



Wealth
Management

the Navigator

INVESTMENT, TAX AND LIFESTYLE PERSPECTIVES FROM RBC FAMILY OFFICE SERVICES

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2022 Fall Economic Statement – November 3, 2022

A summary of the key measures that may have a direct impact on you

Deputy Prime Minister and Minister of Finance, Chrystia Freeland, released the Fall Economic Statement on November 3, 2022. Amidst inflation and with a looming recession, it comes as no surprise that this update continues with the main themes from Budget 2022. This includes making life more affordable for the most vulnerable Canadians, supporting small businesses, jobs, growth and the economy.

The following is a summary of the most significant tax and financial planning measures announced in the Fall Economic Statement.

Support for Canadians who need it most

Doubling the goods and services tax (GST) credit for six months

The GST credit is a tax-free quarterly payment that helps low- and modest-income individuals and families offset the GST they pay. The government has announced that these credits will double for the next six months. Current GST recipients will receive the support automatically.

Canada dental benefit

In September 2022, the government introduced legislation to implement

the Canada Dental Benefit. This benefit will provide direct up-front tax-free payments to parents or guardians to cover dental expenses for their children under age 12. Canadian families with no dental coverage and with an annual family income under \$90,000 per year will be eligible to receive payments totaling up to \$1,300 per child over the next two years.

Eliminating interest on federal student and apprentice loans

The COVID-19 support measure that waived interest on student loans is set to expire March 31, 2023. The government proposes to make all

Canada Student Loans and Canada Apprentice Loans permanently interest-free, including those currently being repaid, beginning on April 1, 2023. The Repayment Assistance Plan will still be available to students to pause repayments while making less than \$40,000 per year and reduce payments if earning slightly above that threshold.

Canada Workers Benefit (CWB)

The CWB is a refundable tax credit that supplements the income of low- and modest-income workers. Currently, the CWB is a credit claimed on your tax return. Those who qualify need to wait until the tax year is over to receive this support.

To provide CWB beneficiaries with more timely support throughout the year, the government proposes to automatically provide those who received the CWB for the previous tax year an entitlement for the current year through advance quarterly payments, based on their prior-year tax return. Any additional entitlement for the year, if any, will be provided when they file their current-year tax return. Advance payments will be issued automatically starting in July 2023 for the 2023 tax year.

Making housing more affordable

The government is committed to making housing more affordable for Canadians. The government has reconfirmed its intention to:

- Move forward with the proposed one-time top-up to the Canada Housing Benefit program, which consists of a tax-free payment of \$500 to provide direct support to low-income renters who are experiencing housing affordability challenges. The benefit will be available for renters who pay at least 30% of their income towards rent and have an adjusted net income below \$35,000 for families, or below \$20,000 for single Canadians. Applications for the one-time payment may be available by the end of December 2022.
- Introduce a two-year ban on non-Canadians purchasing residential property in Canada, effective January 1, 2023. The intent of this ban is to curb speculation and ensure that houses are used as homes for Canadians to live in and not as financial assets for foreign investors. The government consulted on regulations that will be brought forward prior to January 1, 2023, to implement the final details of the ban.
- Introduce a 1% annual “underused housing tax” on the value of non-resident, non-Canadian owned residential property that is vacant or underused. This will help free up homes for Canadians to live in and ensure that foreign, non-resident owners of Canadian housing pay their share of Canadian tax.

The government is committed to negotiating with payment card networks, financial institutions, acquirers, payment processors and businesses to lower credit card transaction fees for small businesses, while not negatively impacting other businesses and protecting existing reward points for consumers.

- Apply the GST/HST to all assignment sales of newly constructed or substantially renovated residential housing, effective May 7, 2022.
- Create the new Tax-Free First Home Savings Account (FHSA), which would give prospective first-time home buyers the ability to save up to \$40,000 on a tax-free basis. The government expects that Canadians will be able to open and begin contributing to an FHSA in mid-2023. For more details, please ask your RBC advisor for an article on this topic.
- Double the First-Time Home Buyers’ Tax Credit, which would provide up to \$1,500 in direct support to home buyers, starting in 2022, to help offset increasing closing costs involved in buying a home.
- Introduce a new, refundable Multigenerational Home Renovation Tax Credit, which would provide up to \$7,500 for constructing a secondary suite for a family member who is a senior or an adult with a disability, starting in 2023.
- Introduce a deeming rule to ensure that profits from flipping properties held for less than 12 months are fully taxed, starting in 2023, with certain exceptions for unexpected life events. The government is also proposing to extend this deeming rule to profits arising from the disposition of the rights to purchase a residential property via an assignment sale.

Business measures

Lowering credit card transaction fees for small businesses

The government is committed to negotiating with payment card networks, financial institutions, acquirers, payment processors and businesses to lower credit card transaction fees for small businesses, while not negatively impacting other businesses and protecting existing reward points for consumers. If the industry doesn’t come to an agreed solution, the draft legislative proposals to the *Payment Card Networks Act* that was released on November 3, 2022, will be introduced in 2023 to ensure fees are reduced.

A tax on share buybacks for public corporations

A share buyback occurs when a public corporation buys its own stock back from existing shareholders. Buying back shares is one legitimate option for public corporations to return value to their shareholders. However, the government recognizes this may result in corporate resources being diverted away from investments in Canadian workers and businesses.

As a result, the government intends to introduce a corporate-level 2% tax that would apply on the net value of all types of share buybacks by public corporations in Canada. The details of this new tax will be announced in Budget 2023, and the tax would come into force on January 1, 2024.

Refundable clean technology investment tax credit

The government proposes a refundable tax credit equal to 30% of the capital cost of investments in certain clean technologies when the companies adhere to certain labour conditions, while those that do not will only be eligible for a credit of 20%. There are currently some clean technologies that are eligible for this credit. Specific details on the labour conditions and any additional eligible technologies will be announced in Budget 2023. The credit would be available as of the day of Budget 2023 and no longer in effect at the start of 2035, subject to a phase-out starting in 2032.

Refundable investment tax credit for clean hydrogen

The government is proceeding to establish a refundable investment tax credit to support investments in clean hydrogen production, as announced in Budget 2022. The credit will be available for eligible investments made as of the day of Budget 2023 and be phased out after 2030. The lowest carbon intensity tier that meets all eligibility requirements is proposed to receive an investment tax credit of at least 40%. If a company does not meet certain labour conditions, the maximum tax credit rate will be reduced by 10 percentage points.

International tax reform

The government confirmed their commitment to international tax reform with other members of the OECD by updating the two-pillar plan outlined in Budget 2022.

Pillar One is focused on reallocating taxation rights to market countries (i.e. where their users and customers are located). The government intends to complete the multilateral negotiations and prepare a treaty to be signed in the first half of 2023, with a view to it entering into force in 2024.

Pillar Two involves creating an effective minimum tax of 15% for multinational enterprises (MNEs). The government will continue to work with international partners to develop a framework to implement a global minimum tax on MNEs.

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Other measures

Addressing the digitalization of money

On November 3, 2022, the government launched a consultation with stakeholders on digital currencies. The government acknowledges the need for Canada's financial system to keep pace with the rise of digitalization of money. This is following the Budget 2022 announcement to launch a financial sector legislative review focused on the digitalization of money and maintaining financial sector stability and security.

Improving service delivery

The government proposes to make significant investments to improve the delivery of government services. This includes providing funds to Service Canada to process Employment Insurance (EI) and Old Age Security (OAS) claims faster, reduce the EI backlog and improve call centre wait times. The government also intends to provide funds to the Canada Revenue Agency (CRA) to enhance call centre operations.

Previously announced tax measures

The 2022 Fall Economic Statement confirms the government's intention to proceed with previously announced legislative proposals. Some of these include, but are not limited to:

- Enhanced trust reporting rules
- Substantive CCPCs
- Mandatory disclosure rules
- Allocation to redeemers methodology for mutual fund trusts
- The Medical Expense Tax Credit for surrogacy and other expenses
- The Small Business Deduction
- Annual disbursement quota for registered charities;
- The Critical Mineral Exploration Tax Credit
- Strengthen and modernize Canada's general anti-avoidance rule (GAAR)
- Digital services tax

The 2022 Fall Economic Statement also reaffirms the government's commitment to move forward as required with other technical amendments to improve the certainty and integrity of the tax system. This includes examining a new alternative minimum tax regime and to provide a detailed proposal and path for implementation that will be released in Budget 2023.

Prior to implementing any strategies, individuals should consult with a qualified tax advisor, legal professional or other applicable professional.

While it has been the long-standing practice of the CRA to allow taxpayers to file their tax returns based on proposed legislation, a taxpayer remains potentially liable for taxes under current law in the event that a proposal is not ultimately passed. Therefore, if proposed legislation does not become law, it is possible that the CRA may assess or re-assess your tax return based on existing legislation. It is recommended that you consult a professional tax advisor to assist you in assessing the costs and benefits of proceeding with specific proposals as they relate to you.



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