Wealth Management

A SPECIAL REPORT FROM RBC FAMILY OFFICE SERVICES

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2024 Fall Economic Statement – December 16, 2024

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

The Government House Leader Karina Gould tabled the Fall Economic Statement on December 16, 2024. The 2024 Fall Economic Statement detailed $23.3 billion in new spending over the next six years.

No changes to personal or corporate income tax rates were proposed. The 2024 Fall Economic Statement confirmed the government's intention to continue with previously announced measures, including legislative proposals contained in the notice of ways and means motion tabled on September 23, 2024, related to the increase to the capital gains inclusion rate.

The following is a summary of some of the significant tax measures announced in the 2024 Fall Economic Statement.

Exempting the Canada Disability Benefit from tax

The Canada Disability Benefit is a new program under which the government intends to provide up to $2,400 annually to support low-income, working-age Canadians who are eligible for the Disability Tax Credit, beginning in July 2025.

The 2024 Fall Economic Statement proposes to exempt the Canada Disability Benefit from tax to ensure it doesn't reduce other federal benefits for persons with disabilities. This will particularly benefit lower-income Canadians with disabilities. This measure would apply to the 2025 and subsequent taxation years.

Canada carbon rebate for small businesses

The 2024 federal budget announced that a portion of the carbon pricing fuel charge proceeds from 2019–2020 through 2023–2024 would be returned to eligible businesses with 499 or fewer employees through the Canada Carbon Rebate for Small Businesses, an automatic refundable tax credit provided directly by the Canada Revenue Agency (CRA). Those tax-free rebates started being delivered via direct deposit on November 25, 2024, with cheques already in the mail.

The 2024 Fall Economic Statement proposes to modify certain design elements of the rebate for small businesses in respect of the 2024–2025 and later fuel charge years to ensure smaller businesses are receiving the most support. Proceeds will continue to be returned automatically to eligible corporations through direct deposits and cheques from the CRA, separately from the CRA tax refunds.

Capital gains rollover on reinvestment in a new active business

Individuals are allowed to defer taxation on capital gains realized on the qualifying disposition of Eligible Small Business Corporation (ESBC) shares to the extent that proceeds from the disposition are used to acquire replacement ESBC shares within the year of disposition, or up to 120 days following that year.

The 2024 Fall Economic Statement proposes to increase the period to acquire replacement shares and to expand what qualifies as an ESBC share. First, the period to acquire replacement shares would be expanded to include the year of disposition and the entire calendar year after the year of disposition. Second, an ESBC share would include both common and preferred shares. Finally, the limit to the carrying value of the assets of the ESBC and related corporations would be increased to $100 million from $50 million.

These changes would be effective for qualifying dispositions that occur on or after January 1, 2025.

Extension of the Accelerated Investment Incentive and immediate expensing measures

The 2024 Fall Economic Statement proposes to extend the Accelerated Investment Incentive, as well as immediate expensing for manufacturing or processing machinery and equipment, clean energy generation and energy conservation equipment, and zero-emission vehicles. These incentives would apply to qualifying property acquired on or after January 1, 2025, and that becomes available for use before 2030. The full re-instatement of these measures would be followed by a four-year phase-out between 2030 and 2033. Temporary accelerated depreciation measures are an effective way of promoting business investment. The government is taking steps now to support Canada's competitiveness, while closely monitoring developments on tax reform in the United States.

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Boosting the scientific research and experimental development (SR&ED) tax credit

The SR&ED tax credit supports research and development activities in Canada. The 2024 Fall Economic Statement proposes several new enhancements to the SR&ED program, making it more generous and targeting it to high-growth-potential firms. These measures are effective for taxation years beginning on or after December 16, 2024.

- Increasing the annual expenditure limit on which Canadian-controlled private corporations are entitled to earn an enhanced 35 percent investment tax credit, from $3 million to $4.5 million.
- Increasing the prior-year taxable capital phase-out thresholds for the enhanced credit from $10 million and $50 million to $15 million and $75 million, respectively.
- Extending the enhanced refundable SR&ED credit to Canadian public corporations.

In addition, the eligibility of capital expenditures for both the deduction against income and the investment tax credit components of the SR&ED program will be restored, effective for property acquired on or after December 16, 2024.

More details on program administration and updates to qualified expenses will be announced in the 2025 federal budget.

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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