CAPITAL GAINS

A May 17, 2024 **Ontario Superior Court of Justice** case ([Evans et al. vs. AGC, 2024 ONSC 1955](#)) considered whether a **rectification order** should be provided to **correct a trust resolution** that did **not specify** the **allocation of taxable capital gains** among beneficiaries. The trustee and beneficiaries claimed that the intent of the provision was to **allocate sufficient income** to enable the beneficiaries to **utilize** their **lifetime capital gains exemption** (LCGE).

CRA reassessed the trust on the basis that the **resolution was too indefinite** to allocate the income to the beneficiaries, making the income **taxable within the trust**. The resolution stated only that the income of the trust would be "allocated to the beneficiaries of the trust payable by way of

*whether the resolution effectively permitted the intended result*

demand promissory note in such amounts to be determined when the income of the Trust is ascertained.” CRA opposed the rectification, stating that the applicants’ remedy lies elsewhere, such as pursuing the accountants or lawyers who prepared the resolution.

### Taxpayers win

The Court found that the **resolution’s failure** to record the specific allocation terms resulted from a clerical **oversight** rather than a lack of agreement. The Court determined that a **prior agreement with definite terms** (allocation of \$375,000 to each beneficiary) existed. It rejected CRA’s argument that no definitive agreement existed, emphasizing the unchallenged affidavits and corroborative contemporaneous documents. As the resolution failed to reflect the agreement due to its vague language, the Court found **rectification to be an appropriate** remedy to align the resolution with the applicants’ original intentions.

## 10 International

521(10)

### COMPLIANCE CERTIFICATES – UHT

A **purchaser** is required to **withhold** and **remit 25%** (proposed to **increase to 35%** effective January 1, 2025; see [VTN 515\(7717\)](#)) of the purchase price on the **acquisition** of certain **taxable Canadian property** (TCP), such as Canadian real estate, from a **non-resident vendor** if the non-resident does **not** obtain a **compliance certificate** (Section 116, see [VTN 405\(1951\)](#)).

In Question 13 of the [2024 Chartered Professional Accountants of Canada \(CPAC\) Provincial Questions for the CRA](#) (released November 26, 2024), CRA reiterated that they must **verify** that an applicant is **compliant** with **all** filing and tax payment **obligations** under the **underused housing tax** before issuing a certificate of compliance (see [VTN 493\(6738\)](#)). CRA has noted that, due to this new requirement, **processing times** for certain applicants requesting a certificate of compliance have **increased**. To reduce delays, CRA suggested ensuring that **all applications** are consistent with the **guidance provided** on their [disposing of or acquiring certain Canadian property](#) webpage. See [VTN 515\(7731\)](#) for commentary on cash flow challenges that may arise related to processing delays.

*UHT non-compliance causing problems on the sale of property*

CRA also stated that they will **accept** a **partial remittance** during their **review** process, but they will **not issue** a **certificate of compliance** until the **full amount** required is **submitted** in respect of the proposed or completed disposition. CRA also noted that a **partial remittance** would **not relieve** the purchaser of their **withholding obligations**. The **final settlement** of the tax liability is made when the Canadian income **tax return is filed**.

## US – CORPORATE TRANSPARENCY ACT (CTA)

On January 1, 2024, a new US beneficial ownership information (BOI) reporting regime came into effect. The legislation applies to private **corporations and limited liability companies** (LLCs) registered to do business in the US (including both domestic and foreign corporations) but excludes a few types of entities, such as publicly listed corporations. Identifying information of **beneficial owners** that have **substantial control** are required to be **disclosed for new entities** and those entities that have **changes** (see [VTN 508\(7418\)](#)). The **constitutionality** of the CTA is being **litigated** in the courts (see [VTN 513\(7646\)](#)).

A December 3, 2024 District Court for the Eastern District of Texas ([Texas Top Cop Shop, Inc., et al. v. Garland, et al., No. 4:24-CV-00478 \(E.D. Tex.\)](#)) issued a **nationwide preliminary injunction** that **halts** the **enforcement** of the **CTA** and its **BOI reporting requirements**, including **suspending all deadlines** to comply with the reporting requirements.

As a result, US Financial Crimes Enforcement Network (FinCEN) has [stated](#) that reporting companies are **not** currently **required** to file their **BOI** with **FinCEN** and will **not** be subject to **penalties** for failing to do so while the **injunction remains in effect**. However, reporting companies **may voluntarily submit** BOI reports.

*filing obligations  
suspended while  
constitutionality is under  
appeal*

The Department of Justice, on behalf of the Department of the Treasury, filed a **Notice of Appeal** on December 5, 2024.

## 11 First Nations

521(11)

### EMPLOYMENT INCOME – MEDICAL ACCOMMODATION

An August 20, 2024 **Technical Interpretation** ([2024-1002921E5](#), Ananth Mahendran) reviewed whether **employment income** of a status Indian would be eligible for **exemption from tax** (Paragraph 81(1)(a) of the Income Tax Act and Paragraph 87(1)(b) of the Indian Act).

The **facts reviewed** included the following:

- the **employer** was **resident** on a **reserve**;
- the **employees** registered under the Indian Act generally **performed more than 50%** of their employment **duties** at the employer's **on-reserve** office; and
- these employees' incomes were **exempt** based on Guideline 3 of the [Employment Income Guidelines](#).



The **specific employee** had previously worked on-reserve as described above; however, he had returned to work after a **long-term disability**. Under a requested **medical accommodation** related to his disability, it was anticipated that he would **work from home off-reserve** and no longer perform significant employment duties at the on-reserve office.

*the implications of working from an off-reserve home rather than at an on-reserve office*

CRA opined that, as the employee would work **full-time** from his **off-reserve** home, he would **no longer** meet the requirements of Guideline 3. It did **not appear** that any **other Guideline** would apply, **nor** that there were **other factors connecting his employment** with the **reserve**. As a consequence, his **employment income** would be **taxable**.

CRA confirmed that the **temporary administrative positions** in the application of the **Employment Income Guidelines** in light of issues caused by COVID-19 (see VTN [476\(5871\)](#)) did **not apply** after December 31, 2022 and would **not** be **extended** to employees working from home for **other reasons**, including medical accommodations.

## 12 Did You Know...

521(12)

### UHT – VOLUNTARY DISCLOSURE

In Question 17 of the [2024 Chartered Professional Accountants of Canada \(CPAC\) Provincial Questions for the CRA](#) (released November 26, 2024), CRA confirmed that the **voluntary disclosure program** (VDP) accepts submissions related to the **underused housing tax** (UHT). The **same parameters** applicable to disclosures of income tax and GST/HST matters would apply (see VTN [437\(3835\)](#) and [431\(3573\)](#)).

*voluntary disclosure of missed UHT filings*

### DIGITAL VALIDATION OF IDENTITY TO ACCESS SERVICES

On December 2, 2024, the [Office of the Auditor General](#) tabled a report on progress towards a national approach for **validating** a person's **identity digitally** to access services from **all levels of government and elsewhere** in the public and private sectors. The report indicated that the Treasury Board has made **little progress** beyond securing funding for **Employment and Social Development Canada** to procure a new **system** to **replace** almost **90 sign-in portals** for various **federal government services**.

*whether new sign-in protocols are coming*

The report opined that, due to a **lack of collaboration** with **other levels of government** and the private sector, some **provinces** were implementing their **own approaches**, such that **digital access** to services is developing **without a national approach** to ensure **seamless and secure online access** to online services in the **public and private sectors** across Canada.

The report also noted that, between 2010 and 2022, **Canada's global ranking** in the United Nations E-Government Development Index **fell from 3rd to 32nd**, and from **2nd to 6th among the Group of Seven**, highlighting that Canada is **not progressing** as rapidly as other nations.

*Canada is falling behind in e-government development*

## ARTIFICIAL INTELLIGENCE – TAX SOLUTIONS

A November 18, 2024 CPA Canada article ([CPA Canada has your AI solutions for tax covered](#), John Oakey, CPA) discussed the **benefits and risks** of applying **artificial intelligence (AI)** products in the provision of **tax services**. The article noted that AI is a **tool** that can **create efficiencies** and **improve productivity** but, like all tools, **cannot replace the knowledge and skills** of the user.

*how AI can be integrated into tax services*

The article noted that obtaining **high-quality answers** from generative AI **requires** asking **high-quality questions**, and such questions require sufficient **knowledge** of tax and **understanding of the issues** at hand. **Critical thinking** and **professional skepticism** are required to **validate**, and sometimes to **correct**, the answers determined by AI.

*policies for the review of research produced from AI*

## BC HOME FLIPPING TAX

On December 6, 2024, the [BC home flipping tax](#) webpage was updated. This webpage details this **new tax** effective for **dispositions** on or after **January 1, 2025** (see [VTN 515\(7741\)](#) and [512\(7599\)](#)). The tax applies to **all residential property** held for **less than 730 days** unless an exemption applies and requires a **return separate from income tax** filings. **Returns** are due within **90 days of sale**.

*this filing requirement separate from income tax returns*

A **disposition** of a **taxable property** would occur with the execution of a **contract** by which a **beneficial interest in residential property** is **transferred** from the seller to the purchaser in exchange **for consideration** in money or in the form of other assets. Generally, **dispositions** would **not include** the following:

*only dispositions for consideration will be subject to the tax*

- **deemed dispositions** for income tax or other purposes;
- placing a **mortgage, charge or lien** on a property;
- **leasing** property;
- a **gift** of the property; or
- any transaction resulting in a **change of legal ownership** with **no change in beneficial ownership**.

**Taxable properties** include properties with a **housing unit**, properties **zoned for residential use** and any **right to acquire** such properties. Leases, or sales of leasehold interests, would not attract the tax.

**Exemptions** from the tax are detailed in a series of separate webpages and include the following:

- numerous **life circumstance** exemptions (e.g. dispositions due to a death, serious illness or a relocation for business or employment purposes);
- various **exemptions for builders, developers, and building or renovating activity**;
- certain **sales between related parties**, including both individuals and corporations;
- properties in **exempt locations** (lands held by Indigenous groups);
- properties held by **exempt entities** (e.g. governments, Indigenous organizations and non-profit organizations);
- properties acquired as a **beneficiary** of a **real estate investment trust**; and
- property used **exclusively** for **commercial use** throughout its ownership.

*reviewing the details of these exemptions if you deal with BC real estate*

Several of these **exemptions** still require **filing a return** to report the disposition and claim the exemption.

A **deduction** of up to **\$20,000** from the gain may be available for a **primary residence** that was owned for **at least 365 days**, but less than 730 days such that the tax applies.

## SASKATCHEWAN AFFORDABILITY ACT

On **December 2, 2024**, Saskatchewan **announced** the following **tax measures**:

- **increasing** various **personal tax credits**, including the personal exemption, spousal exemption, child exemptions and the seniors supplement by **\$500 a year** for the 2025 through 2028 years, in addition to indexation;
- **increasing indexation** of the **Saskatchewan low-income tax credit** by **5%** for 2025 through 2028;
- **increasing indexation** of the **disability tax credit**, the disability tax credit **supplement for children** and the **caregiver tax credit** by **25%** for 2025 through 2028;
- **increasing** the **Saskatchewan first-time homebuyers credit** maximum benefit by **50%**;
- **doubling** the **active families benefit** and the income threshold to qualify for that benefit;
- **increasing** the **graduate retention program's** tax credit benefits by **20%**;
- **introducing** a new **home renovation tax credit** worth up to \$420 per year, with increased to \$525 for seniors; and
- **retaining** the **1% small business income rate** permanently, with the retention of the related dividend tax credit.

*these increased personal tax credits*

*the 1% small business rate will continue indefinitely*

## UPCOMING COURSES

### Personal Tax Update 2025

Another personal income tax season is fast approaching, and so is the 43rd annual **Personal Tax Update**. **Virtual live and in-person** 7-hour presentations will be offered from late January to early March 2025 **by geographic location**, allowing us to deliver targeted and practical content. Limited spaces are available for in-person and virtual live offerings, so register early to secure your first choice. If you prefer to **view on your schedule**, consider registering for our **pre-recorded sessions** running from **early March** through the month of April.

*getting a jump on the upcoming personal tax season*

Join us for one full-day or two half-day (virtual live only) sessions for the effective and efficient completion of 2024 returns, and planning considerations for the coming year. Highlights include a **thorough review** of the **compliance and planning implications** of the proposed changes to the **capital gains inclusion rate**, the new **alternative minimum tax** rules and the **denial of expenses** for **short-term rental** activities.

*registering early – some sessions are already sold out*

### Newbies to Ninja – Personal Tax, 2025 Edition

Help your **newer preparers** enhance their ability to **efficiently and accurately** prepare personal tax returns with the updated version of this **basic T1** general **preparation course**. In addition to **core topics** like employment, business, investment and rental income, this concise pre-recorded online 3-hour topic-by-topic course incorporates **changes** including evolving **CCA incentives**, the **denial of expenses** for non-compliant **short-term rental** activities, this year's newly introduced or modified credits and deductions and, of course, the **changes** to the **capital gains inclusion rate**. Don't miss the **early bird discount** – register your team by **January 10, 2025**. Used in conjunction with your firm's presentation of administrative procedures, newer preparers will be preparing T1s and identifying **areas of concern** and **planning opportunities** like tax ninjas!

*ensuring your team is ready for personal tax season*

# 13 Appendix

521(13)

## APPENDIX A

### Additional Video Tax News Resources and Recently Released CRA Publications and Forms

#### Video Tax News Resources

- [Video Tax News Members Portal and Newsfeed](#)
- [Video Tax News Members Portal – A How To Use The Portal Video Tutorial](#) (6 mins)
- [Summary of Recent Tax and Benefit Proposals](#)
- [Tax on Split Income \(TOSI\) – Quick Reference Chart](#)
- [Underused Housing Tax \(UHT\) – Quick Reference Chart](#)
- [Selected Temporary CCA Incentives – Quick Reference Chart](#)
- [Life in the Tax Lane – 10 Minute Monthly Podcast/Video](#)
- [Technical Interpretations](#)

#### CRA Guides/Publications

- [S1-F3-C1](#) Child Care Expense Deduction
- [T4114](#) Canada Child Benefit and related provincial and territorial programs
- [T4127-JAN](#) Payroll Deductions Formulas - 120th Edition - Effective January 1, 2025
- [T4001](#) Employers' Guide - Payroll Deductions and Remittances
- [T4130](#) Employers' Guide - Taxable Benefits and Allowances
- [RC4120](#) Employers' Guide - Filing the T4 slip and Summary
- [T4091](#) T5008 Guide - Return of Securities Transactions 2024

#### CRA Forms/Statements/Returns

- [TD1-WS](#) Worksheet for the 2025 Personal Tax Credits Return and provincial versions
- [TD1](#) 2025 Personal Tax Credits Return and provincial versions
- [T1006](#) Designating an RRSP, a PRPP or an SPP Withdrawal as a Qualifying Withdrawal
- [T1007](#) Connected Person Information Return
- [T3APP](#) Application for Trust Account Number
- [RC18](#) Calculating Automobile Benefits
- [T3](#) Statement of Trust Income Allocations and Designations
- [T3SUM](#) Summary of Trust Income Allocations and Designations
- [RC518](#) Declaration of Tax Residence for Individuals - Part XVIII and Part XIX of the Income Tax Act
- [RC519](#) Declaration of Tax Residence for Entities - Part XVIII and Part XIX of the Income Tax Act

- [RC520](#) Declaration of Tax Residence for Individuals - Part XIX of the Income Tax Act
- [RC521](#) Declaration of Tax Residence for Entities - Part XIX of the Income Tax Act
- [T5](#) Statement of Investment Income
- [T5SUM](#) Return of Investment Income
- [T733](#) Application for a Retirement Compensation Arrangement (RCA) Account Number
- [T737-RCA](#) Statement of Contributions Paid to a Custodian of a Retirement Compensation Arrangement (RCA)
- [T183CORP](#) Information Return for Corporations Filing Electronically
- [E680](#) Notice of Objection (Excise Act, 2001)
- [PD27](#) 10% Temporary Wage Subsidy Self-identification Form for Employers
- [T1004](#) Applying for the Certification of a Provisional PSPA
- [T4A](#) Statement of Pension, Retirement, Annuity, and Other Income
- [T5008](#) Statement of Securities Transactions
- [T5008SUM](#) Return of Securities Transactions



## APPENDIX B

### List of Areas Newly Eligible for the Canada Carbon Rebate Rural Supplement in 2025-26

Based on the 2021 Census, Eligible Small Population Centres\*

#### Nova Scotia

##### *In the CMA of Halifax:*

Brookside	Lake Echo
Enfield - Lantz	Rural areas, e.g. Seaforth
Indian Brook 14	

#### Newfoundland and Labrador

##### *In the CMA of St. John's:*

Rural areas, e.g. Windsor Heights

#### New Brunswick

##### *In the CMA of Fredericton:*

New Maryland	Rural areas, e.g. Kingsclear
Starlight Village	

##### *In the CMA of Moncton:*

MacEwen	Rural areas, e.g. Weldon
Salisbury	

##### *In the CMA of Saint John:*

Hampton	Wells
Quispamsis - Rothesay	Rural areas, e.g. Willow Grove

#### Manitoba

##### *In the CMA of Winnipeg:*

Ile des Chenes	Oak Bluff
La Salle	Oakbank
Landmark	St. Adolphe
Lorette	Rural areas, e.g. Dugald
Niverville	

#### Saskatchewan

##### *In the CMA of Regina:*

Balgonie	Regina Beach
Lumsden	White City
Pilot Butte	Rural areas, e.g. Richardson

##### *In the CMA of Saskatoon:*

Dalmeny	Martensville
Delisle	Osler
Langham	Rural areas, e.g. Beaver Creek

## Alberta

### *In the CMA of Calgary:*

Chestermere	Langdon
Crossfield	Rural areas, e.g. Dalroy
Irricana	

### *In the CMA of Edmonton:*

Beaumont	Lancaster Park
Bon Accord	Legal
Calmar	Morinville
Cardiff	Redwater
Devon	Stony Plain
Fort Saskatchewan	Rural areas, e.g. Duffield
Gibbons	

### *In the CMA of Lethbridge:*

Coaldale	Picture Butte
Coalhurst	Rural areas, e.g. Diamond City
Nobleford	

### *In the CMA of Red Deer*

Rural areas, p. ex. Township Road 391

## Ontario

### *In the CMA of Barrie:*

Big Bay Point	Innisfil
Cookstown	Rural areas, e.g. Churchill
Elmvale	

### *In the CMA of Brantford:*

Burford	St. George
Paris	Rural areas, e.g. Cathcart

### *In the CMA of Belleville:*

Frankford	Rural areas, e.g. Wallbridge
Stirling	

### *In the CMA of Greater Sudbury:*

Azilda	Dowling
Capreol	Lively
Chelmsford	Valley East
Coniston	Rural areas, e.g. Whitefish

### *In the CMA of Guelph:*

Rockwood	Rural areas, e.g. Morriston
----------	-----------------------------

### *In the CMA of Hamilton:*

Binbrook	Rural areas, e.g. Copetown
Carlisle	

### *In the CMA of Kingston:*

Bath	Rural areas, e.g. Brewers Mills
------	---------------------------------

*In the CMA of Kitchener-Cambridge-Waterloo:*

Ayr	New Hamburg
Elmira	St. Jacobs
New Dundee	Rural areas, e.g. Shingletown

*In the CMA of London:*

Belmont	Port Stanley
Dorchester	Strathroy
Ilderton	Rural areas, e.g. Melrose
Mount Brydges	

*In the CMA of Oshawa:*

Orono	Rural areas, e.g. Solina
-------	--------------------------

*In the CMA of Ottawa-Gatineau:*

Almonte	Manotick Station
Arnprior	Metcalfe
Bourget	Munster
Carleton Place	Osgoode
Carp	Richmond
Constance Bay	Rockland
Embrun	Russell
Kemptville	Rural areas, e.g. Kinburn

*In the CMA of Peterborough:*

Bridgenorth - Chemong Park Area	Millbrook
Lakefield	Rural areas, e.g. Springville

*In the CMA of St. Catharines-Niagara:*

Beamsville	Port Colborne
Chippawa	Stevensville
Crystal Beach	Vineland
Fort Erie	Virgil
Mississauga Beach	Rural areas, e.g. Cooks Mills

*In the CMA of Toronto:*

Acton	King
Alliston	Mount Albert
Ballantrae	Nobleton
Beeton	Palgrave
Bolton	Schomberg
Caledon	Sutton
Caledon East	Tottenham
Claremont	Uxbridge
Keswick - Elmhurst Beach	Rural areas, e.g. Linton

*In the CMA of Thunder Bay:*

Rural areas, e.g. Murillo	
---------------------------	--

*In the CMA of Windsor:*

Amherstburg

Harrow

Colchester

Rural areas, e.g. Maidstone

Essex



**VIDEO TAX NEWS INC.**

**Phone: (877) 438 2057**

**Fax: (877) 437-4455**

[info@videotax.com](mailto:info@videotax.com)

[www.videotax.com](http://www.videotax.com)

**Video Tax News Inc. © January 2025**

