

Tax Changes applicable to 2017 tax returns

Corporations :

(Note: for exhaustive listing of changes, refer to CRA)

Billed-basis accounting

For tax years that begin after March 21, 2017, professional corporations are no longer permitted to elect to exclude the value of work in progress at the end of a tax year from business income for that year. Transitional rules will phase in the inclusion of work in progress into income.

Emissions allowances

For emissions allowances acquired in tax years beginning after 2012 and before 2017, you must make an election in your 2016 or 2017 income tax return under subsection 10(2) if you want your emissions allowances to be treated as inventory. After 2016, emission allowances will be treated as inventory for all corporations.

Relevant spot rate

The exchange rate to be used in converting amounts for determining your Canadian tax results is specified in the definition of **relevant spot rate** in subsection 261(1) of the Income Tax Act. As a result of the Bank of Canada making changes to its published rates, this definition is modified as of March 1, 2017, to change the reference from the noon rate to the new daily exchange rate that the Bank of Canada publishes per currency pair at 16:30 Eastern time on the particular day. In certain situations, corporations are allowed to use an exchange rate other than as determined above, if that rate is acceptable to the CRA.

T2 Attach-a-doc

Some tax preparation software will let you file your supporting documents, such as certificates and elections, electronically.

Reporting of the sale or disposition of real estate

To improve reporting of the sale or disposition of real estate, beginning with tax years that end after October 2, 2016, the CRA may at any time reassess an income tax return beyond the normal reassessment period, in certain situations.

Insurers of farming and fishing property

For tax years that begin after 2018, the tax exemption for income earned from the insurance of property used in farming or fishing (including residences of farmers or fishers) will be eliminated.

Factual control of a corporation

For tax years that begin after March 21, 2017, the interpretation of factual control is clarified to ensure that all relevant factors can be considered when determining whether a corporation is controlled “in fact”.

Capital cost allowance

For property acquired for use after March 21, 2017, that has not been used or acquired for use before March 22, 2017, both of these apply:

- accelerated capital cost allowance (CCA) is allowed for geothermal equipment that is used primarily to generate heat or a combination of heat and electricity
- geothermal heat is included as an eligible thermal energy source for use in a district energy system, which makes such a system eligible for accelerated CCA

Ecological gifts

For gifts of ecologically sensitive land made after March 21, 2017, a number of changes to the Canadian Ecological Gifts Program were announced, related to the approval of recipients, private foundations and personal servitude. New rules will apply to unauthorized changes of use or dispositions of property that occur after March 21, 2017.

Additional deduction for gifts of medicine

For gifts of medicine made after March 21, 2017, the additional deduction for gifts of medicine is eliminated. This measure does not affect the general income tax treatment of donations made by corporations to registered charities, including gifts of medicine.

Small business deduction

Under proposed changes, the small business deduction will increase to 18% effective January 1, 2018, and to 19% effective January 1, 2019, resulting in small business tax rates of 10% and 9%.

Specified cooperative income

For tax years that begin after March 21, 2016, the definition of specified corporate income is amended to exclude specified cooperative income, so that such income remains eligible for the small business deduction by default.

Investment tax credit for child care spaces

For expenditures incurred after March 21, 2017, this investment tax credit is eliminated. Transitional measures are available.

Lower rate of Ontario corporation income tax

Effective January 1, 2018, the lower rate of Ontario corporation income tax decreases from 4.5% to 3.5%.

Ontario small business deduction

Since March 22, 2016, if a corporation assigns any part of its federal business limit to another corporation under subsection 125(3.2) of the federal Income Tax Act, the corporation's Ontario business limit is reduced by the same amount by which the federal business limit is reduced.

Ontario apprenticeship training tax credit

This credit is eliminated for apprenticeship programs in which the training agreement or contract of apprenticeship is registered after November 14, 2017.

Ontario computer animation and special effects tax credit

The definition of "eligible production" is amended to list the productions excluded from the definition effective January 1, 2009. It explicitly excludes talk shows, maintaining the treatment of talk shows as ineligible for the Ontario computer animation and special effects tax credit.

Ontario film and television tax credit

Effective March 14, 2017, assistance that is a payment from the 2015 Ontario Production Services and Computer Animation and Special Effects Transitional Fund ("Transitional Grant") to a qualifying corporation is not considered government assistance. You do not have to subtract such amounts from the qualifying labour expenditures when you determine the credit amount.

Ontario production services tax credit

Effective March 14, 2017, assistance that is a payment from the 2015 Ontario Production Services and Computer Animation and Special Effects Transitional Fund ("Transitional Grant") to a qualifying corporation is not considered government assistance. You do not have to subtract such amounts from the qualifying Ontario labour expenditures when you determine the credit amount.