



Budget 2022: What you need to know

Presented by CHBA National & MNP LLP



Kevin Lee
CEO
CHBA



Eddy Burello
Partner
MNP

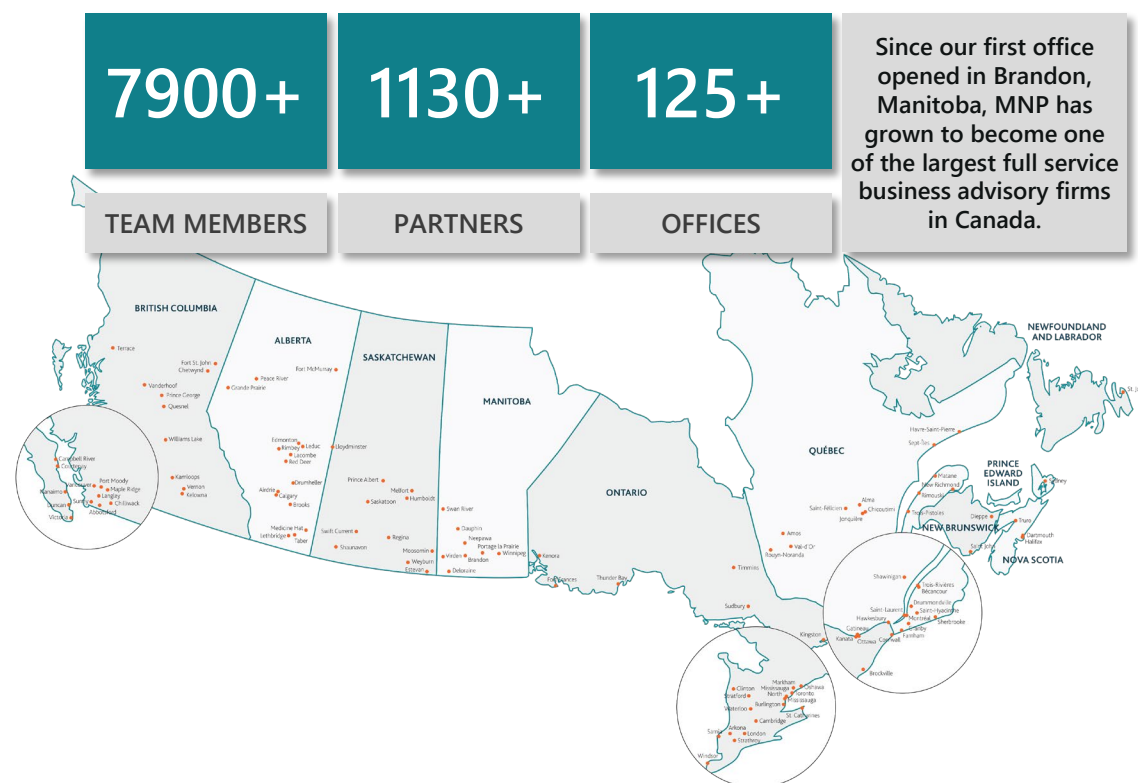


Anthony Condello
Senior Manager
MNP

About MNP

For over 60 years, MNP has proudly served and responded to the needs of clients in the public, private and not-for-profit sectors.

- Founded in 1958, MNP is one of the largest national accounting, tax and business consulting firms in Canada.
- We proudly serve and respond to the needs of our clients in the public, private and not-for-profit sectors.
- Through partner-led engagements, we provide a collaborative, cost-effective approach to doing business and personalized strategies to help organizations succeed across the country and around the world.





Budget 2022

What it means for:

- Our Industry
- Your Business (Corporate Tax)
- You (Personal Tax)

A Plan to Grow Our Economy
and Make Life More Affordable



Budget 2022 & Our Industry

Political Context

- Focus of Budget 2022 is “making life more affordable for Canadians”
- Housing supply and affordability feature prominently
 - Many referring to it as “the housing budget”
- Government will easily pass the Budget with the already confirmed support of the NDP



From Budget 2022:

*“Finance Canada and the Canadian Mortgage and Housing Corporation estimate that **Canada will need to build at least 3.5 million new homes by 2031.** To reach that number, significant steps have to be taken today...To meet these housing needs, **Canada will need to double our current rate of new construction over the next decade.**”*

From the Finance Minister

“Our problem is simply this: Canada does not have enough homes. We need more of them, fast.

This budget represents the most ambitious plan that Canada has ever had to solve that fundamental challenge.

Over the next ten years, we will double the number of new homes we build.

*This must become a great national effort, and it will demand a new spirit of collaboration—provinces and territories; **cities and towns**; the private sector and non-profits all working together with us to build the homes that Canadians need.*

We will invest in building more homes and in bringing down the barriers that keep them from being built. We will invest in the rental housing that so many count on. We will make it easier for our young people to get those first keys of their own.”





The Government of Canada can unlock the door to homeownership, and in so doing help all Canadians.



It is time to lead a true **Federal, Provincial, and Municipal Commitment to Unlocking the Door to Homeownership** for more Canadians.

The key is for the federal government to take a leadership role by making a true and legitimate commitment to market-rate housing affordability...

UNLOCKING THE DOOR TO HOMEOWNERSHIP

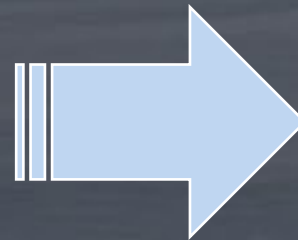
2022 RECOMMENDATIONS ON THE FEDERAL ROLE





Examining Escalating House Prices in Large Canadian Metropolitan Centres

May, 2018



New CMHC Report on Supply to be Released Spring/Summer 2022



Launching Housing Accelerator Fund

- “Provide \$4 billion over five years, starting in 2022-23 to CMHC to get more market-rate housing online faster
 - final details yet to be released”
- “Could include support such as an **annual per-door incentive for municipalities**, or upfront funding for investments in municipal housing planning and delivery processes that will speed up housing development.”
 - Funding profile actually really starts next year for 4 years (to give municipalities a chance to start making changes this year)
 - CHBA has been very engaged with political and government officials on the design and implementation of this fund.



Using Infrastructure Funding to Encourage More Home Construction

- “The government intends to create flexibility within federal infrastructure programs to tie access to infrastructure funding to actions by provinces, territories, and municipalities to increase housing supply where it makes sense to do so.”
 - CHBA has long called for the federal government to leverage federal infrastructure funding to increase housing supply.
 - This is an important lever the government has been reticent to use but will now be exercising to incentivize the building of more housing stock.



Leveraging Transit Funding to Build More Homes

- “The proposed funding will be conditional on provincial and territorial governments committing to match the federal contribution and to accelerate their work with their municipalities to build more homes for Canadians.”
 - CHBA has actively encouraged the federal government to incent transit-oriented development through ensuring that the funding of public transit projects includes the condition of increasing housing density near transit-oriented development
 - CHBA organized a meeting with the Privy Council Office (PCO) and line departments to advance this
 - As with infrastructure funding, there has been pressure from provinces and municipalities not to “tie strings” to such funding, so again this is a big move for the federal government in support of housing supply.



Rapidly Building Affordable Housing

- “Budget 2022 proposes to provide \$1.5 billion over two years, starting in 2022-23, to the Canada Mortgage and Housing Corporation to extend the Rapid Housing Initiative for a Third Round.”
 - CHBA previously recommended and now welcomes the continuation of this program (the design of which CHBA helped inform) which has given modular housing a boost.
 - The modular sector is playing an important and growing role in advancing industry innovation and productivity, and in addressing housing supply challenges. Modular construction can help to get more supply online quickly, something that is very much needed across the country, and has the benefit of more speed and less disruption on-site.



Home Accessibility Tax Credit

- “The Home Accessibility Tax Credit provides support to seniors and persons with disabilities to offset some of these costs associated with living at home.
- Budget 2022 will double the qualifying expense limit of the Home Accessibility Tax Credit to \$20,000 for the 2022 and subsequent tax years. This will mean a tax credit of up to \$3,000—an increase from the previous tax credit of up to \$1,500—for important accessibility renovations or alterations.”
 - CHBA was largely responsible for the implementation of the Home Accessibility Tax Credit a few years ago, which can support wheelchair ramps, walk-in tubs, building a bedroom on the ground floor and more.
 - This will especially support the clients of members who participate in CHBA’s new Adaptiv Home renovation course.



Multigenerational Home Reno Tax Credit

- “Budget 2022 proposes a Multigenerational Home Renovation Tax Credit, which would provide up to \$7,500 in support for constructing a secondary suite for a senior or an adult with a disability.
- Starting in 2023, this refundable credit would allow families to claim 15 per cent of up to \$50,000 in eligible renovation and construction costs incurred in order to construct a secondary suite.”
- - CHBA has been calling on the federal government – and all levels of government – to support secondary suites, and to use tax credits to support other policy outcomes through renovation while also fighting the underground economy.

Greener Buildings and Homes

- “\$150 million over five years, starting 2022-23, to Natural Resources Canada to develop the Canada Green Buildings Strategy.”
- “The strategy will include initiatives to further drive building code reform; to accelerate the adoption and implementation of performance-based national building codes; to promote the use of lower carbon construction materials; and to increase the climate resilience of existing buildings.”
 - Given Canada’s housing affordability crisis, it is important to ensure that addressing climate change does not **exacerbate housing affordability** challenges
 - CHBA recommends extensive support for research and innovation, some of which is to roll out per below, to ensure cost-effective solutions are found before changes in regulation take effect and drive-up house prices.



Greener Construction in Housing/Buildings

- “Budget 2022 allocates \$183.2 million over seven years, starting in 2022-23, with \$8.5 million in remaining amortization, and \$7.1 million ongoing to the National Research Council to conduct research and development on innovative construction materials and to revitalize national housing and building standards to encourage low-carbon construction solutions.”
- - The allocation of funds to find more affordable solutions to reach higher levels of energy efficiency will be essential to preserve affordability as higher levels of performance in codes are implemented. This funding, and the funding to Natural Resources Canada per above, is a start.
 - CHBA will remain actively engaged with the government to push to ensure affordability is at the forefront of considerations with respect to both finding technical solutions and code implementation.



Tax-Free First Home Savings Account

- “To help Canadians save for their first home, Budget 2022 proposes to introduce the Tax-Free First Home Savings Account that would give prospective first-time home buyers the ability to save up to \$40,000.”
- “Like an RRSP, contributions would be tax-deductible, and withdrawals to purchase a first home—including investment income— would be non-taxable, like a TFSA. Tax-free in, tax-free out.”
 - CHBA has asked for measures, such as the introduction of a homeownership savings plan, that would help more first-time homebuyers to enter the market.
 - CHBA will continue to discourage the use of measures that lock out well-qualified first-time buyers, like any further mortgage rule tightening.
 - NOTE: importantly, the budget did not reference mortgage rule tightening



Doubling First-Time Home Buyers' Tax Credit

- “The government proposes to double the First-Time Home Buyers’ Tax Credit amount to \$10,000. The enhanced credit would provide up to \$1,500 in direct support to home buyers to help offset the costs associated with buying a home.”
- “Applies to homes purchased on or after January 1, 2022.”
 - CHBA has been advocating for increasing the First-Time Home Buyers’ Tax Credit and is pleased to see measures in the budget that help assist with the costs involved with purchasing a new home.

Canada's Ambitious Immigration Plan

- “To meet the demands of the growing economy, the federal government’s 2022-24 Immigration Levels Plan sets an even higher annual target of 451,000 permanent residents by 2024 - the majority of whom will be skilled workers.”
- “The government also intends to amend the Immigration and Refugee Protection Act to improve Canada’s ability to select applicants that match its changing and diverse economic and labour force needs.”
 - CHBA has actively advocated to improve the immigration system for skilled workers to respond better and more quickly to labour shortages in residential construction through permanent immigration solutions.
 - CHBA has recommended enhancements to the selection of immigrants with skilled trades credentials or construction experience to ensure that the residential construction sector will receive its proportionate share of newcomers.
 - It is also critical that skilled labour allocations for immigration be increased.

Modernizing Labour Market Transfer Agreements

- “The federal government is renewing its Labour Market Transfer Agreements with provinces/territories and proposes to amend Part II of the Employment Insurance Act to ensure more workers are eligible for help before they become unemployed, and that employers can receive direct support to re-train their workers.”
- This is a welcome measure as CHBA has long called for money spent on programming to target employer-directed programming to ensure EI-funded programming leads directly to employment.

Other Items

- Implement a “Home Buyers’ Bill of Rights”
 - Blind bidding, home inspections
- Review of housing as an “asset class”
 - tax treatment of large corporate players that invest in residential rental real estate
- Ban on Foreign Investment in Canadian Housing
 - Key carve outs, incl. CHBA recommendation not to include vacation properties
- Introduce new taxation rules on house flipping
- GST/HST on Assignment Sales
- Extend anti-money laundering and anti-terrorist financing requirements to all businesses conducting mortgage lending in Canada
 - CHBA notes that other than the money laundering issues, the other measures would not be needed if there was enough housing supply.



2022 Federal Budget - Tax

April 13, 2022



Wherever business takes you

[MNP.ca](https://mnp.ca)



Budget Highlights

- A budget reflective of our changing times...

What isn't in the Budget

- Plan to balance the budget
- Wealth taxes
- Estate tax (but we do have tax on death)
- Change to the capital gain inclusion rates
- Changes to tax rates (other than banks/insurance companies)
- No change to principal residence (except home flipping changes)

Tax Fairness Initiatives

Steps that the federal government has announced since 2015 to promote fairness and integrity in the tax system include:

- ✓ Raising taxes on the wealthiest one per cent of Canadians, and cutting taxes for 20 million low- and middle-income Canadians;
- ✓ New taxes on luxury goods, like yachts and private jets;
- ✓ A tax on vacant or underused housing owned by non-resident, non-Canadians;
- ✓ Reforming the tax treatment of employee stock options to ensure it does not disproportionately benefit the very wealthy;
- ✓ Limiting excessive interest deductions to ensure that large companies pay their fair share;
- ✓ Restricting the ability of large financial institutions to use complicated financial transactions to create artificial tax deductions;
- ✓ Implementing all minimum standards from the OECD's Base Erosion and Profit Shifting project to tackle international tax avoidance; and
- ✓ Ensuring that the GST/HST applies in a fair and effective manner to the growing digital economy.



Personal Tax Measures

2022 Combined Personal Top Marginal Income Tax Rates

	Interest and Regular Income	Capital Gains	Canadian Dividends	
			Eligible	Non-Eligible
British Columbia	53.50%	26.75%	36.54%	48.89%
Alberta	48.00%	24.00%	34.31%	42.30%
Saskatchewan	47.50%	23.75%	29.64%	41.82%
Manitoba	50.40%	25.20%	37.79%	46.67%
Ontario	53.53%	26.76%	39.34%	47.74%
Québec	53.31%	26.65%	40.11%	48.70%
New Brunswick	53.30%	26.65%	33.51%	47.75%
Nova Scotia	54.00%	27.00%	41.58%	48.27%
P.E.I.	51.37%	25.69%	34.23%	47.04%
Newfoundland & Lab.	54.80%	27.40%	46.20%	48.96%
Yukon	48.00%	24.00%	28.92%	44.05%
Northwest Territories	47.05%	23.53%	28.33%	36.82%
Nunavut	44.50%	22.25%	33.08%	37.79%



Corporate Tax Measures

2022 Combined Corporate Income Tax Rates

	Small Business Income up to \$500,000	Active Business Income	Investment Income
British Columbia	11.00%	27.00%	50.70%
Alberta	11.00%	23.00%	46.70%
Saskatchewan	9.0/10.0%	27.00%	50.70%
Manitoba	9.00%	27.00%	50.70%
Ontario	12.20%	26.50%	50.20%
Québec	13.0/12.2%	26.50%	50.20%
New Brunswick	11.50%	29.00%	52.70%
Nova Scotia	11.50%	29.00%	52.70%
P.E.I.	11.0/10.0%	31.00%	54.70%
Newfoundland & Lab.	12.00%	30.00%	53.70%
Yukon	9.00%	27.00%	50.70%
Northwest Territories	11.00%	26.50%	50.20%
Nunavut	12.00%	27.00%	50.70%

New Corporate Tax Measures

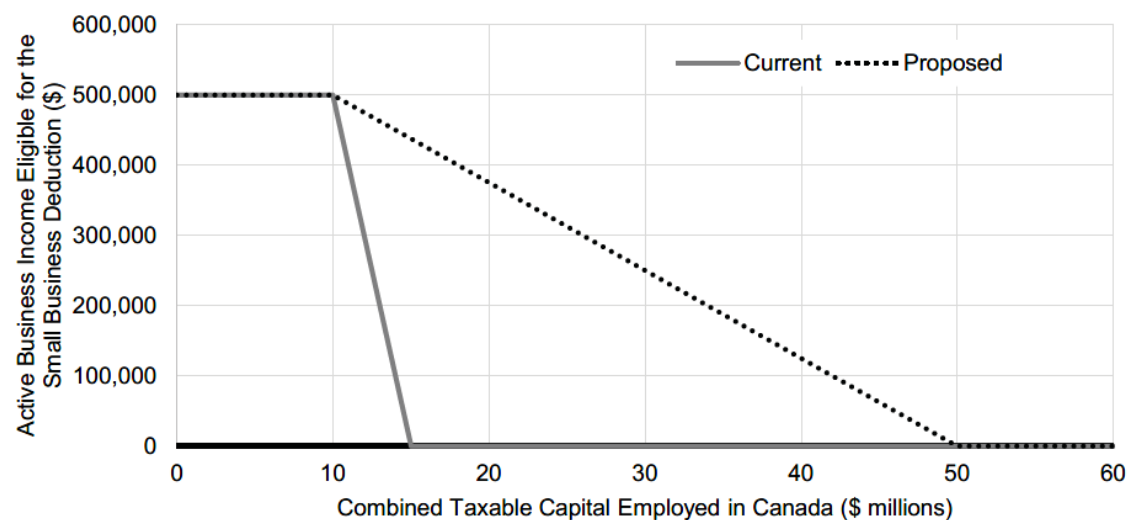
Small Business
Deduction

Taxation of a
“Substantive
CCPC”

Corporate Tax Measures

Small Business Deduction

Current and Proposed Reductions of the Business Limit Based on Taxable Capital



This measure would apply to taxation years that begin on or after Budget Day.

Adjusted Aggregate Investment Income grind formula remains unchanged.



Corporate Tax Measures

Taxation of a "Substantive CCPC"

- A tax-deferral advantage is available to public and foreign-controlled Canadian corporations on investment income and capital gains.
- This is not the case for Canadian Controlled Private Corporations (CCPCs), which include many owner-managed companies in Canada.
- Prior to Budget 2022, some CCPCs were restructured so that they could access the same deferral advantage.
- Budget 2022 proposes a measure that would address this restructuring without affecting *genuine* non-CCPCs.
- This measure would apply to taxation years that begin on or after Budget Day.

New Personal Tax Measures

Tax-Free First Home
Savings Account
("FHSA")

Multigenerational
Home Renovation
Tax Credit

Enhanced Home
Accessibility and
First-Time Home
Buyers' Credits

Residential Flipping
Rule

Alternative
Minimum Tax

Personal Tax Measures

Residential Flipping Rule

- Budget 2022 introduces new deeming rule to ensure profits from selling residential real estate (including a rental property), owned for less than 12 months, is subject it to taxation as business income.
- This new deeming rule will not apply if the disposition of property is in relation to at least one of the life events listed below:
 - *Death*
 - *Household addition*
 - *Separation*
 - *Personal safety*
 - *Disability or illness*
 - *Employment change*
 - *Insolvency*
 - *Involuntary disposition*

Personal Tax Measures

Alternative Minimum Tax

- Budget 2022 announces the government's intent to examine a new minimum tax regime.
- AMT has been in place since 1986 and has not been substantially updated since its introduction.
- Additional details on a proposed approach will be in the 2022 fall economic and fiscal update.

GST/HST Tax Measures



GST/HST Tax Measures

Assignment Sales by Individuals

- Budget 2022 proposes to make all assignment sales in respect of newly constructed or substantially renovated residential housing taxable for GST/HST purposes.
- The GST/HST would apply to the total amount paid for a new home by its first occupant and there would be greater certainty regarding the GST/HST treatment of assignment sales.
- This measure would apply in respect of any assignment agreement entered into on or after the day that is one month after Budget Day.



Future Measures to be Addressed

Corporate Tax Measures

Intergenerational Transfers (Bill C-208)

- No changes announced at this time.
- Budget 2022 announces a consultation process for Canadians to share views as to how the existing rules could be modified to protect the integrity of the tax system while continuing to facilitate bona fide intergenerational business transfers.
- The government is committed to bringing forward legislation to address these issues, which would be included in a bill to be tabled in the fall after the conclusion of the consultation process.
- Stakeholder comments to be received by June 17, 2022.

Corporate Tax Measures

Limitation on Interest & Financing Expenses

- Complex rules
- Generally not intended to apply to:
 - CCPCs with taxable capital < \$15 million (alone or as part of associated group)
 - Corporations or trusts with interest or financing expenses < \$250,000
 - Canadian corporations with no significant non-resident shareholdings or foreign affiliates; Canadian trusts with no significant non-resident beneficiaries
- Generally to apply to tax years beginning in 2023
- Consider impact on highly-leveraged businesses

Corporate Tax Measures

Future Corporate Tax Changes Regarding Residential Real Estate

Budget 2022 announces a federal review of housing as an asset class, in order to better understand the role of large corporate players in the market and the impact on Canadian renters and homeowners.

This will include the examination of a number of options and tools, including potential changes to the tax treatment of large corporate players that invest in residential real estate. Further details on the review will be released later this year, with potential early actions to be announced before the end of the year.

Trust Tax Measures

Reporting to the CRA

- Most personal trusts resident in Canada will be required to file T3 return
 - Includes bare trusts
- Limited exceptions apply
- Additional information disclosures required in T3, including details for:
 - Trustees & persons with ability to influence trustee decisions
 - Beneficiaries
 - Settlers
- Significant penalties for non-compliance
- Comes into effect for tax years ending after December 30, 2022



Personal Tax Measures

Luxury Tax Proposals

- Applies to vehicles, aircraft and boats exceeding price threshold:
 - Vehicles \$100,000
 - Personal-use aircraft \$100,000
 - Boats \$250,000
- Luxury Tax calculated as the lesser of:
 - 10% of the total price, or
 - 20% of the total price exceeding the price threshold
- GST/HST to be charged on Luxury Tax
- Some exceptions available



Trust Tax Measures

Employee Ownership Trust

- Budget 2022 proposes to create the Employee Ownership Trust
- The new trust will encourage employee ownership and support the transition of business ownership to employees.
- Details are yet to come.



Personal Tax Measures

Labour Mobility Deduction for Tradespeople

- A personal tax deduction of up to \$4,000 per year in eligible travel and temporary relocation expenses.
- Available to eligible tradespersons and apprentices.
- This measure would apply to the 2022 and subsequent taxation years.

Final Thoughts

Closing remarks

As you can see, Budget 2022 includes a number of personal, corporate, and indirect tax measures focused on housing, targeted investments, innovation, and the green transition.

These measures were introduced with varying levels of detail and certainty.

As legislation and consultations unfold, it is important that you speak to your local MNP Advisor to determine the impact to you and your business.

Check out our website and subscribe for updates at [MNP.ca](https://mnp.ca)

Disclaimer

The MNP material presented today and contained in these slides contains a general overview of the subject, is provided solely for educational purposes and may not be applicable to a specific case, set of circumstances or facts. This material is based on laws and practices that are subject to change and is current as of the date of publication. This information contained in this presentation is not comprehensive and should not be adopted without regard to other relevant information and the particulars on any client's situation. Please feel free to contact your local MNP Professional advisor for advice specific to your circumstances.

© MNP LLP 2022. All Rights Reserved.



QUESTIONS?



Kevin Lee
CEO
CHBA



Eddy Burello
Partner
MNP

eddy.burello@mnp.ca



Anthony Condello
Senior Manager
MNP

anthony.condello@mnp.ca