

# Federal Budget Date Announced – April 7, 2022

Kim G C Moody FCPA, FCA, TEP  
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The Canadian federal budget has a release date. It was announced today that the budget will be released on the afternoon of April 7, 2022. Some interesting Canadian media commentary about the federal budget and what might be coming can be accessed [here](#).

From a tax perspective, here's a short list of things that our firm will be looking for:

## ***Personal / Corporate Tax Rate Increases?***

I'm guessing there will be none. However, with the new NDP-Liberal coalition and the fact that the NDP was able to secure some significant spending initiatives as a result, one wonders if there just might be some personal tax rate increases (especially since the NDP in its 2021 [election platform](#) called for a 2% personal tax increase on so-called high income earners). With increased revenues being realized by the federal government, I'm guessing that there will be no strong urgency to enact personal and corporate tax increases...but you never know.

## ***Capital Gains Inclusion Rate Increase?***

As we discussed in a recent [blog](#), while some prognosticators have been crying wolf on a possible capital gains inclusion rate for years, there very well might be a fire brewing beneath the smoke on this issue. Presently the capital gains inclusion rate for realized or deemed realized capital gains is 50%. Could an increase to say 67% (as it was from 1988-89) or 75% (as it was from 1990-1999) happen? We'll be watching closely.

## ***Bill C-208 "Fixes"***

Could the April 7, 2022, Federal Budget be the time that the government releases its long-awaited amendments to the faulty Bill C-208 legislation? For those that need some background, have a listen to Episode 020 and 021 of our firm's Podcast – Taxbreaks – [here](#). Many in the tax community have been waiting for the amendments. We wouldn't be surprised to see the amendments pop up in this budget. But we also wouldn't be surprised to see it released after the Budget in a separate package.

Will the eventual amendments put a bullet into "surplus stripping"? We'll see...

### ***More Anti-Avoidance Measures?***

The Budgets of recent years have been famous for introducing anti-avoidance measures on several issues that the government feels are being abused. On February 4, 2022, a significant [package](#) of amendments that contained restricted interest deductibility proposals, proposed mandatory disclosure rules and other measures was released by The Department of Finance. Such proposals are very extensive, pervasive, and complex. Will we see some more anti-avoidance rules or surprises? We'll have to wait and see.

### ***New Surtax on Banks and Insurance Companies?***

The Liberal Party's 2021 election platform included a pledge to impose a 3% tax increases – from 15% to 18% – on large banks and insurance companies with profits that exceed \$1 billion, as well as requiring these same companies to pay a "Canada Recovery Dividend." With the new NDP – Liberal coalition, will this proposal become a reality in the federal budget?

### ***"Anti-Flipping" Tax on Principal Residences***

During the federal budget, the Liberal Party promised to introduce an "anti-flipping" tax for principal residences that are disposed of within 12 months of acquisition (with certain exceptions). This proposal is littered with technical issues. In my opinion, the Income Tax Act is already equipped with tools to attack people who treat such properties as inventory as opposed to capital properties that are their true principal residences. We'll be looking with interest to see if this proposal shows up in the budget.

### ***Other "Boutique" Personal Tax Credits***

The 2021 Liberal Party election platform contained many personal boutique personal tax credit promises. Such promises included:

- A new Career Extension Tax Credit;
- A new Labour Mobility Tax Credit;
- Increases to the Home Accessibility Tax Credit;
- A new Multi-Generational Home Renovation Tax Credit; and
- A new credit for Home Appliance Repairs;

There were also additional promises to tinker with various existing credits. More information, again, [here](#). Will we see some of these introduced in federal budget? Let's hope not. Boutique tax credits are, in general, poor taxation policy and can cause significant challenges to the administration of the Income Tax Act. We could do without most of the above.

### ***Increased Funding for the Canada Revenue Agency?***

The 2021 Liberal election platform promised an additional \$1B per year for the CRA to fight aggressive tax planning and avoidance. Not exactly sure what this means. In addition, the election platform called for an additional \$200 million over 4 years to be provided to FINTRAC, RCMP and the CRA to detect financial crimes. There have been significant increases to the CRA's budget in recent years so it wouldn't surprise me to see material increases to the CRA's budget show up on April 7, 2022.

There are no shortage of taxation matters that we'll be watching closely. Grab your popcorn and wine! This should be interesting!