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Tax Alert – Canada

2023 budget implementation bill no. 1 is enacted

EY Tax Alerts cover significant tax news, developments and changes in legislation that affect Canadian businesses. They act as technical summaries to keep you on top of the latest tax issues. For more information, please contact your EY advisor or EY Law advisor.

On 22 June 2023, Bill C-47, *Budget Implementation Act, 2023, No. 1*, received Royal Assent and became enacted. Bill C-47 implements certain tax measures announced in the 2023 federal budget and the 2022 federal fall economic update, as well as various other measures (such as certain measures outstanding from the 2021 and 2022 federal budgets) that were previously included in draft legislation released on 4 February, 9 August and 3 November 2022. Most notably, this bill enacts the new mandatory disclosure rules for federal income tax purposes and the GST/HST change relating to payment card clearing services.

It is important to note that certain significant income tax measures that were previously released as draft legislative proposals on 29 April, 9 August and 3 November 2022 are not included in Bill C-47. Most notably, Bill C-47 does not include proposed measures concerning substantive Canadian-controlled private corporations (CCPCs) and the elimination of the tax deferral advantage for investment income earned by CCPCs (and, potentially, substantive CCPCs) through controlled foreign affiliates; the new investment tax credit for carbon capture, utilization and storage (CCUS) and the related capital cost allowance classes for CCUS property; various technical amendments dealing with foreign affiliates; the first package of proposals on hybrid mismatch arrangements; and revised proposals for the excessive interest and financing expenses limitation rules.

Also not included in Bill C-47 are the income tax measures announced in the 2023 federal budget relating to new or expanded clean energy- or clean technology-related incentives; the new tax on repurchases of equity; the modernization of the general anti-avoidance rule; the denial of the deduction for portfolio dividends received by financial institutions; intergenerational business transfers; employee ownership trusts; and the revised alternative minimum tax. For more information on the 2023 federal budget measures, see EY Tax Alert 2023 Issue No. 20, [Federal budget 2023-24](#).

For a summary of significant indirect tax measures that are not included in Bill C-47 and remain outstanding, see below under *Indirect and other tax measures*.

The following is a summary of the income and indirect tax measures included in Bill C-47.

Business and international income tax measures

Because of the minority status of the federal government, the business and international income tax measures contained in Bill C-47 became substantively enacted for Canadian financial reporting purposes on 8 June 2023, when the bill passed third reading in the House of Commons.

The following is a summary of the business and international income tax measures in Bill C-47, as amended (where applicable) to take into account comments received since their initial release.

- ▶ **Hedging and short selling by financial institutions** - Amendments to deny the deduction for dividends received by a Canadian corporation from another Canadian corporation in certain circumstances where a two-thirds deduction is also claimed in respect of dividend compensation payments paid under a securities lending arrangement (SLA) by, for example, a registered securities dealer within the same financial institution group, and the group does not have economic exposure to the Canadian shares on which the dividends were paid. These amendments apply to dividends and related dividend compensation payments paid after September 2022 for hedging transactions or related SLAs in place before 7 April 2022; for all other transactions, the amendments apply to dividends and related dividend compensation payments paid or payable on or after 7 April 2022.
- ▶ **Mandatory disclosure rules** - Introduction of new rules to enhance Canada's mandatory disclosure requirements and give the Canada Revenue Agency (CRA) earlier access to relevant information on aggressive tax planning or transactions, including the following changes (as modified since their last release on 9 August 2022):

- ▶ **Reportable transactions** - Amendments to the existing rules for reportable transactions to make the rules more effective and consistent with international leading practices. Specifically, the definition of “avoidance transaction” for purposes of these rules is amended so that a transaction is considered an avoidance transaction if it can reasonably be concluded that one of the main purposes of entering into the transaction was to obtain a tax benefit. Amendments are also made so that only one of the additional conditions (or hallmarks) for reportable transactions needs to be met for a transaction to be reportable (instead of two conditions under the existing rules). Further amendments require a taxpayer who enters into a reportable transaction, or another person who enters into a reportable transaction in order to obtain a tax benefit for the taxpayer, to report the transaction within 90 days (extended from 45 days, as originally proposed) of the earlier of the day the taxpayer or other person becomes contractually obligated to enter into the transaction and the day the taxpayer or other person enters into the transaction. Reporting within the same time limits is also required by a promoter or advisor of a scheme (or other person who does not deal at arm’s length with a promoter or advisor and who receives a fee with respect to the scheme) that would be a reportable transaction if it were implemented; an exception to this rule is provided for advisors to the extent of solicitor-client privilege. Various additional modifications have been made to the amended reportable transaction rules since their last release on 9 August 2022; most notably, clarifying amendments have been provided on the contractual protection hallmark, and the definition of “reportable transaction” is modified to specifically exclude from the fee hallmark fees received for the preparation of scientific research and experimental development claims.
- ▶ **Notifiable transactions** - Amendments to provide the Minister of National Revenue with the authority to designate “notifiable transactions,” which will include types of transactions that the CRA has found to be abusive, as well as transactions of interest. Taxpayers who enter into a notifiable transaction (or other persons who enter into notifiable transactions for the benefit of a taxpayer), as well as promoters or advisors of a scheme (or other non-arm’s length persons who receive a fee with respect to the scheme) that would be a notifiable transaction if implemented, will be required to report the transaction (or series of transactions) within the same time limits listed above for reportable transactions (an exception is provided for advisors to the extent of solicitor-client privilege). A transaction will be a notifiable transaction if it is the same as, or substantially similar to, a transaction designated by the CRA (with the concurrence of the Department of Finance), or a transaction in a series of transactions that is the same as, or substantially similar to, a designated series of transactions. Moreover, for these purposes, any transaction or series of transactions that is expected to obtain the same or similar types of tax consequences and that is either factually similar or based on the same or a similar tax strategy will be considered to be substantially similar, which is to be interpreted broadly in favour of disclosure. The CRA’s upcoming list of designated transactions or designated series of transactions will be made available through its website – in the meantime, see the samples of notifiable transactions that were provided for consultation on 4 February 2022, in a [Department of Finance backgrounder](#).

- ▶ **Uncertain tax treatments** - Introduction of a requirement for specified corporate taxpayers to report particular uncertain tax treatments to the CRA. In general terms, an uncertain tax treatment is a tax treatment used, or planned to be used, in an entity's income tax filings for which there is uncertainty about whether the tax treatment will be accepted as being in accordance with tax law. Under the new rules, a corporation will generally be required to report an uncertain tax treatment if the corporation is required to file a Canadian income tax return for the taxation year, the corporation has at least \$50 million in assets at the end of the last financial year (that ends before the end of the taxation year or that coincides with the taxation year), and the corporation or a related corporation has audited financial statements (prepared in accordance with International Financial Reporting Standards or other country-specific generally accepted accounting principles relevant for domestic public companies) in which uncertainty in respect of the corporation's Canadian income tax for the taxation year is reflected. Prescribed information in respect of uncertain tax treatments (e.g., the amount of taxes at issue) will be required to be reported at the time a corporation's Canadian income tax return is due.
- ▶ **Reassessment periods** - Amendments to provide that where a taxpayer has a mandatory disclosure requirement in respect of a transaction relevant to the taxpayer's income tax return for a taxation year, the taxpayer's normal reassessment period will not commence in respect of the transaction until the taxpayer has complied with the reporting requirement.
- ▶ **Penalties** - Introduction of penalties for non-compliance with mandatory disclosure requirements. For reportable or notifiable transactions, a penalty of \$500 per week, up to a maximum of the greater of \$25,000 and 25% of the tax benefit, will apply for the failure to report a transaction by a taxpayer who enters into the transaction or who receives a tax benefit as a result of the transaction. For corporations that have assets with a total carrying value of \$50 million or more, this penalty is increased to \$2,000 per week, up to a maximum of the greater of \$100,000 and 25% of the tax benefit. For promoters or advisors of reportable or notifiable transactions (or other persons who do not deal at arm's length with promoters or advisors and who receive a fee in respect of the transaction), the penalty for each failure to report a transaction will be equal to the total of \$10,000, 100% of the fees charged by the promoter or advisor (or other person), and \$1,000 per day, up to a maximum of \$100,000, for each day the failure continues. For corporations required to report uncertain tax treatments, the penalty for each failure to report a particular treatment will be \$2,000 per week, up to a maximum of \$100,000.

The new mandatory disclosure rules for reportable transactions and notifiable transactions (including the imposition of penalties) apply for transactions entered into after 22 June 2023. In the case of reportable uncertain tax treatments, the new mandatory disclosure rules apply for taxation years beginning after 2022. However, in the latter case, penalties will not apply to taxation years that begin before 22 June 2023.

- ▶ **Reporting rules for digital platform operators** - Introduction of new reporting rules for digital platform operators. These new reporting rules implement model rules developed by the Organisation for Economic Co-operation and Development for reporting and due diligence by digital platform operators with respect to sellers that are registered platform users. These reporting rules are intended to come into force on 1 January 2024, so that the first reporting (and exchange of information by the CRA with its partner jurisdictions' tax administrations) will take place in early 2025 with respect to the 2024 calendar year.

- ▶ **Electronic filing, payment, signature and correspondence requirements** - Changes to electronic filing, payment, signature and correspondence requirements, including the following:
 - ▶ **Electronic correspondence** - Change in the default method of correspondence to electronic only for businesses that use the CRA My Business Account online portal, effective as of 22 June 2023. However, businesses will still be able to choose to receive paper correspondence (provided the request is made with 30 days' notice and in prescribed manner). Similarly, amendments are made, effective as of 1 January 2024, to allow the CRA to provide a notice of assessment electronically to an individual for a tax return that the individual files electronically, if the individual is registered for the CRA's My Account and has authorized that notices or other communications may be made available in this manner. Minor amendments are also made in respect of electronic notices sent to individuals to take into account changes to an individual's email address, effective as of 22 June 2023.

 - ▶ **Electronic filing thresholds for income tax returns** - Elimination of the mandatory electronic filing threshold for corporate income tax returns for taxation years beginning after 2023, so that most corporations, not just those with gross revenue in excess of \$1 million, will be required to file returns electronically. Tax preparers will also be required to file returns electronically if, for a calendar year, they prepare more than five corporate income tax returns (reduced from 10 returns per year), more than five personal income tax returns (reduced from 10 returns per year), or more than five estate or trust income tax returns (new requirement), effective as of 1 January 2024.

 - ▶ **Electronic filing and issuance requirements for information returns** - Reduction in the mandatory electronic filing threshold for income tax information returns, from 50 to five returns of a particular type for a calendar year, applicable for information returns filed after 2023. Consequential amendments are made to the applicable penalty for failure to file information returns in the appropriate manner. In addition, issuers of T4A, *Statement of Pension, Retirement, Annuity, and Other Income*, and T5, *Statement of Investment Income*, information returns will be able to provide them to taxpayers electronically, without having to also prepare a paper copy or obtain taxpayer authorization, for information returns filed after 2021.

- ▶ **Electronic payments** - Amendments to require electronic payments for remittances made under the *Income Tax Act* (the Act) that are over \$10,000 (unless the payer or remitter cannot reasonably satisfy this requirement), applicable to payments made on or after 1 January 2024. Failure to comply with this requirement will result in a penalty of \$100 for each such failure. Other amendments clarify that payments required to be made at a financial institution include online payments made through a financial institution, applicable to payments made on or after 1 January 2022.
- ▶ **Electronic signatures** - Elimination of the requirement for handwritten signatures on the following forms prescribed under the Act: Form T183CORP, *Information Return for Corporations Filing Electronically* (as well as Form T183 for individuals and Form T183TRUST for trusts), and Form T2200, *Declaration of Conditions of Employment*. This measure will be effective as of 22 June 2023.
- ▶ **Various 9 August 2022 technical amendments** - Various long-awaited technical amendments to the Act and *Income Tax Regulations*, many of which respond to issues raised by taxpayers and their representatives, or are part of an ongoing effort by the Department of Finance to improve the certainty and integrity of the tax system. These amendments include various minor technical amendments, as well as a number of more significant technical amendments and new rules (as amended, where applicable, since their initial release on 9 August 2022), including those relating to the following:
 - ▶ Corporate tax-attribute trading (to clarify definitions of “attribute trading restriction” and “specified provision” in subsection 256.1 of the Act and application of the anti-avoidance rule in subsection 256.1(6) of the Act, effective as of 9 August 2022)
 - ▶ Eligible capital property dispositions occurring prior to 22 March 2016 with proceeds receivable after 2016, but before 2024 (to allow taxpayers to elect to treat the amount that would otherwise be a taxable capital gain as business income, provided certain conditions are met and the election is filed no later than the filing due date for the taxpayer’s first taxation year ending after 9 August 2022)
 - ▶ Foreign affiliates (to modify the definition of “eligible controlled foreign affiliate,” generally effective for determinations made after 19 August 2011; to clarify the application of the paid-up capital reinstatement rules under the foreign affiliate dumping rules, effective for transactions and events that occur on or after 9 August 2022; to amend the exception to the upstream loan rules for loans made in the ordinary course of an ordinary money lending business, generally applicable to loans made after 2022; and to expand the specified trust rules to certain trusts resident in India, effective as of 1 January 2022)
 - ▶ Foreign property reporting (to amend the definition of “specified Canadian entity” to expand the exception for partnerships, and the definition of “specified foreign property” to exclude certain superannuation and pension plans that are resident in Australia or New Zealand for income tax purposes, effective for taxation years and fiscal periods that end after 9 August 2022)

- ▶ Functional currency reporting (to include Japanese yen as a qualifying currency for taxation years that begin after 2019; to expand the anti-avoidance rule in subsection 261(18) of the Act, effective for transfers of property that occur on or after 9 August 2022; and to amend the conditions for the application of the stop-loss rule in subsection 261(21), applicable to loans and other transactions entered into on or after 9 August 2022)
- ▶ Deduction for mining taxes (to allow for the deduction, under paragraph 20(1)(v) of the Act, of certain eligible provincial or territorial mining taxes that were paid in a previous taxation year (as well as interest paid on such taxes), generally applicable to taxation years that end after 2007 (subject in certain cases, such as statute-barred years, to an election being made on or before the day that is six months after 22 June 2023))
- ▶ Nonresident withholding tax (to extend the application of the Part XIII withholding tax (and the related NR4 information return filing requirements), where the payee is a nonresident person, to situations where the nonresident makes a payment to a non-Canadian partnership and to also address situations where the nonresident payer makes a section 216 election, applicable for amounts paid or credited after 2022; to also extend Part XIII tax (and the related NR4 information return filing requirements) to authorized foreign banks for amounts paid or credited after 2022; and to ensure that Part XIII of the Act applies to amounts paid or credited to a nonresident that is in receipt of designated investment services by a Canadian service provider and is considered not to be carrying on business in Canada because of subsection 115.2(2) of the Act, effective as of 9 August 2022)
- ▶ Reclassification of Canadian development expenses for preceding years (to ensure that certain oil or gas discovery well expenses incurred after 2018 can no longer be reclassified as Canadian exploration expenses (CEE), and expenses incurred before 2021 continue to be eligible to be reclassified as CEE if the expenses relate to a discovery well that was the subject of a written commitment entered into by the taxpayer before 22 March 2017)
- ▶ Shareholder debt exception (to amend the ordinary money lending business exception, generally effective for loans made after 2022)
- ▶ Tax-deferred rollover rules in subsections 98(3) and (5) of the Act for property distributed to members of a Canadian partnership that ceases to exist (to impose a new limit on the maximum bump in the cost of property received in tiered-partnership situations, effective for partnerships that cease to exist on or after 9 August 2022)
- ▶ Term preferred share definition in subsection 248(1) of the Act (to allow the specific anti-avoidance rules contained in paragraphs (i.1) and (j) of the definition to apply equally to shares that were issued to avoid (or limit) the application of the dividend denial rule under paragraph 258(3)(a) of the Act to dividends received by a specified financial institution resident in Canada from foreign affiliates, effective for amounts received on or after 9 August 2022)

For more information on the 9 August 2022 package of technical amendments, see EY Tax Alert 2022 Issue No. 40, [Finance releases draft income tax technical amendments](#).

Personal and other income tax measures

In addition to the relevant measures dealing with electronic filing, payment, signature and correspondence requirements discussed above, Bill C-47 also includes the following personal and other income tax measures:

- ▶ **Residential property flipping rule** – Expansion of the enacted property flipping rule to cover profits from assignment sales, applicable to transactions occurring on or after 1 January 2023. Profits from the disposition of rights to purchase residential property would also be treated as business income (and would not be eligible for capital gains treatment) if the rights were held for less than 365 consecutive days before disposition, subject to the exceptions for certain life events.
- ▶ **Reporting requirements for registered retirement savings plans (RRSPs) and registered retirement income funds (RRIFs)** - Expansion of the annual reporting required of financial institutions to the CRA to include the fair market value (determined at the end of the calendar year) of property held in each RRSP and RRIF they administer. This measure applies to 2023 and subsequent taxation years.
- ▶ **Registered education savings plans (RESPs)** - Amendments to allow the terms of an RESP to permit educational assistance payment withdrawals of up to \$8,000 in respect of the first 13 consecutive weeks of enrollment for beneficiaries enrolled in full-time programs, and up to \$4,000 per 13-week period for beneficiaries enrolled in part-time programs. An amendment is also made to enable divorced or separated parents to open joint RESPs for one or more of their children. These changes apply as of 28 March 2023.
- ▶ **Registered disability savings plans (RDSPs)** - Extension, by three years, of the temporary measure that allows a qualifying family member to open an RDSP and be the plan holder for an adult whose capacity to enter into an RDSP contract is in doubt and who does not have a legal representative. As a result, this measure will expire on 31 December 2026 instead of on 31 December 2023. Also, for purposes of this measure, the definition of “qualifying family member” is broadened to include a brother or sister of an adult beneficiary whose capacity to enter into an RDSP contract is in doubt and who does not have a recognized legal representative. These changes apply as of 22 June 2023.
- ▶ **Deduction for tradesperson’s tools expenses** - Doubling of the maximum employment deduction for tradesperson’s tools from \$500 to \$1,000, effective for 2023 and subsequent taxation years. A consequential amendment is also made to the calculation of the separate deduction for the purchase of tools by eligible apprentice mechanics so that the deduction is equal to the cost of the tools in excess of the greater of \$1,000 (increased from \$500) plus the Canada employment credit, and 5% of the employee’s total income for the year from being an eligible apprentice mechanic.

- ▶ **Taxpayer information sharing for the Canadian Dental Care Plan** - Amendment to provide legislative authority for the CRA to share taxpayer information with: (i) an official of Employment and Social Development Canada or Health Canada solely for the purposes of the administration or enforcement of the Canadian Dental Care Plan; and (ii) an official of Health Canada solely for the evaluation or formulation of policy for that plan. This amendment applies as of 22 June 2023.
- ▶ **Indigenous residential school settlement trust income** - Amendment to exempt from tax the income of a trust that is established under the Indigenous residential schools settlement agreement entered into by His Majesty in Right of Canada on 18 January 2023.
- ▶ **Canada workers benefit** – Introduction of advance quarterly Canada workers benefit (CWB) payments to individuals who qualified for the CWB in the prior taxation year, for 2023 and subsequent taxation years. This change will begin in July 2023 for the 2023 taxation year.
- ▶ **Defined benefit pension plans** - Amendments that provide more flexibility to administrators of defined benefit pension plans (other than individual pension plans) by replacing the 90-day limit on the terms of a borrowing by a defined benefit pension plan, with a limit based on the assets and actuarial liabilities of the pension. Consequential to these amendments, amendments are also made to allow master trusts to borrow amounts on behalf of beneficiaries that are defined benefit registered pension plans, provided that each time an amount is borrowed, the full amount is apportioned to the beneficiaries in one of two methods provided under Regulation 4802(1.2). These measures apply to amounts borrowed by defined benefit pension plans (other than individual pension plans) on or after 7 April 2022.
- ▶ **Defined contribution pension plans** - Amendments to permit plan administrators of defined contribution pension plans to correct certain under-contribution errors (subject to a dollar limit) and over-contribution errors made in any of the 10 immediately preceding years, applicable in respect of additional contributions made, and amounts of overcontributions refunded, in 2021 and later years. The amendments also contain, among other things, simplified requirements to report these corrections.
- ▶ **Veterans' and active service members' benefits** - Exclusion from the computation of income of certain benefits for Canadian Forces members, veterans, their spouses or common-law partners or surviving spouses or common-law partners. These changes are deemed to come into force on 1 January 2018, except for benefits provided by the Department of National Defence as education expense reimbursements for ill and injured members, which are deemed to come into force on 1 January 2021.
- ▶ **Various 9 August 2022 technical amendments** - Various technical amendments to the Act and *Income Tax Regulations*. As indicated above, many of the technical amendments respond to issues raised by taxpayers and their representatives, or are part of an ongoing effort by the Department of Finance to improve the certainty and integrity of the tax system. These amendments include various minor technical amendments, as well as a number of more significant technical amendments and new rules (as amended, where applicable, since their initial release on 9 August 2022), including those relating to the following:

- ▶ Automobile standby charge and operating expense benefit (to ensure that an automobile standby charge and operating expense benefit are included in an employee's income when a person who does not deal at arm's length with the employee receives a benefit and to make other clarification amendments, applicable to taxation years that begin after 2022)
- ▶ Employee life and health trusts (ELHTs) (to clarify the application of the condition in paragraph 144.1(2)(f) of the Act for a trust to qualify as an ELHT, effective as of 27 February 2018)
- ▶ Home buyers' plan (to clarify that the special rule that deems an individual to have acquired a condominium unit on the day the individual is entitled to immediate vacant possession of it does not apply to restrict the 30-day withdrawal requirements or relax the residency requirements under the definitions of "regular eligible amount" and "supplemental eligible amount" in subsection 146.01(1) of the Act, effective as of 9 August 2022)
- ▶ Pooled registered pension plans (PRPPs) (to permit a qualifying survivor of a deceased PRPP member to surrender benefits to the extent permitted under PRPP legislation or similar provincial law, and to extend joint and several liability rules in respect of benefits paid out of an RRSP to benefits paid out of a PRPP, effective as of 9 August 2022)
- ▶ Principal residence of a personal trust (to add a fourth category of trusts that are eligible to designate a property as a principal residence, effective for taxation years beginning after 2016)
- ▶ RDSPs (to prohibit an RDSP trust from deducting income payable to a beneficiary in the year, when computing the trust's tax on income earned from carrying on a business or in respect of a non-qualified investment, effective as of 9 August 2022)
- ▶ Registered pension plan (RPP) permissible benefits (to ensure lump-sum payments under a variable payment life annuity are permissible benefits under a money purchase provision of an RPP, effective as of 1 January 2020)
- ▶ RRIFs (to extend the requirement for the carrier of a RRIF to retain sufficient property to ensure that the minimum amount for the year is paid to the RRIF annuitant to situations involving transfers of RRIF property to an account under a PRPP, a money purchase provision of a specified pension plan, or a licensed annuities provider to acquire an advanced life deferred annuity, effective as of 9 August 2022)
- ▶ Tax-free savings accounts (TFSAs) (to permit an indebtedness of a holder of a TFSA deposit that is owed to the issuer of the TFSA or a person related to the issuer to be set off against the holder's interest in the TFSA, provided certain conditions are met, effective as of 9 August 2022; and to permit the late filing of an election to register an arrangement as a TFSA at "such later date as is acceptable" to the Minister of National Revenue, effective for 2009 and subsequent taxation years)

- ▶ Tax on advantages in respect of registered plans (to exempt from the Part XI.01 advantage tax rules a loan or an indebtedness for which the conditions for a right of set-off against a TFSA deposit are met, effective as of 9 August 2022, and paragraph 20(1)(bb) investment counselling and administration fees in respect of a registered plan that are paid directly by the controlling individual of the plan, effective for 2018 and subsequent taxation years; and to include capital dividends in income earned on non-qualified investments held by registered plans, effective for dividends received on or after 9 August 2022)
- ▶ Tax on excess employees profit sharing plan (EPSP) amounts (to update the calculation of the portion of the tax rate that approximates provincial tax on excess EPSP amounts of a nonresident specified employee, effective for 2022 and subsequent taxation years)
- ▶ Undeducted RRSP premiums (to reduce an individual's balance of undeducted RRSP premiums (included in the calculation of an individual's cumulative excess amount for Part X.1 tax on over-contributions) by the amount that is not received in the year but is still included in the individual's income for the year under the home buyers' plan or lifelong learning plan rules, effective for 2018 and later taxation years)
- ▶ Charity registration revocation or suspension (to change the requirement for a charity to file a return in respect of a revocation tax for a taxation year from when the charity is liable for the revocation tax to when the charity has had its registration revoked, applicable for taxation years ending after 9 August 2022; to extend the application of certain administrative provisions to a notice issued by the minister to suspend a registered entity's tax-receipting privileges and to allow the minister to share publicly the effective date of any suspension of an entity's registration, effective as of 9 August 2022; and to allow the minister to share whether or not a public information return has been filed by the filing deadline, effective for taxation years that end after 9 August 2022)

For more information on the 9 August 2022 package of technical amendments, see EY Tax Alert 2022 Issue No. 40, [Finance releases draft income tax technical amendments](#).

Indirect and other tax measures

Bill C-47 also includes the following indirect tax and customs measures, as amended (where applicable) to take into account comments received since their initial release.

- ▶ **Cryptoasset mining** - Measures from the 4 February 2022 draft legislative proposals to specify that cryptoasset mining is generally not considered a supply for GST/HST purposes.
- ▶ **Pension entity rebate/input tax credit (ITC)** - Measures from the 9 August 2022 GST/HST draft legislative proposals to permit a pension entity, in specific circumstances, to claim the pension entity rebate or an ITC, or to make the pension entity rebate election, after the end of the two-year limitation period.

- ▶ **Payment card clearing services** - Measures from the 28 March 2023 federal budget to exclude these services from the definition of “financial service” for GST/HST purposes. For more information about these amendments, see EY Tax Alert 2023 Issue No. 21, [*Changes to the definition of “financial service” under the Excise Tax Act.*](#)
- ▶ **International transportation of money** - Measures from the 9 August 2022 GST/HST draft legislative proposals to provide GST/HST relief for the international transportation of money in the same manner as a service of internationally transporting other kinds of freight.
- ▶ **Excise duty on alcohol** - Measures from the 28 March 2023 federal budget to temporarily cap the inflation adjustment for excise duties on beer, spirits and wine at 2%, for one year only, as of 1 April 2023.
- ▶ **Air travellers security charge** - Measures from the 28 March 2023 federal budget to increase the charge applicable to air travel that includes a chargeable emplanement after April 2024 and for which any payment is made after April 2024.
- ▶ **Electronic filing, payment and correspondence requirements** - Measures from the 9 August 2022 GST/HST draft legislative proposals to amend the *Excise Tax Act*, the *Excise Act, 2001*, the *Greenhouse Gas Pollution Pricing Act*, the *Air Travellers Security Charge Act*, and the *Electronic Filing and Provision of Information (GST/HST) Regulations* to implement changes to the electronic filing, payment and correspondence requirements that are similar to those mentioned above for income tax purposes.
- ▶ **General preferential tariff and least developed country tariff** - Measures from the 28 March 2023 federal budget to extend the expiry date of these two tariff treatments to 31 December 2034 and to create a new general preferential tariff plus tariff treatment that will expire on the same date.
- ▶ **Most-favoured nation tariff treatment** - Measures from the 28 March 2023 federal budget to remove Belarus and Russia from the list of countries entitled to the most-favoured nation tariff treatment.
- ▶ **Customs measures on arrival** - Measures from the 28 March 2023 federal budget to generally allow a person arriving in Canada to present themselves to the Canada Border Services Agency by a means of telecommunication, and to require the operator of a commercial aircraft arriving in Canada ensure that baggage on board the aircraft is transported without delay to the nearest designated international baggage area.

Proposals that remain outstanding

It is important to note that Bill C-47 does not contain a number of outstanding indirect tax proposals that were introduced on 9 August 2022 as part of a package of draft technical amendments. These include GST/HST amendments that would:

- ▶ Specify the requirements for revoking an election to treat certain supplies as exempt supplies of financial services, in accordance with subsection 150(1) of the *Excise Tax Act*;
- ▶ Broaden the scope for the election for nil consideration under section 156 of the *Excise Tax Act* by allowing a specified partnership to be a member of a qualifying group even if some or all of the partnership members are not resident in Canada;
- ▶ Set out rules for the application of GST/HST to a Lloyd's association;
- ▶ Make various changes to the *Selected Listed Financial Institutions Attribution Method (GST/HST) Regulations*, such as new deemed permanent establishment rules for master pension entities;
- ▶ Increase the income threshold at which a financial institution is required to file an annual information return from \$1 million to \$2 million; and
- ▶ Expand the joint venture election to include, as a prescribed activity, the operation of a pipeline, rail terminal or truck terminal used to transport oil, natural gas or related or ancillary products.

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