



CESTNICK

TAX MATTERS

10 post-election tax and personal finance changes to expect

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So, now that the dust from the federal election has settled, let's turn our attention to what tax and personal finance changes the Liberals had announced before the vote. This will give us some idea of what to expect in the coming months, perhaps even before year-end. Some of these changes may warrant action by taxpayers today. While the list of proposed changes is long, I want to share the top 10 items that affect individuals and families. And keep in mind that these changes haven't been implemented yet. These are just promises and will need support from the NDP or Bloc Québécois, who hold the balance of power.

1. Tax on luxury items. The 2021 federal budget announced a new tax to be effective Jan. 1, 2022, on the purchase or lease of cars or aircraft priced at over \$100,000, and boats over \$250,000. The tax will be the lesser of 10 per cent of the full purchase price, or 20 per cent of the price over the thresholds.

2. Capital purchases for business. The Liberals pledged to move forward with a budget measure to allow any Canadian-controlled private corporation (CCPC) to immediately expense up to \$1.5-million of eligible capital purchases. According to the budget, this would be available for eligible assets acquired on or after April 19, 2021, and available for use before 2024.

3. COVID-19 support. The Liberals promised to provide extended temporary wage and rent support of up to 75 per cent of expenses for Canada's tourism industry from Oct. 24, 2021, to May 31, 2022, for businesses in certain hospitality industries that have experienced at least a 40-per-cent revenue loss. The party also promised to extend the Canada Recovery Hiring Program (CRHP) to March 31, 2022.

4. Minimum tax. The Liberals announced plans to introduce a 15-per-cent minimum tax for individuals who are in the top tax bracket after removing

excessive deductions and credits those individuals claimed. No one is quite sure how the new minimum tax would interact with the existing alternative minimum tax (see my Sept. 2 article).

5. Government pensions and benefits. The Liberals promised to boost Old Age Security benefits by 10 per cent next year for seniors aged 75 and over, and to increase the Guaranteed Income Supplement by \$500 for single seniors and \$750 for couples, starting at age 65. The party also promised to increase the Canada Pension Plan survivor's benefit by 25 per cent.

6. Home office expenses. You may have claimed home office expenses in 2020 if you worked at home due to COVID-19 and met the requirements to make that claim. The simplified version of the deduction allowed a claim of up to \$400. The Liberals have promised to extend the simplified deduction through 2022 and to increase the limit to \$500.

7. EI benefits. There's a promise to introduce a new employment insurance benefit for self-employed individuals that provides unemployment assistance comparable to EI for up to 26 weeks, and to establish an EI Career Insurance Benefit for certain laid-off long-term employees that kicks in after regular EI ends.

8. Expanded tax credits. Promises have been made to enhance: the Canada Caregiver Credit (making it tax-free and refundable), the Home Accessibility Tax Credit (to provide an extra \$1,500), the Eligible Educator School Supply Tax Credit (to 25 per cent from 15 per cent), the Medical Expense Tax Credit (to include new eligible costs), and the First-Time Home Buyers' Tax Credit (to \$10,000 from \$5,000). Also promised is a new Multigenerational Home

Renovation Tax Credit of 15 per cent for up to \$50,000 in renovation costs for families to add a secondary unit to their home for immediate or extended family members, and a new Career Extension Tax Credit (worth \$1,650) for seniors aged 65 and over who earn a minimum of \$5,000 of working income.

9. First Home Savings Account. The Liberal Party said it would introduce a tax-free account to allow Canadians under age 40 to save up to \$40,000 toward their first home. There would be a deduction for the contribution (it would count toward a person's RRSP contribution limit), but income and withdrawals would be tax-free. There would be no requirement to repay the withdrawals, as there is for withdrawals from RRSPs under the current Home Buyers' Plan.

10. Housing measures. The 2021 budget introduced a 1-per-cent Underused Housing Tax, beginning in 2022, on non-resident, non-Canadian owners of vacant or underused homes. The party also intended to include vacant land within large urban areas. And the Liberals promised to ban foreign investors from purchasing non-recreational residential properties in Canada for the next two years (with some exceptions). Finally, they also proposed an anti-flipping tax that would require properties to be held for at least 12 months (with some exceptions) to ensure access to the principal residence exemption.

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