



CESTNICK

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TAX MATTERS

## An advance look at what to expect in the 2024 federal budget

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My good friend, Jack, installed a budgeting app on his phone to get a handle on his excessive costs of living. “Tim, after tracking my spending for a while I realize how much I spend on beer every month. I can’t keep doing this” he said. “So, what are you going to do?” I asked. “I deleted the app” he replied.

If Jack spends more than he’s bringing in each month, he’s going to run into financial problems pretty quickly. Our federal government, on the other hand, is used to operating this way. In fact, when the 2024 federal budget is unveiled on April 16, it’s expected that the deficit for the 2024-25 fiscal year will be about \$38-billion. What should we expect in this year’s budget? Let me share the top 10 things that could impact Canadians.

**1. Costs of living.** A basket of goods and services in Canada that cost one dollar in January 2019, cost \$1.18 five years later in January 2024. Given that the 2024 federal budget should be thought of as a pre-election budget, I expect that the government will focus on reducing the cost of groceries, telecommunications and housing.

### **2. Housing affordability.**

The government’s priority, according to its 2023 fall economic statement, is to accelerate the construction of affordable housing. So, expect new measures to add to the recent GST rebate on rental properties, and the tax-free first home savings account (FHSA). Measures could also address housing demand caused by high immigration levels, foreign students, and temporary foreign workers. Finally, it’s possible that we might see relief from upward pressure on rents by allowing those who sell rental properties to defer the tax on their capital gains where the proceeds are reinvested in more rental housing.

**3. Health care.** On Feb. 29, the government introduced Bill C-64 to propose the foundational principles for the first phase of universal pharmacare in Canada. It’s likely that the upcoming federal budget will outline additional information about the future of pharmacare in Canada. There may also be updates to the income-tested dental care plan in place today.

**4. AMT rules.** I wrote recently about proposed alternative minimum tax (AMT) rule changes ([see my article from Dec. 7, 2023](#)). The proposed changes – which were problematic for several reasons, including potentially negative effects on large charitable gifts – were introduced in the 2023 federal budget. I expect we’ll see a revised version of these rules on April 16.

**5. The carbon tax.** The government previously announced a carbon price rebate and temporary carbon price exemption for certain Canadians. The 2024 federal budget could provide additional relief for some Canadians to address affordability concerns, but the tax won’t be going away as long as the current government is in place.

**6. Regulating crypto assets.** Along with other countries, Canada intends to implement the Organization for Economic Cooperation and Development (OECD) crypto-asset reporting framework, which would allow for the exchange of tax information between countries starting in 2027. It’s likely that crypto-asset services providers will have to provide more disclosure around certain transactions. Don’t be surprised if there are measures in the 2024 budget to introduce new laws here.

**7. UHT reporting.** The Underused Housing Tax (UHT) is a 1-per-cent tax that can apply on the taxable value of certain vacant or underused housing owned in Canada. The rules came with onerous filing obligations ([see my article dated Feb. 8, 2023](#)), even where no tax is owing. The fact is that fewer than 2 per cent of all UHT returns filed have had any tax owing. What a waste of time and money this has been. I expect that the budget will contain final details on

relieving provisions that could see more people exempt from filing.

**8. Green tax credits.** Draft legislative proposals were released last December to implement certain clean economy tax credits for businesses. The budget will likely announce changes to these proposals in response to any comments the government may have received prior to the closing of consultations on Feb. 5, 2024.

**9. SR&ED tax incentives.** The government previously announced that it’s reviewing Canada’s Scientific Research and Experimental Development (SR&ED) program to modernize and simplify tax credit claims. Expect to see announcements in the upcoming budget on this.

**10. Immediate expensing.** Temporary measures were introduced to encourage businesses to invest in more capital assets. These included the immediate expensing rules (to allow a deduction for the full cost of certain capital property in the year of purchase) and the accelerated investment incentive (allowing an increased claim for capital cost allowance). These rules expired at the end of 2023. The budget could extend these measures.

*Tim Cestnick, FCPA, FCA, CPA(IL), CFP, TEP, is an author, and co-founder and CEO of Our Family Office Inc. He can be reached at [tim@ourfamilyoffice.ca](mailto:tim@ourfamilyoffice.ca)*