

2020 – Changes for Corporations - Federal

Canadian journalism labour tax credit

[Draft Legislative Proposals – 2020-04-17]

Retroactive to January 1, 2019, changes to the Canadian journalism labour tax credit have been proposed:

- Qualifying journalism organizations (QJOs) receiving amounts from the Aid to Publishers under the Canada Periodical Fund will be allowed to receive the credit. The amount of the credit will be reduced by the amount received from the Aid to Publishers.
- Only organizations that hold a licence as defined in subsection 2(1) of the Broadcasting Act will be ineligible for the credit. QJOs without such a licence that carry on unlicensed broadcasting undertakings, like podcasts, will be able to qualify.
- The requirement that a qualified Canadian journalism organization (QCJO) be "primarily" engaged in the production of original news content and not be significantly engaged in the production of content to promote goods or services has been removed. The "primarily" threshold will continue to apply to QCJOs that are a corporation or trust seeking to register as qualified donees.
- Eligible newsroom employees will have to spend at least 75% of their time in the production of original written news content.
- An organization will be deemed to have become designated as a QCJO on the date that it applies for designation with the Canada Revenue Agency (CRA), unless otherwise specified by the minister.
- The CRA will be allowed to revoke a QCJO's designation when it no longer meets the eligibility requirements. The CRA will have to consider any advice provided by the Advisory Board before revoking an organization's designation. This Advisory Board was set up to assist the Government in administering the journalism tax measures introduced in Budget 2019.
- The credit will be prorated based on the proportion of an organization's tax year during which it qualifies as a QJO.
- The credit can be allocated to active members of a QJO that is a partnership, based on the relative specified proportions, as defined in subsection 248(1) of the Income Tax Act, of each qualifying member for the relevant fiscal period.

Capital cost allowance – Zero-emission vehicles

[2020-03-02 News Release]

The Government proposes to provide a temporary enhanced first-year capital cost allowance (CCA) rate of 100% for eligible zero-emission automotive equipment and vehicles that currently do not benefit from the accelerated rate provided by classes 54 and 55. These vehicles and equipment would be included in new class 56.

The enhanced rate would apply only for the tax year in which the equipment or vehicle first becomes available for use. It would be subject to the following phase-out:

- 100% after March 1, 2020 and before 2024
- 75% after 2023 and before 2026
- 55% after 2025 and before 2028

The CCA would be deductible on any remaining balance on a declining-balance basis at a rate of 30%.

2020 – Provinces and territories

British Columbia

[2020-02-18 Budget]

British Columbia farmers' food donation tax credit – This credit, which was scheduled to end December 31, 2020, has been extended three years to December 31, 2023.

British Columbia film and television tax credit – For tax years starting on or after February 19, 2020, the filing deadline to claim this credit is reduced from 36 months to 18 months after the end of a tax year.

British Columbia political contribution tax credit – You can only claim this credit for contributions made before November 30, 2017.

British Columbia production services tax credit – For tax years starting on or after February 19, 2020, the filing deadline to claim this credit is reduced from 36 months to 18 months after the end of a tax year. Effective July 1, 2020, corporations intending to claim this credit must notify Creative BC of their intent within 60 days of first incurring an expenditure eligible for the tax credit. Creative BC must have received this notice before issuing an accreditation certificate.

British Columbia training tax credit – This credit, which was scheduled to end December 31, 2019, has been extended three years to December 31, 2022.

Manitoba

[2020-03-19 Budget]

Manitoba cultural industries printing tax credit – This credit, which was scheduled to end December 31, 2020, has been extended one year to December 31, 2021.

Manitoba community enterprise development tax credit – This credit, which was scheduled to end December 31, 2020, has been extended one year to December 31, 2021.

Manitoba film and video production tax credit – This credit is increased from 30% to 38% of eligible production costs if a Manitoba production corporation participates in the production of an eligible film. This applies to projects for which principal photography begins after May 31, 2020.

Manitoba manufacturing investment tax credit – This credit, which was scheduled to end December 31, 2020, has been made permanent.

Manitoba rental housing construction tax credit – The minister responsible for this credit will be the minister appointed to administer the Manitoba Housing and Renewal Corporation Act. It was previously the minister of Housing and Community Development.

Nova Scotia

[2020-02-25 Budget]

Nova Scotia corporation income tax rates – Effective April 1, 2020, the lower rate of Nova Scotia corporation income tax decreases from 3% to 2.5% and the higher rate decreases from 16% to 14%.

Nova Scotia digital animation tax credit – This credit, which was scheduled to end June 30, 2020, is extended five-and-a-half years to December 31, 2025.

Nova Scotia digital media tax credit – This credit, which was scheduled to end December 31, 2020, is extended five years to December 31, 2025.

Ontario

[2020-03-25 Economic and Fiscal Update]

Ontario production services tax credit – Retroactive to June 4, 2015, eligible service contract expenditures included in determining a corporation's expenditure limit must relate to remuneration paid by the corporation, rather than salary and wages paid to Ontario-based individuals.

Ontario regional opportunities investment tax credit – Ontario introduced a new 10% refundable income tax credit for Canadian-controlled private corporations that make qualifying investments that become available for use on or after March 25, 2020, in specified geographic areas of Ontario. Qualifying investments are eligible expenditures for capital property included in capital cost allowance class 1 and class 6. These investments include expenditures for constructing, renovating or acquiring eligible commercial and industrial buildings and other assets. The credit will be available for expenditures of more than \$50,000 and up to a limit of \$500,000 in the tax year. In general, the qualifying region includes the north, the east (except the Ottawa region) and the south-west of Ontario

Prince Edward Island

[2020-06-17 Budget]

Lower rate of Prince Edward Island corporation income tax – Effective January 1, 2021, the Prince Edward Island lower rate of corporation income tax will decrease from 3% to 2%.

Yukon

[2020-03-05 Budget]

Lower rate of Yukon corporation income tax – Effective January 1, 2021, the lower rate of Yukon corporation income tax will decrease from 2% to 0%.

Yukon manufacturing and processing profits tax credit – Effective January 1, 2021, the small business increment will decrease from 0.5% to 0%.

Yukon small business investment tax credit – Starting in 2020, not just small, but also medium-sized businesses will be allowed to raise money under this program. The credit will be renamed the “Yukon business investment tax credit”. The amount of money a business can raise in a year will be increased.

2019 – Federal

[2019-03-19 Budget]

Canadian film or video production tax credit – Canadian Belgian co-productions

Effective March 12, 2018, the memorandum of understanding between Canada and Belgium is added to the list of instruments under which a film or video production may be produced in order to qualify as a treaty co-production. This allows joint projects of producers from Canada and Belgium to qualify for the Canadian film or video production tax credit.

Capital cost allowance – Zero-emission vehicles

For zero-emission vehicles acquired after March 18, 2019, two new capital cost allowance (CCA) classes were added. Class 55 was created for zero-emission vehicles otherwise included in class 16 (which includes taxi cabs, vehicles acquired for short-term renting or leasing, and heavy trucks and tractors designed for hauling freight), with the same CCA rate of 40%. Class 54 was created for zero-emission vehicles that would otherwise be included in class 10 (most motor vehicles not included in any other class) or 10.1 (passenger vehicles that cost more than \$30,000 before sales taxes), with the same CCA rate of 30%. The CCA still applies on a declining-balance basis.

If the vehicle is acquired, and becomes available for use, after March 18, 2019, and before 2028, an enhanced **first-year** CCA is available as follows:

- 100% after March 18, 2019 and before 2024
- 75% after 2023 and before 2026
- 55% after 2025 and before 2028

The CCA will apply to any remaining balance for the new classes using the set rate for each class.

For class 54, when the capital cost of a zero-emission passenger vehicle is more than a prescribed amount, the capital cost of the vehicle is deemed to be the prescribed amount (\$55,000 plus sales taxes for 2019). This amount will be reviewed annually. See more details on [zero-emission vehicles](#).

Character conversion transactions

A character conversion transaction is a transaction that artificially turns ordinary taxable income into a capital gain through the use of derivative contracts. In 2013, rules were introduced for derivative forward agreements. Certain commercial transactions (for

example, merger and acquisition transactions) were excluded from these rules. But an alternative character conversion transaction has been developed to misuse this exception.

For transactions entered into after March 18, 2019, there is an additional qualification for the commercial transaction exception for purchase agreements.

This qualification will also apply after December 2019 to transactions that were entered into before March 19, 2019, including those that extended or renewed the terms of the agreement after March 18, 2019.

Cross-border share lending arrangements

For amounts paid or credited as securities lending arrangement (SLA) compensation payments after March 18, 2019, measures will ensure that the withholding tax consequences for non-resident lenders under an SLA would generally be the same as if they had continued to hold the lent securities. For example, the payments by a Canadian resident to a non-resident for shares issued by a Canadian resident corporations (lent share) will always be treated as dividends, and hence subject to withholding tax. This does not apply for amounts paid or credited as SLA compensation payments after March 18, 2019, and before October 2019, if they were made under a written arrangement entered into before March 19, 2019.

Donations of cultural property

For donations made after March 18, 2019, property does not have to be of national importance (that is have a direct connection with Canada's cultural heritage) to qualify for the enhanced tax incentives for donations of cultural property. This does not apply to the export of cultural property out of Canada. Enhanced tax incentives include an enhanced charitable donation deduction and an income tax exemption for any capital gains arising on the disposition of the property.

Electronic delivery of requirements for information

Since January 1, 2020, the Canada Revenue Agency is allowed to send requirements for information, including those for foreign-based information, electronically to banks and credit unions, rather than delivering them in person or by registered or certified mail. Written consent of the bank or credit union is required.

Foreign affiliates

Foreign affiliate dumping

The foreign affiliate dumping rules are intended to counter erosion of the tax base by preventing surplus from being stripped out of Canada without tax. For transactions that occur after March 18, 2019, the application of these rules is extended to corporations resident in Canada that are controlled by a non-resident individual, a non-resident trust or a group made up of any combination of non-resident corporations, non-resident individuals, and non-resident trusts that do not deal with each other at arm's length.

Form T1134

For tax years starting in 2020, Form T1134, Information Return Relating to Controlled and Not-Controlled Foreign Affiliates, has to be filed within 12 months after the end of the corporation's tax year. For tax years starting after 2020, it will have to be filed within 10 months after the end of the corporation's tax year.

Scientific Research and Experimental Development (SR&ED) Program

For tax years ending after March 18, 2019, taxable income is no longer a factor in determining a Canadian-controlled private corporation (CCPC) annual expenditure limit for the purpose of the refundable 35% enhanced SR&ED investment tax credit. Only the taxable capital employed in Canada remains a factor.

Small business deduction – Farming and fishing

For tax years starting after March 21, 2016, income from sales of the farming products or fishing catches by a CCPC's farming or fishing business to any type of arm's length purchaser corporation is excluded from specified corporate income and, as such, eligible for the small business deduction. Previously, sales had to be to a farming or fishing cooperative corporation to be eligible.

You have to request a reassessment if, in a previous year that started after March 21, 2016, you had income that meets the definition of specified farming or fishing income, but did not meet the definition of specified cooperative income. The 2019 federal budget has given the CRA the authority to reassess beyond the normal reassessment period for this specific purpose.

Support for Canadian journalism

The 2019 federal budget announced that, as of January 1, 2019, journalism organizations may ask for recognition as a qualified Canadian journalism organization (QCJO). This status is a necessary condition for each of the three following new measures:

- a new qualified donee status
- a refundable labour tax credit
- a non-refundable tax credit for Canadian digital news media subscriptions (only available to individual taxpayers)

For more information, go to [Guidance on income tax measures to support journalism](#).

Qualified donee status

Since January 1, 2020, there is a new category of qualified donee called a registered journalism organization (RJO). The RJOs have similar benefits as registered charities, such as being exempt from income tax and being able to issue donation receipts. They also have to comply with requirements similar to those of registered charities in order to maintain their status as qualified donees.

Refundable labour tax credit

Since January 1, 2019, a 25% refundable labour tax credit is available to a qualifying journalism organization (QJO). Such an organization is a QCJO that meets certain criteria. The maximum credit available is \$13,750 per eligible newsroom employee per year for qualifying labour expenditures. An RJO (which is exempt from income tax) may also be entitled to this tax credit for its qualifying labour expenditures as long as certain criteria are met.

Transfer pricing measures

For tax years starting after March 18, 2019, new measures ensure that the transfer pricing rules related to Part XVI.1 of the Income Tax Act are applied before any other provision of the Act. The current exceptions to the application of the transfer pricing rules regarding situations in which a Canadian resident corporation has an amount owing from, or extends a guarantee in respect of an amount owing by, a controlled foreign affiliate continue to apply.

For tax years for which the normal reassessment period ends after March 18, 2019, an extended reassessment period applies as a consequence of an arrangement or event relating to transfer pricing transactions involving a Canadian taxpayer and a non-resident with whom the taxpayer does not deal at arm's length. This allows the extended reassessment period to apply to a broader range of situations.

2019 – Provinces and territories

British Columbia

British Columbia political contribution tax credit – You can only claim this credit for contributions made before November 30, 2017.

[2019-02-19 Budget]

British Columbia farmers' food donation tax credit – This credit, which was scheduled to end December 31, 2019, has been extended one year to December 31, 2020.

British Columbia mining exploration tax credit – This credit, which was scheduled to end December 31, 2019, has been made permanent.

British Columbia shipbuilding and ship repair industry tax credit – This credit, which was scheduled to end December 31, 2019, has been extended three years to December 31, 2022.

British Columbia small business venture capital tax credit – As of March 2, 2019, a convertible right investment in an eligible business corporation is eligible for a tax credit. A tax credit certificate is issued when the investment is made, not when the convertible right converts to shares.

British Columbia training tax credit – This credit, which was scheduled to end December 31, 2018, has been extended one year to December 31, 2019.

Manitoba

[2019-03-07 Budget]

Manitoba book publishing tax credit – This credit, which was scheduled to end December 31, 2019, has been extended five years to December 31, 2024.

Manitoba cultural industries printing tax credit – This credit, which was scheduled to end December 31, 2019, has been extended one year to December 31, 2020. For tax years ending after March 6, 2019, the annual maximum credit that can be claimed is set at \$1.1 million per corporation.

Manitoba film and video production tax credit – This credit, which was scheduled to end December 31, 2019, has been made permanent.

Manitoba manufacturing investment tax credit – For qualifying property acquired after June 30, 2019, the refundable part of this credit is reduced from 8% to 7% of the cost of the property.

Manitoba small business venture capital tax credit – This credit, which was scheduled to end December 31, 2019, has been extended three years to December 31, 2022.

Newfoundland and Labrador

[2019-04-16 Budget]

Newfoundland and Labrador film and video industry tax credit – This credit, which was scheduled to end December 31, 2018, has been extended three years to December 31, 2021.

Nova Scotia

[2019-03-26 Budget]

Nova Scotia innovation equity tax credit – Effective April 1, 2019, this credit is made available to corporations that make eligible investments in eligible Nova Scotia small or medium sized corporations engaged in innovative activities. The credit is equal to 15% of the eligible investment that a corporation makes in another approved corporation. The minimum investment amount is \$50,000 and the maximum investment amount is \$500,000. Previously, the credit was available only to individual investors.

Nova Scotia venture capital tax credit – Effective April 1, 2019, Nova Scotia introduced a new venture capital tax credit available to individuals and corporations who make eligible investments in a qualifying venture capital fund. The tax credit rate is 15%.

Nunavut

[Bill 26 – Royal assent 2019-11-07]

Lower rate of Nunavut corporation income tax – Effective July 1, 2019, the Nunavut lower rate of corporation income tax decreased from 4% to 3%.

Ontario

[Bill 138 – Royal assent 2019-12-10]

Lower rate of Ontario corporation income tax – Effective January 1, 2020, the Ontario lower rate of corporation income tax decreases from 3.5% to 3.2%.

[2019-04-11 Budget]

Ontario interactive digital media tax credit – For tax years starting after April 11, 2019, the minimum Ontario labour expenses that a specialized digital game corporation must incur in its tax year for eligible digital games is decreased from \$1 million to \$500,000.

Prince Edward Island

Prince Edward Island political contribution tax credit – You can only claim this credit for contributions made before June 12, 2018.

[2019-06-25 Budget]

Lower rate of Prince Edward Island corporation income tax – Effective January 1, 2020, the Prince Edward Island lower rate of corporation income tax decreases from 3.5% to 3%.

Yukon

[Bill 2 – Royal assent 2019-11-27]

Yukon research and development tax credit – Currently, the Yukon research and development tax credit is enhanced for expenditures paid or payable to the Yukon College. Yukon will establish the Yukon University, in part by continuing the Yukon College as the Yukon University.

[2019-03-07 Budget]

Yukon carbon rebate – Since July 1, 2019, the federal carbon levy is applied to fuels purchased in Yukon. Yukon's Carbon Rebate Program will return all carbon levy revenues back to individuals, businesses, First Nations governments, and municipal governments. The CRA administers parts of this program in the form of rebates.