THE GLOBE AND MAIL

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TAX MATTERS

How the federal government's New Year's resolutions will affect Canadians

SPECIAL TO THE GLOBE AND MAIL
PUBLISHED DECEMBER 30, 2021

On Dec. 16, the Prime Minister released a mandate letter addressed to Chrystia Freeland, the Finance Minister, detailing the government's priorities in the coming days – including tax changes to make. Think of these as New Year's resolutions that the government intends on keeping as we head into 2022. The letter is quite long, so I've decided to focus on those priorities that affect individuals and families. Some of these will sound familiar because they were announced in the 2021 federal budget. Others will be new to readers. So, here we go. In 2022, the Department of Finance will be focused on:

Taxes and pensions

- Establishing a minimum 15-per-cent tax rule for top-bracket earners;
- Implementing a tax on the purchase of luxury cars, boats and planes;
- Addressing labour shortages by introducing a Labour Mobility Tax Credit of up to $600 a year for workers in the building and construction trades in eligible travel and temporary relocation expenses;
- Introducing a Career Extension Tax Credit of up to $1,650 a year for seniors who want to stay in the work force;
- Introducing a one-time income-tax deduction for health care professionals who are just starting out in their careers to help with the costs of setting up their practice in a rural community;
- Expanding the Medical Expense Tax Credit to include costs reimbursed to surrogate mothers for in-vitro fertilization expenses;
- Moving forward with a national tax on vaping products;
- Converting the Canada Caregiver Credit into a refundable tax-free benefit, allowing caregivers to receive up to $1,250 a year;
- Increasing the Eligible Educator School Supply Tax Credit to 25 per cent, expanding eligibility to include tech devices, and ensuring teaching supplies purchased for employment duties are eligible no

matter where those duties are performed;
- Investing in the Canada Revenue Agency (presumably by adding more auditors) to combat aggressive tax planning and avoidance;
- Working with provinces and territories over the next review cycle to increase the Canada Pension Plan and Quebec Pension Plan survivor's benefit by 25 per cent.

Climate measures

- Accelerating the adoption of zero-emissions vehicles and other clean technologies (which likely means extending tax incentives to encourage the purchase of these vehicles and technologies);
- Eliminating flow-through shares for oil, gas and coal projects (flow-through shares are a common investment used in tax planning because of the current deduction provided for investing in them);
- Launching an annual program of green bond issuances with an initial issuance of $5-billion (the proceeds of the issuance will be used by the government to support green initiatives);
- Introducing a 15-per-cent tax credit of up to $500 to cover the cost of repairs performed by technicians in order to extend the life of home appliances;

Real estate

- Supporting first-time home buyers by introducing legislation to double the First-Time Home Buyers' Tax Credit;
- Working with financial institutions to create a tax-free First Home Savings Account; and
- As an option to the current shared-equity mortgage, developing with the Canada Mortgage and Housing Corp. (CMHC) a loan program, repayable only at the time of sale;
- Supporting homeowners by introducing legislation to double the Home Accessibility Tax Credit;
- Establishing a new Multigenerational Home Renovation tax credit;
- Ensuring CMHC reviews its insurance policies to assess whether the policies support the goal that, by 2030, everyone in Canada should have a home that they can afford and that meets their needs;
- Making critical investments and policy decisions to expand Canada's housing supply, and continuing to advance investments in affordable housing and extending the model of co-operative housing to new communities;
- Requiring landlords to disclose in their tax filings the rent they receive pre- and post-renovation and to pay a proportional surtax if the increase in rent is excessive;
- Establishing an anti-flipping tax on residential properties, requiring properties to be held for at least 12 months;
- Implementing Canada's tax on non-resident, non-Canadian owners of vacant, underused housing, and subsequently working to include foreign-owned vacant land within large urban areas;
- Reviewing and considering possible reforms to the tax treatment of real estate investment trusts;

- Reviewing the down-payment requirements for investment properties, and developing policies to curb excessive profits while protecting small independent landlords;
- Considering measures to increase consumer protection and transparency in real estate transactions, including a ban on blind bidding;
- Establishing a ban on foreign investment capital in non-recreational residential property for the next two years.

Pandemic recovery

- Extending the Canada Recovery Hiring Program, introducing temporary rent and wage supports for the tourism and hospitality sectors and arts and culture industries, and providing emergency support to businesses and workers in the event of future public-health lockdowns (this could help employees keep their jobs).

While many folks may struggle to keep their New Year's resolutions, it's safe to say these listed above are high priorities for our government for 2022. Make a note of what could affect you and plan accordingly.

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